DRAFT RED HERRING PROSPECTUS
Dated July 8, 2010
Please read sections 60 and 60B of the Companies Act, 1956
The Draft Red Herring Prospectus will be updated on filing with the RoC
100% Book Building Issue

Virgo Engineers Limited

(Our Company was incorporated as Virgo Engineers Private Limited on June 8, 1987. Our status was subsequently changed to a public limited company by a special resolution of the members passed at the extraordinary general meeting held on February 10, 1995 with the name Virgo Engineers Limited and a fresh certificate of incorporation consequent on conversion and change of name was granted to our Company on March 31, 1995 by the Additional Registrar of Companies, Maharashtra, at Mumbai).

Registered Office: 277, Hinjewadi Phase II, Maan (Mulshi), Pune 411057, India; **Company Secretary and Compliance Officer**: Manoj Kohok;**Tel**: (91 20) 6674 4000; **Fax:** (91 20) 6674 4021; **Email:** investors@virgoengineers.com; **Website**: www.virgoengineers.com; For details of changes in our registered office see "History and Corporate Structure" on page 112.

PROMOTERS: OUR COMPANY IS PROMOTED BY V. BALASUBRAMANIAN AND MAHESH DESAI.

PUBLIC ISSUE OF 13,430,346 EQUITY SHARES WITH A FACE VALUE OF RS. 10 EACH OF VIRGO ENGINEERS LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) CONSISTING OF A FRESH ISSUE OF 10,744,276 EQUITY SHARES ("FRESH ISSUE") BY THE COMPANY AGGREGATING UP TO RS. [●] MILLION AND AN OFFER FOR SALE OF 2,686,070 EQUITY SHARES ("OFFER FOR SALE") BY THE SELLING SHAREHOLDERS, AGGREGATING UP TO RS. [●] MILLION (THE "ISSUE"). THE ISSUE WILL CONSTITUTE 25.37% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 EACH.

THE PRICE BAND AND THE MINIMUM BID LOT SIZE WILL BE DECIDED BY OUR COMPANY AND THE SELLING SHAREHOLDERS IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGERS AND WILL BE ADVERTISED AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ ISSUE OPENING DATE.

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

In terms of Rule 19(2) (b) (i) of the Securities Contracts Regulations Rules, 1957 ("SCRR"), as amended, this is an issue for at least 25% of the post-Issue capital.The Issue is being made through 100% Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers ("**QIBs**") (the "**QIB Portion"**). 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% 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. The Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis (the "**Anchor Investor Portion**") out of which one-third shall be reserved for domestic Mutual Funds. Potential investors may participate in this Issue through an Application Supported by Blocked Amount ("**ASBA**") process providing details about the bank account which will be blocked by the Self Certified Syndicate Banks ("**SCSBs**") for the same. For details see "Issue Procedure" on page 291.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of the Company, there has been no formal market for the Equity Shares of the Company. The face value of the Equity Shares is Rs.10 per Equity Share and the Floor Price is [●] times of the face value and the cap price is [●] times the face value. The Issue Price (as determined and justified by the Company and the Selling Shareholders in consultation with the Book Running Lead Managers, on the basis of assessment of market demand for the Equity Shares offered by way of the book building process) and as stated in the section titled "Basis for Issue Price" on page 67, should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company nor regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISK

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 Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page xi.

IPO GRADING

This Issue has been graded as [●] by [●] indicating [●].The IPO grading is assigned on a five point scale from one to five with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For details see "General Information" on page 17.

ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer and the Selling Shareholders, having made all reasonable inquiries, accept responsibility for and confirm that this Draft Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Draft 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 Draft 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 ARRANGEMENT

The Equity Shares offered through this Draft Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated [●] and [●], respectively. For purposes of this Issue, the Designated Stock Exchange is the [●].

BOOK RUNNING LEAD MANAGERS		REGSTRAR TO THE ISSUE
IDFC Capital Limited Naman Chambers C-32, G Block,Bandra Kurla Complex, Bandra (E), Mumbai 400 051 Tel: (91 22) 6622 2600 Fax: (91 22) 6622 2501 Email: virgo.ipo@idfc.com Investor Grievance Id: complaints@idfc.com Website: www. idfccapital.com SEBI Registration No: INM000011336 Contact Person: Cyril Paul	**Edelweiss Capital Limited** 14th Floor, Express Towers Nariman Point Mumbai 400 021 Tel: (91 22) 4086 3535 Fax: (91 22) 4086 3610 Email:virgo.ipo@edelcap.com Investor Grievance Email:customerservice.mb@edelcap.com Website: www.edelcap.com SEBI Registration No.: INM0000010650 Contact Person: Viral Shah	**Link Intime India Private Limited** C-13, Pannalal Silk Mills Compound L.B.S Marg Bhandup (West) Mumbai 400 078 Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email: vel.ipo@linkintime.com Website: www.linkintime.co.in SEBI Registration No.: INR000004058 Contact Person: Sachin Achar

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON:*	BID/ISSUE CLOSES ON:

**Our Company may consider participation by Anchor Investors. The Anchor Investors Bid/Issue Period shall be one day prior to the Bid/Issue Opening Date*

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

Term	Description
"We", "us", "our"	Unless the context otherwise indicates or implies, refers to Virgo Engineers Limited and its Subsidiaries on a consolidated basis
"Issuer", "the Company", "our Company" and "Virgo"	Virgo Engineers Limited on a stand alone basis

Company Related Terms

Term	Description
Articles/ Articles of Association	Articles of Association of our Company
Audit Committee	The audit committee of our Directors constituted at their Board meeting held on February 16, 2007, reconstituted as of April 26, 2007 and further reconstituted on October 26, 2007. The audit committee consists of Kishore Kulkarni (Chairman), Dhananjay Kelkar, R. M. Ajgaonkar and Abhay Nalawade.
Auditors	The statutory auditors of our Company namely S. R. Batliboi & Associates, Chartered Accountants
Board/ Board of Directors	Board of Directors of our Company or duly constituted committee thereof
ESOP 2006	An employee stock option scheme adopted by our Board on July 27, 2006 and was made effective on October 18, 2006. This scheme permits grants to all of our permanent employees of our Company and our Subsidiaries, in or above the cadre junior managers, or equivalent cadre
ESOP 2007	An employee stock option scheme adopted by our Board on July 26, 2007 and was made effective on October 26, 2007. This scheme permits grants to all of our permanent employees of our Company and our Subsidiaries, in or above the cadre junior managers, or equivalent cadre
ESOP 2009	An employee stock option scheme adopted by our Board on July 26, 2009 and was made effective on October 27, 2009. This scheme permits grants to all of our permanent employees of our Company and our Subsidiaries, in or above the cadre junior managers, or equivalent cadre
ESOP Schemes	Collectively ESOP 2006, ESOP 2007 and ESOP 2009
EVS	EVS Valves Inc.
IPO Committee	Committee constituted by our Board at its meeting held on April 26, 2007 and reconstituted on October 26, 2007, on April 24, 2008 and again on April 27, 2010 consisting of Mahesh Desai (Chairman), Hetal Gandhi, Rajaram Ajgaonkar and Paresh Rajda
Memorandum/ Memorandum of Association/MoA	Memorandum of Association of our Company
Promoter Group	Individuals consisiting of Neeta Desai, Durga Desai, Sanyukta Desai, Amod Desai, Jagdish Desai, Anagha Kanade, Digambar K. Devnally, Vijaya D. Devnally, Geeta Kasbekar, B. Sashikala, Praveena Ravishankar, B. Prasad, S.V. Rajamani, V. Krishnamurthy, Natarajan, V. Venkataraman, V. Nagarajan, V. Anantharaman, N. Preema, G. Venkataramani and Vasantha, Savithri. Entities forming part of the Promoter Group are V. Balasubramanian (HUF) and Virgo Control Systems Private Limited.
Promoters	Mahesh Desai and V. Balasubramanian
RIFOX	RIFOX–Hans Richter GmbH Spezialarmaturen
Registered Office	The registered office of our Company, situated at 277, Hinjewadi Phase II, Maan (Mulshi), Pune 411057, India
RoC/Registrar of Companies	The Registrar of Companies, Pune, Maharashtra
Subsidiaries	Subsidiaries of our Company, namely, Virgo Valves & Controls Limited, Vintrol India Limited, EVS Valves Inc., Vintrol Inc., Virgo Engineers Inc., Virgo Europe S.p.A., RIFOX–Hans Richter GmbH Spezialarmaturen and Virgo Valves and Controls (ME) FZE.
Tano	Tano Mauritius India FVCI
Tano Shareholders Agreement	Share Purchase, Share Subscription and Shareholders' Agreement dated August 24, 2006 entered into between Tano Mauritius India FVCI, our Company, our Promoters, certain members of our Promoter Group and some of our Subsidiaries as amended by the Tano Amended and Restated Shareholders Agreement and also includes the Amended Agreement dated June 18, 2010 entered into between the Promoters, Investors and the Company whereby the Tano Shareholders Agreement has been terminated

VEI	Virgo Engineers Inc. USA
VIL	Vintrol India Limited
Vintrol	Vintrol Inc. USA
Virgo S.p.A	Virgo Europe S.p.A
Virgo FZE	Virgo Valves and Controls (ME) FZE
VVCL	Virgo Valves & Controls Limited

Issue Related Terms

Term	Description
Allotment/Allot(ed)	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue to the successful Bidders
Allottee	The successful Bidder to whom the Equity Shares are/ have been allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion with a minimum Bid of Rs. 100 million
Anchor Investor Bid/ Issue Period	The date, being the date one day prior to the Bid/Issue Opening Date, prior to and after which the Syndicate shall not accept Bids from Anchor Investors
Anchor Investor Bidding Date	The date one working day prior to the Bid/Offer Opening Date on which Bid by Anchor Investors shall open and shall be completed
Anchor Investor Portion	Up to 30% of the QIB Portion, which may be allocated to Anchor Investors by the Company and the Selling Shareholders in consultation with the BRLMs, on a discretionary basis. One third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price
ASBA/ Application Supported by Blocked Amount	The application (whether physical or electronic) used by a Bidder to make a Bid authorising the SCSB to block the Bid Amount in his/her specific bank account maintained with the SCSB
ASBA Account	Account maintained by an ASBA Bidder with a SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder
ASBA Bid cum Application Form / ASBA Form	The application form, whether physical or electronic, used by the ASBA Bidder to make a Bid and which contains an authorisation to block the Bid Amount in an ASBA Account, which will be considered as an application for the Allotment for the purposes of the Red Herring Prospectus
ASBA Bidder	Any Bidder who intends to apply through ASBA facility
ASBA Revision Form	The form used by ASBA Bidders to modify the number of Equity Shares or the Bid Price in any of their ASBA Bid cum Application Forms or any previous ASBA Revision Form(s)
Banker(s) to the Issue/ Escrow Collection Bank(s)	[●]
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure" on page 291
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid Amount	The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase Equity Shares of our Company and which will be considered as the application for Allotment pursuant to the terms of the Draft Red Herring Prospectus, including the ASBA Form
Bid / Issue Closing Date	Except in relation to the Anchor Investors, the date after which the Syndicate and the SCSBs will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bid / Issue Opening Date	Except in relation to the Anchor Investors, the date on which the Syndicate and the SCSBs shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Marathi newspaper with wide circulation
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Draft Red Herring Prospectus and the Bid cum Application Form
Bidding / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids other than Anchor Investors
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI Regulations, in terms of which this Issue is being made
BRLM/Book Running	Book Running Lead Manager to the Issue, in this case being IDFC Capital Limited and Edelweiss

Term	Description
Lead Manager	Capital Limited
Business Day	Any day other than Saturday and Sunday on which commercial banks in Mumbai, India are open for business
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the successful Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process, including any revisions thereof In relation to Anchor Investors, the note or advice or intimation of allocation of Equity Shares sent to the successful Anchor Investors who have been allocated Equity Shares after discovery of the Anchor Investor Issue Price, including any revisions thereof
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Controlling Branches	Such branches of the SCSBs which co-ordinate Bids under this Issue by the ASBA Bidders with the Registrar to the Issue and the Stock Exchanges and a list of which is available at http://www.sebi.gov.in/pmd/scsb.pdf or at such other website as may be prescribed by SEBI from time to time
Cut-off Price	A price within the price band finalised by our Company and the Selling Shareholders in consultation with the BRLMs. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 100,000. QIBs and Non-Institutional Bidders are not entitled to Bid at Cut-off Price
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended
Depository Participant or DP	A depository participant as defined under the Depositories Act
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Forms and a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf or at such other website as may be prescribed by SEBI from time to time
Designated Date	The date on which funds are transferred from the Escrow Account or the amount blocked by the SCSB is transferred from the bank account of the Bidder, as the case may be, to the Public Issue Account after the Prospectus is filed with the RoC, following which the Board of Directors shall allot Equity Shares to successful Bidders
Designated Stock Exchange	[●]
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Draft Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby
Equity Shares	Equity shares of our Company of Rs. 10 each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	Agreement to be entered into among our Company, the Selling Shareholders, the Registrar, BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
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, above which the Issue Price will be finalized and below which no Bids will be accepted
Fresh Issue	The issue of 10,744,276 Equity Shares by our Company
Issue	Issue to the public of 13,430,346 Equity Shares at the Issue Price consisting of a Fresh Issue of 10,744,276 Equity Shares by the Company and an Offer For Sale of 2,686,070 Equity Shares by the Selling Shareholders.
Issue Agreement	The agreement entered into between the Company and the BRLMs on July 6, 2010, pursuant to which certain arrangements are agreed to in relation to the Issue
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company and the Selling Shareholders in consultation with the BRLMs on the Pricing Date
Mutual Fund Portion	5% of the QIB Portion (excluding Anchor Investor Portion) or 235,031 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended

Term	Description
Net Proceeds	Proceeds of the Fresh Issue, after deducting our Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than Eligible NRIs)
Non Institutional Portion	The portion of the Issue being not less than 2,014,552 Equity Shares of Rs. 10 each available for allocation to Non Institutional Bidders
Offer for Sale	The Offer for Sale by the Selling Shareholders of 2,686,070 Equity Shares of Rs. 10 each at the Issue Price
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	The period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date; and With respect to Anchor Investors, it shall be the Anchor Investor Bid/Issue Period and extending until two working days after the Bid/ Issue Closing Date
Price Band	Price band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•] and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI Regulations. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company and the Selling Shareholders in consultation with the BRLMs and advertised, at least two Working Days prior to the Bid/ Issue Opening Date, in two national newspapers (one each in English and Hindi) and in one Marathi newspaper with wide circulation
Pricing Date	The date on which our Company and the Selling Shareholders in consultation with the BRLMs finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Act containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account and from the SCSBs from the bank accounts of the Bidders on the Designated Date
QIB Portion	The portion of the Issue being 6,715,173 Equity Shares to be allotted to QIBs on a proportionate basis, including the Anchor Investor Portion
Qualified Institutional Buyers or QIBs	Includes public financial institutions as specified in Section 4A of the Act, FIIs and their sub accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, Insurance funds set up and managed by the Army, Navy or Air force of the Union of India, provident funds with minimum corpus of Rs. 250 million, pension funds with minimum corpus of Rs. 250 million and the National Investment Fund
Refund account	The account opened with the Escrow Collection Bank(s), from which refunds, (excluding refunds to Bidders applied through ASBA), if any, of the whole or part of the Bid Amount shall be made
Refund Banker	[•]
Refunds through electronic transfer of funds	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, NEFT or RTGS or ASBA process as applicable
Registrar to the Issue	Link Intime India Private Limited
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have not Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue (including HUF, applying through their Karta and Eligible NRIs)
Retail Portion	The portion of the Issue being not less than 4,700,621 Equity Shares of Rs.10 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders, excluding Bidders applying through ASBA, 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)
RHP or Red Herring Prospectus	The Red Herring Prospectus which does not have complete particulars of the price at which the Equity Shares are offered and the size of the issue and which will be filed with RoC in terms of Section 60B of the Companies Act, at least three days before the Bid/ Issue Opening Date
Self Certified Syndicate Bank or SCSB	The banks which are registered with SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and offers services in relation to ASBA, including blocking of bank account and a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf or at such other website as may be prescribed by SEBI from time to time
Selling Shareholders	The Selling Shareholders comprise Tano Mauritius India FVCI, V. Balasubramanian, Mahesh Desai, Rajaram M. Ajgaonkar, Neeta Desai, Jagdish Desai, Sujata Jagdish Desai, V.R. Jayaraman, Billy Neimann, S.N. Srinivasan, Deepak Kirtilal Shah, Paresh Rajda, Sarang Sathe, Firose Aslam, A.K. Mohamed Aslam, Zahir Aslam, Jagdish Prasad Gupta, Parmeshwari J Gupta

Term	Description
Stock Exchanges	BSE and NSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	Agreement to be entered into among the Syndicate, the Selling Shareholders and the Company in relation to the collection of Bids in this Issue (excluding Bids from the Bidders applying through ASBA)
Syndicate Members	[●]
TRS/ Transaction Registration Slip	The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
Underwriter	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the BRLMs, the Selling Shareholders and our Company to be entered into on or after the Pricing Date

Conventional and General Terms/ Abbreviations

Term	Description
Act or Companies Act	Companies Act, 1956 as amended from time to time
AED	United Arab Emirates Dirham
AGM	Annual General Meeting
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CC	Cash Credit
CDSL	Central Depository Services (India) Limited
CENVAT	Central Value Added Tax
CGT	Corporate Guarantor
CLRA	The Contract Labour (Regulation and Abolition) Act, 1970
CST	Central Sales Tax
DEPB	Duty Entitlement Pass Book
Depositories Act	The Depositories Act, 1996 as amended from time to time
Depository Participant/DP	A depository participant as defined under the Depositories Act
Depository/Depositories	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time, in this case being NSDL and CDSL
DGFT	Directorate General of Foreign Trade
DP ID	Depository Participant's Identity
DTA	Domestic Tariff Area
ECGC	Export Credit Guarantee Corporation
EEPC	Engineering Export Promotion Council
EGM	Extraordinary General Meeting
EMD	Earnest Money Deposit
EPA	The Environment Protection Act, 1986
EPS	Earnings Per Share
EPC	Export Packing Credit
EPFA	The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
EOU	Export Oriented Units
ESI Act	The Employees' State Insurance Act, 1948
EU	European Union
FDBP	Foreign Documentary Bill Purchase
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder and amendments thereto
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
FII(s)	Foreign Institutional Investors as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
FIPB	Foreign Investment Promotion Board
FTP	Foreign Trade Policy, 2009
FUDBP	Foreign Usance Documentary Bill Purchase
FVCI	Foreign Venture Capital Investors registered with SEBI (Foreign Venture Capital Investor) Regulations, 2000
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year.
FZE	Free Zone Establishment

GDP	Gross Domestic Product
GoI/Government	Government of India
HVOF Facility	High Velocity Oxidised Fuel Facility
HUF	Hindu Undivided Family
I.T. Act	The Income Tax Act, 1961, as amended from time to time
IFRS	International Financial Reporting Standards
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
ITC (HS)	Indian Trade Classification (Harmonised System)
JMFC	Judicial Magistrate First Class
L/C	Letter of Credit
MIDC	Maharashtra Industrial Development Corporation
MOU	Memorandum of Understanding
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation, preference share capital and share application money) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares outstanding at the end of Fiscal
NEFT	National Electronic Fund Transfer
NFE	Net Foreign Exchange
NR or Non Resident	A person resident outside India, as defined under FEMA and includes a Non Resident Indian
NRE Account	Non Resident External Rupee Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA Regulations
NRO Account	Non Resident Ordinary Rupee Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
OHSAS	Occupational Health and Safety Advisory Services
PAT	Profit After Tax
PBA	The Payment of Bonus Act, 1965
PBT	Profit Before Tax
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the I.T. Act
PCFC	Packing Credit in Foreign Currency
PESO	Petroleum and Explosives Safety Organization
PGA	The Payment of Gratuity Act, 1972
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer
RBI	The Reserve Bank of India
RoC	The Registrar of Companies, Maharashtra, Pune
RONW	Return on Net Worth
Rs./Rupees	Indian Rupees
RTGS	Real Time Gross Settlement
SBAR	State Bank Advanced Rate
SCRA	Securities Contracts (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 Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended from time to time
Sec. /S.	Section
SEZ	Special Economic Zone
SIA	Secretariat of Industrial Assistance
Sq. ft.	Square Feet
SRCC	Strike Riots and Civil Commotion
U.S. / U.S.A. / United States	United States of America
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
U.S. Securities Act	U.S. Securities Act of 1933, as amended from time to time

WTPCG	Whole Turnover Packing Credit Guarantee
$/USD/US$	US Dollar
€	Euro
¥	Yen

Industry Related Terms

Term	Description
ASEAN	The Association of Southeast Asian Nations
CAGR	Compound Annual Growth Rate
CIS	Commonweath of Independent States
ESI	The Employees State Insurance Act, 1948
IDA	Industrial Disputes Act, 1948
LNG	Liquefied Natural Gas
NAFTA	North America Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
WEO	The World Energy Outlook

CERTAIN CONVENTIONS, PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India. All references to "US$" or "US Dollars" are to United States Dollars, the official currency of the United States of America. All references to "€" are to Euros, the official currency of the European Union and "GBP" or "£" are to Great Britain Pounds, the official currency of the United Kingdom. All references to "AED" are to Arab Emirates Dirhams, the official currency of the United Arab Emirates.

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our Restated Consolidated Summary Statements as at and for the years ended March 31, 2006, 2007, 2008, 2009 and 2010 (hereinafter the "**Restated Financial Statements**") which have been prepared in accordance with the requirements of the Act, the SEBI Regulations and Indian GAAP, which are included in this Draft Red Herring Prospectus. Our Fiscal commences on April 1 and ends on March 31 of the next year. All references to a particular Fiscal are to the twelve-month period ended on March 31 of that year. All references to consolidated and unconsolidated financial statements shall refer to our restated consolidated and restated unconsolidated financial statements.

All disclosures in relation to stock options granted under our ESOP Schemes have been made after converting the same for alterations in share capital and capital structure including bonus issues.

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

In this Draft Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

Market and industry data used in this Draft Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decisions should be made based on such information. Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been verified. Similarly, we believe that the internal company reports are reliable; however, they have not been verified by any independent sources.

The extent to which the market and industry data used in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

Unless stated otherwise, the following table sets forth, for each of the periods indicated, information concerning the number of Rupees for which one unit of the said currency could be exchanged at the reference rates published by the Reserve Bank of India. Additionally, disclosure in relation of other foreign currency such as € and AED has also been set out hereunder. The row titled "Average" in the table below is the average of the reference rates for each day in the specified period. Similarly, the rows titled "low" and "high" give the lowest and highest reference rates during the said period.

<u>For US$</u>

	Fiscal 2010 (in Rs.)	Fiscal 2009 (in Rs.)	Fiscal 2008(in Rs.)
Period End	45.14	50.95	39.97
Average	47.42	45.91	40.24
Low	44.94	39.89	39.27
High	50.3	52.06	43.15

(Source: www.rbi.org.in)

<u>For €</u>

	Fiscal 2010 (in Rs.)	Fiscal 2009 (in Rs.)	Fiscal 2008 (in Rs.)
Period End	60.56	67.48	63.09
Average	67.08	65.14	56.99
Low	60.52	60.57	54.32
High	71.06	69.17	64.48

(*Source: www.rbi.org.in*)

For AED

	Fiscal 2010 (in Rs.)	Fiscal 2009 (in Rs.)	Fiscal 2008 (in Rs.)
Period End	12.26	14.21	10.87
Average	13.00	12.66	10.97
Low	12.24	10.87	10.69
High	14.09	14.64	11.83

(*Source: www.oanda.com*)

For the section “Objects to the Issue” on page 50, we have used a conversion rate of foreign exchange rate of € 1= Rs.56.92 and $ 1 = Rs. 46.73 and as on June 15, 2010. (Source: www.rbi.org.in).

FORWARD-LOOKING STATEMENTS

This Draft Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "objective", "plan", "project", "will", "will continue", "will pursue", "will likely result", " "contemplate", "seek to", "future", "goal", "should" or other words or phrases of similar import. Similarly, statements that describe our objectives, plans or goals are also forward-looking statements.

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

1. A decline in its growth rate or disruptions in the oil & gas industry.
2. Our continuing relationships with our key customers, with whom we have not entered into long term arrangements.
3. Our ability to obtain or maintain pre-qualifications and/or certifications from our customers.
4. Our ability to successfully complete and integrate acquisitions and investments.
5. Our management of foreign exchange and currency risks.
6. Our ability to anticipate and manage changes in technology or development of competing products.
7. Liability to customers due to defects or failure in our products.
8. Disruption in our business due to natural disasters or other events.
9. Fluctuations in the price, availability and quality of raw materials.

For a further discussion of factors that could cause our actual results to differ, refer to "Risk Factors" "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages xi, 88 and 230 respectively of this Draft 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.

Future looking statements speak only as of the date of this Draft Red Herring Prospectus. Neither we, the Selling Shareholders, our Directors, the members of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs, our Company and the Selling Shareholders 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.

SECTION II- RISK FACTORS

RISK FACTORS

An investment in equity shares involves a high degree of risk. The risks and uncertainties described below together with the other information contained in this Draft Red Herring Prospectus should be carefully considered before making an investment decision in our Equity Shares. The risks described below are relevant to the country, the industry in which our Company operates, our Company and the Equity Shares. Additional risks, not presently known to our Company or that we currently deem immaterial may also impair our Company's business operations. You should read this section in conjunction with the sections entitled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 88 *and* 230*, as well as the other information contained in this Draft Red Herring Prospectus. If any one or some combination of the following risks were to occur, our business, results of operations and financial condition could suffer, and the price of the Equity Shares and the value of your investment in the Equity Shares could decline. Prospective investors should pay particular attention to the fact that our Company is incorporated under the laws of India and is subject to a legal and regulatory environment, which may differ in certain respects from that of other countries. Prior to making an investment decision, prospective investors and purchasers should carefully consider all of the information contained in this Draft Red Herring Prospectus including the Financial Statements on page* 144*. Prospective Investors must rely on their own examination of our company and the Terms of the Issue. The amounts given below are based on our Restated Financial Statements unless otherwise stated.*

This Draft Red Herring Prospectus also contains forward-looking statements that involve risk and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Draft Red Herring Prospectus. See "Forward-Looking Statements" on page x*. Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section.*

Internal Risk Factors

Risks Related to Our Business

1. ***There is outstanding litigation against an Independent Director on our Board. Failure to successfully defend the same may adversely affect our reputation.***

   One of our Directors, N.Venkiteswaran, was a director on the board of Nucleus Securities Limited ("**Nucleus**"). A show cause notice was issued by the Assistant Commissioner, Directorate of Revenue Intelligence to Nucleus and its directors, on the alleged grounds that two of its branches had, in the course of company's business as an authorised full-fledged money changer, sold travellers cheque/ foreign exchange to certain persons who allegedly used the moneys to purchase smuggled gold and send the smuggled sale proceeds out of the country in the years 1994 and 1995. Nucleus has successfully appealed before the Customs, Excise and Gold (Control) Appellate Tribunal, Mumbai. The Customs department has filed an application before the Bombay High Court, requesting a reference on the question of law involved in the matter.

   The Special Director of Enforcement, Department of Revenue, Ministry of Finance, Government of India has, by an adjudicatory order, held Nucleus and its directors including N.Venkiteswaran guilty for alleged procedural lapses under the provisions of the Foreign Exchange Regulation Act, 1973 and imposed penalties against them. Nucleus and its directors including N.Venkiteswaran have filed an appeal before the Appellate Tribunal for Foreign Exchange, Ministry of Law, Justice and Company Affairs.

   We cannot assure you that any of these proceedings will be decided in favour of N.Venkiteswaran, or that no further liability would arise out of these proceedings. A negative outcome in these proceedings may take up management time and adversely impact our Independent Director. For further details, see the section "Outstanding Litigation and Material Developments" on page 263.

2. ***Our revenues are highly dependent on projects in the oil & gas industry and decline in its growth rate or disruptions to the oil & gas industry may adversely affect our financial condition, results of operation and cash flows.***

As on March 31, 2010 we derived 95.46 % of our revenues from supplies to companies that operate in the oil & gas industry. Various events have been affecting the oil & gas industry, including a slow-down in demand for oil/gas, weather changes, change in government policy and regulations leading to lower activity in the sector or changes in the global demand or price for oil due to economic and other factors. The occurrence or worsening of any of these types of events could result in a decrease in overall exploration of oil & gas leading to reduced capital expenditure and consequently, in a decrease in demand for our products. Any slowdown in operations or the rate of growth of the oil & gas industries could seriously impact our own growth prospects and cause a decline in our revenues, profits, cash flows and in turn, our financial condition.

Further, the recent financial downturn and tightening of credit has led to reduction in demand for our products and deferment of certain forthcoming projects. Any such future financial crisis may lead to tightening of credit and consequently would result in cancellations of projects or deferral of projects to a later date. Such cancellations or deferrals may result, in decreased demand for our products and services and could adversely affect our results of operations, cash flows and liquidity.

3. ***Our business is dependent on our continuing relationships with our customers, with whom we have not entered into long term arrangements. Any reduction or interruption in the business of a key customer, or a substantial decrease in orders placed by a key customer may have an adverse impact on our revenues and operations.***

We do not have long term arrangements obliging any of our key customers to purchase our products in the future, at the current prices or at all. There is no assurance that we will be able to maintain historic levels of business from the existing customers or to retain the existing customers, or that we will be able to replace our customer base in a timely manner or at all, in the event our existing customers do not continue to purchase products manufactured by us. The loss of, or interruption of work by, a significant customer or a number of significant customers may have an adverse effect on our revenues, cash flows and operations, including an interruption or partial or total work stoppage at our manufacturing facilities.

4. ***Our order book may not necessarily indicate what our future sales will be and our actual sales may be significantly less than estimated sales, which could adversely affect our results of operations and cash flows.***

Our Company defines its order book as unbilled orders wherein we have either commenced production or are yet to commence production. As of June 15, 2010 our consolidated order book was Rs. 4,345.70 million.

We receive a letter of intent or a purchase order from our customers, in accordance with which we plan various aspects of our operations including budgeting, manpower requirements and the raw materials that we are required to purchase. However, every letter of intent or purchase order from the customer may not result in actual sales due to, among other factors, cancellations, unanticipated variations in scope or schedule adjustments. There is no assurance that we will be able to make the required operational adjustments to our productions plans and the failure to make such adjustments may have a material adverse effect on our revenues, cash flows and operations. Further, we may be unable to claim compensation or damages for products manufactured in accordance with the letter of intent or purchase order, which have not been delivered. We cannot guarantee that the income anticipated in our order book will be realized, or, if realized, will be realized on time or result in profits.

For some of the contracts in the order book, our customers have the right to conduct an inspection, either by themselves or through a third party. If we fail the inspections conducted by our customers, orders could be delayed, modified or cancelled and as a result, our revenues, operations, cash flows and profitability could be adversely affected.

5. ***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.***

We derive a significant portion of our revenues from a limited number of large customers. In Fiscal 2008, 2009, and 2010, our top ten customers accounted for 18.12%, 22.21% and 31.62%, respectively, of our consolidated revenues. While our top ten customers are not necessarily the same every year, these customers contribute a significant portion of our revenues. In Fiscal 2010, our largest customer amounted to 9.26% of our revenues. Since there is significant competition for the products we provide and we are typically not the exclusive supplier to our major customers, the level of revenues from our major customers could vary from period to period. The loss of, or a significant reduction in, the revenues we receive from, one or more of these customers, may adversely affect our business.

6. ***Failure to obtain or maintain pre-qualifications from newer customers or loss of our pre-qualified status from our existing customers could adversely impact our business.***

Certain customers generally require valve manufacturers to undergo pre-qualification processes. These processes evaluate both the technical ability to provide relevant products with the exact specifications needed by the end-user, and the production capabilities of the supplier. These processes generally take time to complete and involve our incurring significant up-front expenses in learning and meeting customer qualification requirements. While we continuously strive to be on the approved lists of major valve purchasers, our failure to obtain pre-qualifications from newer customers or loss of our pre-qualified status from our existing customers could have an adverse impact on our profits, results of operations and cash flows.

7. ***Failure to manage and integrate the new lines of business, that we have acquired and propose to expand, could disrupt our business and affect our financial condition.***

We continue to identify and target specific project segments and industries where we believe there is potential for growth. We have diversified into the business in various product lines such as manufacturing of Triple Offset Valves and have also ventured into the process of manufacturing steam traps and strainers through our acquisition of RIFOX. We also propose to expand and develop the RIFOX steam traps and strainers product line in our Steam Engineering Division and expand our business through strategic acquisitions in future.

Though we have experience in the field of ball valve manufacturing, we do not have prior experience in setting up and operating plants in relation to the manufacture of triple offset valves and steam products. This could result in our Company not being able to manage the risks associated with these projects such as non-availability of enough materials, change of policies of government and other project management and operational risks which may adversely affect the return on our investments.

8. ***Acquisitions and investments could result in operating difficulties, dilution of investors' shareholding and other adverse consequences.***

As a part of our business strategy, we intend to undertake investments in businesses and companies that operate in the same line of business or related lines of business, whose resources, capabilities and strategies are complementary to ours and likely to enhance our business operations. It is possible that we may not be able to identify suitable investment opportunities, or if we do identify suitable opportunities, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable investments or the inability to complete such transactions may adversely affect our competitiveness or our growth prospects. Additionally, even if we find such suitable opportunities, they may not efficiently synergise with our Company.

Recently, we have acquired RIFOX as a part of our strategy for expansion and also converted our branch office in Dubai into Virgo FZE. Further, we are in the process of amalgamating our Subsidiary VIL with another Subsidiary VVCL to leverage their combined assets, better capital management and increase competitiveness.

Further, we may enter into discussions regarding a wide array of potential strategic transactions, including joint ventures, acquisitions or other technical or business collaborations. Any of these transactions could be material to our financial condition and results of operations. In addition, the process of integrating an acquired company, business or technology may create unforeseen operating difficulties and expenditure. The risks that we may face in connection with the integration of any acquisition with our Company may include the following:

- we may not be able to achieve the strategic purpose of such acquisition;
- we may not be able to complete the acquisition on commercially acceptable terms;
- our management and employees may be distracted by acquisition, transition or integration activities;
- our due diligence process may fail to identify all the problems, liabilities or other shortcomings or challenges of an acquired company;
- we may have to bear significant higher expenses and cost than anticipated, in continuing support and development of acquired companies product and or services;
- we may face cultural challenges associated with integrating employees from the acquired company into our organization;
- our relationship with current and new employees, customers, partners and distributors could be impaired;
- we may face litigation or other claims in connection with, or may inherit claims or litigation as a result of an acquisition, including claims from terminated employees, customers or other third parties; and
- we may have problems integrating each of the acquired companys' accounting, management information, human resource and other administrative systems with our Company.

If any of the foregoing risks materialize, they could have a material adverse effect on our business, results of operations, cash flows, financial condition and prospects. Future acquisitions or dispositions may also result in dilution of investors' shareholding, the incurrence of debt, contingent liabilities or write offs of goodwill, any of which could harm our financial condition. Future acquisitions may require us to obtain additional equity or debt financing, which may not be available on favourable terms or at all. In the event that we are unable to successfully integrate our recent acquisitions and future acquisitions, we may need to invest in the reorganization of our operations, which may lead to lower operating profits and cash flows.

9. We have high working capital requirements and we may not be able to raise the required capital for future orders.

Our business requires a large amount of working capital, used significantly to finance the purchase of raw materials and other work on projects before payments are received from customers. Our working capital requirements may increase if, under certain orders, payment terms do not include advance payments or such orders have payment schedules that shift payments toward the end of the order or otherwise increase our working capital burdens. We typically invoice our customers only upon dispatch of the orders. In addition, our working capital requirements have increased in recent years because we have undertaken a growing number of orders within a similar timeframe and due to the growth of the Company's business generally. All of these factors may result, or have resulted, in increases in our working capital needs.

In addition we also provide bank guarantees or performance bonds in favour of customers to secure obligations under contracts. Letters of credit are often required to satisfy payment obligations to suppliers and sub-contractors. If we are unable to provide sufficient collateral to secure the letters of credit, bank guarantees or performance bonds, our ability to enter into new contracts or obtain adequate supplies could be limited. Providing security to obtain letters of credit, bank guarantees and performance bonds increases our working capital needs. We may not be able to continue obtaining new letters of credit, bank guarantees and performance bonds in sufficient quantities to match our business requirements.

Our ability to arrange financing and the costs of capital of such financing are dependent on numerous factors, including general economic and capital market conditions, credit availability from banks, investor confidence, the continued success of our current projects and other laws that are conducive to our raising capital in this manner. Given the increase in the number of orders being executed by us, our attempts to complete future financings may not be successful or on favourable terms and failure to obtain financing on terms favourable to us could have a material adverse effect on our business and results of operations and cash flows.

10. Fluctuations in the price, availability and quality of raw materials could cause delay and increase costs.

We rely on third-party suppliers for steel and other raw materials such as castings and forgings and do not have long term arrangements with them. The prices and supply of the raw materials depend on factors not under our control, including general economic conditions, competition, production levels, and import duties. Adverse fluctuations in the price, availability and quality of the raw materials used by us in our manufactured products could have a material adverse effect on our cost of goods sold or our ability to meet our customers' demands. As on March 31, 2010, our raw materials consumed and increase in inventory contributed to 61.71% of our overall costs. The price and availability of such raw materials may fluctuate significantly, depending on many factors, including increase in transportation costs, inability of foundries to meet our demands within the requisite time, increase in prices of the metals used by us and increase in charges of the foundries/machining workshops. Any material shortage or interruption in the supply or decrease in the quality of these raw materials due to natural causes or other factors could result in increased costs of goods sold that we may not be able to pass on to our customers, which in turn would have a material adverse effect on our margins, results of operations and cash flows.

Moreover, we fix the price of the products sold by us to our customers at the time they place the order with us. On average, an order takes about 14 to 32 weeks to be completed. In most cases, we do not have the right to revise the rates once we have accepted the customer's order. Thus, the risk of increase in the price of the raw materials from the date the order is placed until we procure the raw materials is borne entirely by us. This sales model may reduce our operating margins. A steady increase in the prices of our raw materials may have a material adverse effect on our operating results, financial condition and cash flows.

11. There is outstanding litigations against our Company in relation to income tax payable

We had filed the return of income of our Company for the assessment year 2004-2005 for a total income of Rs. 24.23 million. However, pursuant to the scrutiny assessment under section 143 (1) of the Income Tax Act the total income was assessed to be Rs.26.28 million. We have received a notice of demand from the Assistant Commissioner of Income Tax for Rs. 6.63 million to be further payable. This assessment was reopened and a new assessment order under section 144 of the Income Tax Act read with section 147 of the same act was passed by the Assistant Commissioner of Income Tax for an assessed income of Rs. 38.07 million. It has been alleged that certain transactions have not been taxed and to that extent taxable income and long term capital gains have been reduced. We have filed an appeal dated December 12, 2009 before the Commission of Income Tax (Appeals), Mumbai against the assessment order issued by the Assistant Commissioner of Income Tax, Mumbai. We cannot assure that the outcome of the proceeding will be decided in our favour or that no further liability would arise out of these proceedings. For further details, see the section "Outstanding Litigation and Material Developments" on page 263.

12. Because a significant percentage of our revenues are denominated in U.S. Dollars and other foreign currencies and a significant percentage of our costs are denominated in Indian Rupees, we face currency exchange risks.

The exchange rate between the Rupee and the U.S. Dollar has changed substantially in recent years and may continue to fluctuate significantly in the future. In Fiscal 2008, Fiscal 2009 and Fiscal 2010, we have derived 79.39 %, 81.21% and 74.06%, respectively, of our consolidated revenues from our overseas business. These revenues are denominated to a greater extent in U.S. Dollars and to a lesser extent in the Euro, the Pound Sterling and other foreign currencies. At the same time, a substantial proportion of our costs are denominated in Indian Rupees. We expect that a majority of our revenues will continue to be generated in foreign currencies and that a significant portion of our expenses will continue to be denominated in Indian Rupees. Accordingly, our operating results have been and will continue to be impacted by fluctuations in the exchange rate between the Indian Rupee and the U.S. Dollar and other foreign currencies. Any strengthening of the Indian Rupee against the U.S. Dollar, the Euro or other foreign currencies could adversely affect our financial condition and results of operations and cash flows.

13. ***If we are not able to manage our growth, our business and financial results could be adversely affected.***

We are embarking on a growth strategy, which involves substantial expansion of our current business as well as diversification. In furtherance of this strategy, we have recently entered into agreements to set up new manufacturing facilities in Chennai. Such a growth strategy will place significant demands on our management as well as our financial, accounting and operating systems. Further, as we scale-up and diversify our operations, we may not be able to execute our orders efficiently, which could result in delays, increased costs and diminished quality and may adversely affect our reputation. Such expansion also increases the challenges involved in preserving a uniform culture, values and work environment across our projects, developing and improving our internal administrative infrastructure, particularly our financial, operational, communications, internal control and other internal systems; recruiting, training and retaining sufficient skilled management, technical and marketing personnel; maintaining high levels of customer satisfaction; and adhering to health, safety, and environmental standards. Our failure to manage our growth could have an adverse effect on our business, financial condition, results of operations and cash flows.

14. ***A significant percentage of our revenues are derived from the sale of ball valves and any radical change in technology or development of competitive products may adversely affect our financial condition and result of operations.***

Almost 92.64 % of our revenues were from the sale of ball valves manufactured by us as on March 31, 2010. While we are in the process of expanding our product portfolio to include a broader range of Triple Offset Valves, any radical change in the technology adopted by our consumers or the development of newer products in the valve industry that are superior in quality or effectiveness than ball valves, could result in reduction in the market for ball valves. The occurrence of any of these types of events could result in a decrease in our revenues and consequently, adversely affect our financial condition, cash flows and result of operations.

15. ***Delays or defaults in customer payments could result in a reduction of our profits and cash flows.***

We often commit resources to orders prior to receiving advances or other payments from customers in amounts sufficient to cover expenditures on projects as they are incurred. We may be subject to working capital shortages due to delays or defaults in customer payments.

If customers default in their payments on an order, or cancel their orders for which we have devoted significant resources or incurred expenditure, it could have a material adverse effect on our business, financial condition, results of operations and cash flows and could cause the price of our Equity Shares to decline.

Moreover, our products are made as per the specifications provided by our customers. Hence, any last minute cancellations would also run the risk of not being able to sell those products to another customer. These events could have a material adverse effect on our revenues, results of operations and cash flows.

16. ***Our product shipment cycles are not uniform and the volume of product shipments in a particular quarter may not accurately indicate our product volumes over a longer period.***

We tend to ship a larger volume of products in the closing quarter of the year due to various reasons including the periodicity of financial cycles. This increase in product shipping during the closing quarters of a year may lead to an deceptive increase in our product shipping volumes which may not be carried over to subsequent quarters. This trend also puts significant demands on our raw material procurement, manufacture and logistics functions.

17. ***We sell our products in a highly competitive and fragmented industry. An inability to compete effectively may lead to lower market share or reduced operating margins.***

The valve manufacturing industry is highly competitive and fragmented, both in India and internationally. As a result, to remain competitive in the market, we must continuously strive to reduce our production and distribution costs and improve our operating efficiencies. If we fail to do so, our competitors may be able to sell their products at prices lower than ours, which may adversely affect on our market share, results of operations and cash flows.

Certain of our competitors may be larger than us and may benefit from greater economies of scale and operating efficiencies. There is no assurance that we can continue to effectively compete with such manufacturers in the future, and failure to compete effectively may have an adverse effect on our business, financial condition, results of operations and cash flows. Moreover, the competitive nature of the valve industry may result in lower prices for our products and decreased gross profit margins, either of which may materially adversely affect our sales, profitability and cash flows.

18. ***Our Company and Subsidiaries are involved in certain labour disputes and other similar proceedings. Any adverse decision in relation to the same may have a significant adverse effect on our business and results of operations.***

We and our Subsidiaries are involved in number of labour disputes and claims. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. We cannot assure you that these legal proceedings will be decided in our favour. Although the claims that have been made against us have not been quantified, as on July 3, 2010 the total amount that may be awarded against us by way of damages may approximately amounts to Rs. 500,000. Any adverse decision in relation to these proceedings may significantly affect our business and results of operations. Failure to successfully defend these claims could adversely affect our business and results of operations. For more information regarding these proceedings, see “Outstanding Litigation and Material Developments” on page 263.

Brief details of such proceedings and their relative claim amounts (where claims have been quantified), are set forth below:

Proceedings by and against the Company:

Nature of the Proceeding	Number of cases	Amount
Litigation Against the Company		
Civil Cases	6	Not ascertainable
Income Tax	1	6.63 million
Litigation by our Company		
Infringement of Copyright	1	
Civil	1	Not ascertainable

Proceedings by and against VVCL:

Nature of the Proceeding	Number of cases	Amount
Litigation against VVCL		
Civil Cases	6	Not ascertainable
Litigation by VVCL		
Infringement of Copyright	1	Not ascertainable

19. ***We could become liable to customers, suffer adverse publicity and incur substantial costs as a result of defects or failure in our products, which in turn could adversely affect our business, financial condition, results of operations and cash flows.***

Many of our orders involve providing products that are critical to the operations of our customer’s business. Any failure on our part to design and manufacture products as per customer requirements could result in a claim or legal proceeding against us for substantial damages, regardless of our responsibility for such a failure or defect. Some of our customers require operations and maintenance clauses or liability for defects clauses whereby we may become liable to them for any defects in our products. Commencement of these lawsuits against us may adversely affect the results of our operations, our financial condition and cash flows and also result in adverse publicity.

20. We may face risks arising from any disproportionate increase in labour costs including in relation to increased wage demands, labour unrest, or claims arising from industrial accidents.

As on June 15, 2010, we had manpower strength of 253 workmen and employed 344 contract labourers. Currently, some of our Company's workmen are represented by a labour union. While we consider our labour relations to be good, we are currently engaged in labour related litigation and there is no assurance that we will not experience future disruptions to our operations due to problems with our workforce. Moreover, India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for the establishment of unions, dispute resolution and employee removal and legislation that imposes certain financial obligations on employers upon retrenchment. Any upward revision of the prescribed minimum wage or other benefits required to be paid to our workers (including dismissal or retrenchment), or unavailability of the required number of contract labourers, may adversely affect our revenues, operations and cash flows. Further, we have made certain statutory payments required by way of compensation to workers pursuant to certain injuries sustained by them in the course of their employment. Any increase or prescribed compensation for such injuries may adversely affect our revenues, operations and cash flows.

21. We may face risks arising from any increases in employee costs.

In Fiscal 2010, our employee remuneration and benefits constituted 14.47% of our Company's total expenses, on a consolidated basis. Additionally, in the event that employee cost continues to increase disproportionately to our annual revenue increase, we may be unable to pass on the additional increase to our customers due to market conditions and pricing pressure from our competitors. This would result in us being required to absorb the additional increase in cost, which may have a material adverse effect on our profitability and cash flows.

22. Our manufacturing facilities are concentrated around Pune, Maharashtra and we are vulnerable to natural disasters or other events that could disrupt our business.

Our primary manufacturing facilities are located in and around Pune, Maharashtra. We, along with our Subsidiaries have two manufacturing plants in Hinjewadi, two manufacturing plants in Bhosari, one in Coimbatore, two in Milan, Italy, one in Germany, one in United States and are in the process of setting up a manufacturing unit in Chennai. Out of these 4 are within a 25 kilometre radius of Pune. Therefore, as many of our facilities are concentrated in a single geographical area, -we are vulnerable to the effects of a natural disaster, such as an earthquake, flood or fire, or other calamity or event that disrupts our ability to conduct our business or that causes material damage to our property at these locations. In the event of any natural calamity, our operations will be significantly affected and our business may also be disrupted.

23. Legal proceedings have been initiated by the Company and our Subsidiary VVCL, against some of our former employees seeking to protect certain intellectual property and proprietary information. These proceedings may not be deteremined in our favour.

Our Company and our Subsidiary had filed civil suits against Sferova (India) Private Limited, Mr. Pralhad Vijayachar Purohit and Mr. Hrishikesh Vanarase, both former employees of the Company (the "**Defendants**") before the District Judge, Pune, alleging illegal custody and infrimgement of copyright in certain proprietary information including designs, drawings, tables, databases and compilations developed by us and their misuse for unlawful gains. Our Company and VVCL have also filed criminal complaints against the Defendants before the JMFC Pune seeking a direction to search the premises and seize data and related articles belonging to the Company. The order for transfer of seized material to a forensic lab which was issued in the matter has been stayed. Both cases are posted for hearing. For further details, please see "Outstanding Litigation and Material Developments" on page 263.

Our Subsidiary, VVCL had filed a civil suit against Sferova (India) Private Limited and Hrishikesh Sharad Vanarse, a former employee of VVCL (the "**Defendants**") before the District Judge, Pune alleging illegal custody of certain proprietary information including designs, drawings, tables, databases and compilations developed by VVCL and their misuse for unlawful gains. VVCL had also filed a criminal complaint against the Defendants before the JMFC Pune for search and seizure warrant against the defendants and also to issue a process under section 66 of the Information Technology Act, 2000, section 63 of the Indian Copyright Act, 1950 and section 408 of the Indian Penal Code, 1860. The matter is pending for hearing. For further details, please see "Outstanding Litigation and Material Developments" on page 263.

An adverse outcome in any of these proceedings may affect our ability to protect our intellectual property.

24. We outsource the manufacturing of certain portion of our products and are therefore dependent on third parties.

We use machining workshops near our plants for undertaking a part of the manufacturing process for our products. We do not have any formal arrangements or agreements with the machining workshops. We are also dependent on these manufacturers for compliance with labour statutes. Any failure by these manufacturers to comply with required labour statutes or any other divergence in their labour practices, the potential negative publicity relating to any of these events, or the failure of these manufacturers to deliver the products to us in a timely manner could have material adverse effect on our business.

25. We procure a certain portion of our raw materials from abroad and hence are subject to the risks of doing business abroad.

Our arrangements with respect to supply of raw materials are subject to the usual risks of doing business abroad, including currency fluctuations, political or labour instability and potential import restrictions, duties and tariffs. Because some of our raw material is sourced from outside India including China, Italy, the U.S. and the Middle East, any political or economic instability in these locations could disrupt the supply of raw materials, delay deliveries or increase costs, which could adversely impact our results of operations and cash flows.

26. Our subsidiary, VVCL receives certain tax benefits under the provisions of the Income Tax Act, which if withdrawn, may adversely affect our financial condition, results of operations and cash flows.

Our wholly-owned subsidiary, VVCL receives tax exemptions on account of its 100% Export Oriented Unit status. In Fiscal 2010, it received an exemption from income taxes and other indirect taxes. This exemption is scheduled to be withdrawn with effect from April 1, 2011. As a result, the effective tax rates payable by us may increase and consequently our financial condition may be adversely affected. For details, see the section titled "Statement of Tax Benefits" on page 69.

27. We have entered into, and will continue to enter into, related party transactions.

We have in the course of our business entered into, and will continue to enter into, transactions with related parties that include our Subsidiaries. For more information regarding our related party transactions, see "Related Party Transactions" on page 139.

While we believe that all of our related party transactions have been conducted on an arm's length basis, we cannot assure you that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. There can be no assurance that such transactions, individually or in the aggregate, will not have an adverse effect on our business, prospects, results of operations, financial condition and cash flows, including because of potential conflicts of interest or otherwise. Further, we may be unable to recover liquidated damages from one or more related parties for losses that may be suffered by us either due to such related parties' performance shortfalls or their failure to fulfill obligations on a timely basis.

28. Significant differences exist between Indian GAAP and other accounting principles, such as US

GAAP and IFRS, which may be material to investors' assessments of our financial condition. Our failure to successfully adopt IFRS could have a material adverse effect on our stock price.

Our financial statements, including the Restated Financial Statements provided in this Draft Red Herring Prospectus, are prepared in accordance with Indian GAAP. US GAAP and IFRS differ in significant respects from Indian GAAP. We have not attempted to explain these differences or quantify their impact on the financial data included herein and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited.

The Ministry of Corporate Affairs have announced a road map for the adoption of and convergence with the IFRS. Pursuant to which all the Public companies in India including us, will be required to prepare annual and interim financial statements under IFRS in a phased manner from April 2011 to April 2014. Because there is significant lack of clarity on the adoption of and convergence with IFRS and there is not yet a significant body of established practice on which we could form judgments regarding its implementation and application, we have not determined the impact that such adoption will have on our financial reporting. There can be no assurance that our financial condition, results of operations, cash flows or changes in shareholders' equity will not appear materially different under IFRS than under Indian GAAP. In transition to IFRS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. Moreover, there is increased competition for the small number of IFRS-experienced accounting personnel available as more Indian companies begin to prepare IFRS financial statements. There can be no assurance that our adoption of IFRS will not adversely affect our reported results of operations, financial condition or cash flows and any failure to successfully adopt IFRS could have a material adverse effect on the price of our Equity Shares.

29. Our contingent liabilities could adversely affect our financial condition.

Our contingent liabilities appearing in our Restated Financial Statements as at March 31, 2010 aggregated Rs. 1,138.74 million on a consolidated basis. The table below sets forth our consolidated contingent liabilities as provided in the annexure to our Restated Financial Statements as at March 31, 2010

(Rs. in million)

Particulars	
Income Tax Assessment Year 2004-05	6.63
Corporate Guarantee given to Banks for financial assistance extended to wholly owned subsidiary	1,132.11

In the event that any of these contingent liabilities materialize, our results of operations, financial condition and cash flows could be adversely affected.

30. We face intense competition for employees in our market. Our success depends in large part upon our highly skilled professionals and our ability to attract and retain these personnel.

Our ability to execute orders and to obtain new clients depends largely on our ability to attract, train, motivate and retain highly skilled professionals, particularly project managers and other mid-level professionals. Our attrition rates in our Indian companies were 9.02 %, 11.00 % and 18.16 % in 2010, 2009 and 2008. We define our attrition rate as the ratio of the number of employees that have left us during a defined period to the average number of employees that are on our payroll during such period.

We invest in training the professionals that we hire to perform the services we provide. If we cannot hire and retain additional qualified personnel, our ability to bid on and obtain new projects may be impaired and our revenues could decline. In addition, we may not be able to expand our business effectively. We believe that there is significant worldwide competition for professionals with the skills necessary to perform the services. Additionally, we may have difficulty redeploying and retraining our professionals to keep pace with continuing changes in technology, evolving standards and changing client preferences.

31. ***We depend on our Promoters, our senior management, directors and key personnel of our Company and our Subsidiaries for a large part of our success.***

Our Promoters, our directors, our senior management and our key management personnel collectively have many years of experience in the valve industry and are difficult to replace. They provide expertise which enables us to make well informed decisions in relation to our business and our future prospects. Our Subsidiaries also depend on certain key managerial personnel who are instrumental in their success. For further details of our Directors and key managerial personnel, please refer to "Our Management" on page 121. We do not maintain key man life insurance for any of the senior members of our management team or other key personnel. We cannot assure you that we will continue to retain any or all of the key members of our management. The loss of the services of any key member of our management team could have an adverse effect on our business, financial condition and results of operations and could cause the price of our Equity Shares to decline.

Further, our ability to maintain our position in the valve industry depends on our ability to attract, train, motivate, and retain highly skilled personnel. In the event we are unable to do so, it could have an adverse effect on our business, results of operations and cash flows.

32. ***Our operations and our work force are exposed to various hazards.***

We endeavor to maintain adequate health and safety standards at our manufacturing facilities. However, there are certain unanticipated or unforeseen risks that may arise due to adverse weather and geological conditions such as storm, tempest, hurricane, lightning, flood, landslide, rockslide and earthquake, specification changes and other reasons. Additionally, our operations are subject to hazards inherent in manufacturing, such as risk of equipment failure, work accidents, fire, or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage. We may also be subject to claims resulting from defects in the engineering design and commissioning of our products. Our policy of covering these risks through insurance may not always be effective or adequate. Failure to effectively cover ourselves against the associated risks for any of these reasons including other unforeseen circumstances could expose us to substantial costs and potentially lead to material losses. Any liability in excess of our insurance limits could result in additional costs, which would reduce our profits and adversely affect our business, results of operations and cash flows. Faults in designing and installation might also require repair work, which may not be foreseen or covered by our insurance. In addition, if there is a customer dispute regarding our performance or workmanship, the customer may delay or withhold payment to us.

33. ***The potential liability for any failure to comply with environmental laws or for any currently unknown environmental problems could be significant.***

Under various applicable environmental laws and regulations, the owner or operator of real property may be liable for failing to maintain air and water pollution within prescribed levels, or for failing to comply with various environmental regulations while constructing and operating our manufacturing plants. We are not aware of any environmental liability that could have a material adverse effect on our business, assets, financial condition or results of operations, nor have we been notified by any governmental authority or any third party, and we are not otherwise aware, of any material non-compliance or other claim relating to hazardous or toxic substances in connection with any of our present or former manufacturing plants. We cannot, however, assure you that we will remain in compliance with all environmental laws and regulations, or that the requirements of such laws and regulations will not change.

34. ***We rely on our information technology systems and any failures in our systems could adversely impact our business.***

We rely extensively on our information technology systems for our product designing and to provide us connectivity across our business functions through our software, hardware and connectivity systems. Any delay in implementation or any disruptions in the functioning could disrupt our ability to design our products, track, record and analyze the merchandise that we sell and cause disruptions of operations, including, among others, an inability to process shipments of goods, process financial information, deliver products or engage in similar normal business activities.

35. ***Failure to register our intellectual property rights in a timely manner may adversely affect our business and future prospects.***

We utilize intellectual property during the course of our business and operations and seek to register it in a timely manner in order to protect it.

For instance, Marvin E. Beasley filed an application for registration of a patent in an invention and assigned the entire ownership of the said applications and invention to us. The registration of any patent is a time consuming process, and there can be no assurance that any such registration will be granted.

In the absence of adequate intellectual property registrations and renewals, our competitors or other companies may challenge the validity or scope of the same or infringe it. Failure to protect our intellectual property rights through registration under the relevant statutory laws may allow a third party to use our intellectual property without our consent, and if this occurs, our brand equity may be diluted or adversely affected.

36. ***Our insurance coverage may not adequately protect us against all material hazards.***

We have insured against a majority of the risks associated with our business, either directly or through our Subsidiaries. While we believe that the insurance coverage which we maintain directly or through our Subsidiaries, would be reasonably adequate to cover the normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time, nor that we have taken out sufficient insurance to cover all material losses. For details see "Our Business - Insurance" on page **88**. To the extent that we suffer loss or damage for which we did not obtain or maintain insurance, and which is not covered by insurance or exceeds our insurance coverage, the loss would have to be borne by us and our results of operations, financial performance and cash flows could be adversely affected.

37. ***Our registered office, most of our manufacturing plants and other premises from which we operate are not owned by us.***

We do not own the premises on which our registered office is situated. Also, all our offices and all but one of our manufacturing plants operate from leased premises. For details of the premises owned and leased by us, please see "Our Business – Properties" on page 88. If any of the owners of these premises do not renew the agreements under which we occupy the premises or renew such agreements on terms and conditions unfavourable to us, we may suffer a disruption in our operations and our results of operations, cash flows and financial performance could be adversely affected**.**

38. ***Certain of our Subsidiaries and one of our Promoter Group company has incurred losses in the past.***
The following of our Subsidiaries and Promoter Group companies have incurred losses in the past:

(Rs. in million)

Name of the Company	Relationship with our Company	Profit/(Loss) after Tax				
		March 31, 2010	**March 31, 2009**	**March 31, 2008**	**March 31, 2007**	**March 31, 2006**
Vintrol India Limited	Subsidiary	0.07	(6.89)	1.61	(7.23)	(4.82)
EVS Valves Inc.	Subsidiary	(49.45)	(6.19)	N/A	N/A	N/A
Virgo Europe Spa, Italy	Subsidiary	5.58	22.78	44.65	(31.92)	N/A
Virgo Control Systems Private Limited	Promoter Group Company	(0.002)	(0.06)	(0.06)	(0.06)	(.06)

There is no assurance that these companies or any other companies or ventures promoted or acquired by the Promoters or by the Company will not incur losses in any future periods or that there will not be an adverse effect on our reputation or business as a result of such losses.

39. ***Our global operations expose us to complex management, foreign currency, legal, tax and economic risks.***

We are present in various countries including India, U.S.A., U.K., Italy, U.A.E., Germany and China through our offices. As a result of our existing and expanding international operations, we are subject to risks inherent to establishing and conducting operations in international markets, including:

- cost structures and cultural and language factors, associated with managing and coordinating our global operations;
- compliance with a wide range of regulatory requirements, foreign laws, including immigration, labour and tax laws where we usually rely on the opinions of experts on such matters, including in relation to transfer pricing norms and applicability of the relevant provisions of double taxation avoidance agreements, but which often involve areas of uncertainty;
- difficulty in staffing and managing foreign operations;
- potential difficulties with respect to protection of our intellectual property rights in some countries; and
- exchange rate volatility.

The risks stated above and the constantly changing dynamics of international markets could have a material adverse effect on our business, financial condition, results of operations and cash flows and could cause the price of our Equity Shares to decline.

40. We or our Promoters may be called upon to pay with respect to the guarantees given by us for our Subsidiaries.

As on June 15, 2010, our Company has given guarantees on behalf of some of our Subsidiaries for an amount of Rs. 1,132.11 million availed from banks and financial institutions. In addition, our Promoters have also executed personal guarantees for some of the loans availed of by our Subsidiaries. In the event that our Subsidiaries are not able to meet their financial obligations, the banks are entitled to invoke the guarantees given by us. This could adversely affect our business, financial conditions, results of operations and cash flows.

41. The establishment of our proposed manufacturing facility in Chennai is conditioned on certain approvals

We propose to develop a new manufacturing facility and have entered into a Memorandum of Understanding with M/s New Chennai Township Private Limited. It has been agreed that the allotment of the said plot in our favour shall be effective only on obtaining the letter of approval from the Development Commissioner, obtaining in principle approval from the Environmental and Pollution Control Board Authorities, payment of lease premium and entering into a lease deed governing the terms of the lease. We have received the letter of approval but are yet to apply for approval from the Environmental and Pollution Control Board Authorities. Further we have not entered into any lease deed in relation to the plot. The Memorandum of Understanding was valid till June 30, 2010 or to such extended period as may be mutually agreed. If the developer does not agree to extend the term of the Memorandum of Understanding or if we are unable to obtain the said approvals we may have to postpone or set aside the proposal which may have an adverse effect on our future growth and development plans. For details see section titled “History and Corporate Structure” and “Objects of the Issue” on page 112 and 50.

42. We require regulatory approvals in the ordinary course of our business, and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require regulatory approvals, sanctions, licenses, registrations and permissions for operating our business, most of which expire in due course from time to time. Certain approvals are also required to be obtained by us for the commencement of new manufacturing facilities including our Chennai facilities. We generally apply for renewals of such regulatory approvals, sanctions, licenses, registrations and permissions, prior to or upon their expiry. We have made applications for certain of these approvals and yet to receive the same. Please refer to section titled “Government Approvals” on page 268 for further details. We are further required to make various regulatory filings. If we fail to comply with these requirements, we may be subject to penalties and compounding proceedings. For instance, in the past, we have failed to file the charge in respect of the guarantee executed in favour of

Canara Bank dated December 18, 2006 within the stipulated time. Therefore the Company had filed an application under section 141(1) of the Companies Act, 1956 before the Central Government for seeking extension of time and condonation of delay and had to make a payment of certain penalties.

We cannot assure you that we will obtain all regulatory approvals, sanctions, licenses, registrations and permissions or make all filings that we are required to obtain or make in the future, or receive renewals of existing or future approvals, sanctions licenses, registrations and permissions in the time frames required for our operations or at all. This can materially and adversely affect our business, results of operations and cash flows.

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

After the completion of the Issue, our Promoters and Promoter Group will collectively hold approximately 56.28% of the post-Issue equity capital. Consequently, our Promoters, and Promoter Group, acting jointly, may exercise substantial control over us and may have the power to elect and remove a majority of our Directors and/or determine the outcome of proposals for corporate action requiring approval of our Board of Directors or shareholders, such as lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions. Our Promoters will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our Directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association. This control could also delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from obtaining control of our Company even if it is in the best interests of our Company. The interests of our controlling shareholders could conflict with the interests of our other shareholders, including the holders of the Equity Shares, and the controlling shareholders could make decisions that materially adversely affect your investment in the Equity Shares.

For further information see “Capital Structure”, “Our Management”, and “Our Promoters” on pages 26, 121 and 135 respectively.

44. We have not entered into any definitive agreements to utilize the net proceeds of the Fresh Issue or placed any firm orders for a significant percentage equipment proposed to be purchased from the Net Proceeds of the Fresh Issue.

We have not entered into any definitive agreements to utilize the net proceeds of the Fresh Issue. The deployment of funds as stated in the section titled “Objects of the Issue” on page 50 is entirely at the discretion of our Board. Further we have not placed any firm orders for a significant percentage of the plant and machinery which we propose to purchase from the Net Proceeds of the Fresh Issue. Certain of the figures included under the section titled “Objects of the Issue” are based on our own estimates and third party quotations. Pending utilization of the proceeds of this Issue for the purposes described in this Draft Red Herring Prospectus, we intend to invest the proceeds of the Issue in high quality interest bearing liquid instruments including money market mutual funds and deposits with banks, for the necessary duration. Such investments would be made in accordance with investment policies or investment limits approved by our Board of Directors from time to time. There can be no assurance that such investments will not carry risks or generate expected returns.

45. Our funding requirements and deployment of the Net Proceeds of the Fresh Issue are based on management estimates and have not been independently appraised, and are not subject to monitoring by any independent monitoring agency.

We intend to use the net proceeds of the Fresh Issue for the purposes described in the section titled “Objects of the Issue” on page 50. The Objects of the Issue have not been appraised by any bank or financial institution and are not subject to any monitoring by any independent agency. These are based on current conditions and are subject to changes in external circumstances or costs, or in other financial condition, business or strategy, as discussed further below. Based on the competitive nature of the industry, we may have to revise our management estimates from time to time and consequently our funding requirements may also change. Our management estimates may exceed fair market value or the value that would have been determined by third party appraisals, which may require us to reschedule or reallocate our project expenditure and may have an adverse impact on our business, financial condition, results of operations and cash flows.

46. Credit facility availed by us from banks may be recalled or revoked at any time.

Pursuant to certain loan facilities availed by us, the bank reserves the right to recall and /or revoke the facilities in full or in parts without notice or giving any reason. We cannot assure you that we will have adequate funds at all times to repay this credit facility and may also be subject to the payment of higher penal interest. Moreover, our ability to borrow and the terms of our borrowings depend on our financial condition, the stability of our cash flows and our capacity to service debt in a rising interest rate environment. We may not be successful in obtaining these additional funds in a timely manner, or on favourable terms or at all, which could adversely affect our results of operations. For further details, see “Financial Indebtedness” on page 252.

47. We are subject to restrictive covenants in certain debt facilities provided to us.

We have entered into agreements with certain banks and financial institutions for short-term and long-term borrowings, which are secured by some of our properties. Some of these loan agreements require us, among other things, to maintain such margin money deposits in favour of our lenders, as they may stipulate from time to time, and to keep the mortgaged properties insured for full market value against certain risks. Some of these agreements contain restrictive covenants, including, but not limited to, requirements to obtain written consent from lenders prior to incurring further debt, creating further encumbrances on our assets, disposing of assets, effecting any scheme of amalgamation or restructuring, undertaking guarantee obligations, dilution of our promoter’s shareholding, declaring dividends or making investments, seek early repayments of such loans or increase the applicable interest rates in certain circumstances. In addition, some of our loan agreements contain financial covenants that require us to maintain, among other things, a specified debt-equity ratio. There can be no assurance that we will be able to comply with these financial or other covenants, or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business. Certain of our loan agreements permit our lenders to convert their outstanding debt into equity at a mutually agreeable rate on default of our borrowings from them.

These restrictive covenants may affect some of the rights of our shareholders, including the right to receive dividends. Certain loans may be called at any time by our lenders pursuant to terms of the relevant agreements. Furthermore, a default on some of our loans may also trigger cross-defaults under some of our other loan agreements. An event of default under any debt instrument, if not cured or waived, could have an adverse effect on us.

Our current financial obligations as well as any additional financing that we require to fund our capital expenditures may, if met by way of additional debt financing, place restrictions on us which may, among other things, increase our vulnerability to general adverse economic and industry conditions; limit our ability to pursue our growth plans; require us to dedicate a substantial portion of our cash flow from operations to make payments on our debt, thereby reducing the availability of our cash flow to fund capital expenditures, meet working capital requirements and use for other general corporate purposes; and limit our flexibility in planning for, or reacting to changes in our business and our industry, either through the imposition of restrictive financial or operational covenants or otherwise.

48. Our ability to pay dividends in the future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditures.

The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditures. There can be no assurance that we will be able to pay dividends.

49. Our Promoters have interests in certain companies, which are engaged in similar businesses.

We have one Promoter group company, Virgo Control Systems Private Limited, which is allowed by its constitutional documents to undertake business similar to our business. This company has not yet commenced any manufacturing activities. We currently do not have any agreement that restricts our Promoters, Promoter group companies or any entities controlled by them from undertaking such activities and this may result in a conflict of interest and adversely affect our business.

50. ***We had negative operating cash flows for certain periods.***

For March 31, 2008 our net operating cash flows on a restated consolidated basis was a negative of Rs. 284.22 million. Also, we had negative operating cash flows of Rs. 42.23 million and Rs. 128.07million on March 31, 2007 and March 31, 2008, respectively on a restated unconsolidated basis. There can be no assurance that we will have sufficient liquidity to meet our requirements at a future point of time. If we experience insufficient cash flows or are unable to borrow funds on a timely basis or at all to meet working capital, capital expenditure and other requirements, there may be an adverse effect on our business, results of operations and cash flows.

The table below sets forth selected consolidated restated cash flow statement data of the company for each period ended March 31, 2010, 2009 and 2008

(Rs. in million)

	Fiscal Year Ended March 31,		
	2010	**2009**	**2008**
Net cash generated from/(used in) operating activities	834.26	421.90	(284.22)
Net cash generated from /(used in) investing activities	(178.90)	(510.29)	(240.46)
Net cash generated from/(used in) financing activities	(591.99)	192.67	590.53
Net Increase/ (decrease) in cash and cash equivalents	63.37	104.28	65.85

Risks Related to Equity Shares

1. ***There is no guarantee that the Equity Shares will be listed on the BSE and the NSE in a timely manner or at all, and any trading closures at the BSE and the NSE may adversely affect the trading price of our Equity Shares.***

In accordance with Indian law and practice, permission for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorizing the issuing of Equity Shares to be submitted. There could be a failure or delay in listing the Equity Shares on the BSE and the NSE. Any failure or delay in obtaining the approval would restrict your ability to dispose of your Equity Shares.

The regulation and monitoring of Indian securities markets and the activities of investors, brokers and other participants differ, in some cases significantly, from those other countries. The BSE and the NSE have in the past experienced problems, including temporary exchange closures, broker defaults, settlements delays and strikes by brokerage firm employees, which, if continuing or recurring, could affect the market price and liquidity of the securities of Indian companies, including the Equity Shares, in both domestic and international markets. A closure of, or trading stoppage on, either of the BSE and the NSE could adversely affect the trading price of the Equity Shares.

2. ***There is no existing market for our Equity Shares and we cannot assure you that such a market will develop. The stock price may be volatile, and you may be unable to resell your shares at or above the Issue price or at all.***

Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market may not develop or be sustained upon the completion of this Issue. The Issue Price of the Equity Shares offered hereby may not be indicative of the market price of the Equity Shares after this Issue. The market price of our Equity Shares after this Issue will be subject to significant fluctuations in response to, among other factors:

- variations in our operating results and the performance of our business;
- regulatory developments in our target markets affecting us, our customers or our competitors;
- changes in financial estimates by securities research analysts;
- addition or loss of executive officers or key employees;
- loss of one or more significant customers;

- the performance of the Indian and global economy;
- significant developments in India's economic liberalization and deregulation policies, and the fiscal regime; and
- volatility in the Indian and global securities markets.

Many of these factors are beyond our control. There has been recent volatility in the Indian stock markets and our share price could fluctuate significantly as a result of such volatility in the future.

3. ***Any future issuance of Equity Shares may dilute your shareholding and sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares.***

Any future equity issuances by us, including in a primary offering, may lead to the dilution of investors' shareholdings in our Company. Any future equity issuances by us or sales of our Equity Shares by our Promoters or other major shareholders may adversely affect the trading price of the Equity Shares. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

4. ***There are restrictions on daily movements in the price of the Equity Shares, which may adversely affect a shareholder's ability to sell, or the price at which it can sell, Equity Shares at a particular point in time.***

Upon listing, we will be subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on Indian stock exchanges. The percentage limit on our circuit breaker is set by the stock exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The stock exchanges do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

5. ***You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue until the Issue receives the appropriate trading approvals.***

Our Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat" accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by NSE and the BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. In the event the Allotment of Equity Shares is not made within 15 working days from the Bid/Issue Closing Date, the Company shall pay interest at 15% per annum (for any delay beyond the 9 day time period as mentioned above). We cannot assure you that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict your ability to dispose of your Equity Shares.

6. ***Conditions in and the volatility of the Indian securities market may affect the price or liquidity of our Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges have in the past experienced substantial fluctuations in the prices of listed securities. Further, the Indian stock exchanges have often experienced periods of significant volatility, with the BSE index declining by 10.16% to 9,826.91 points (the intra-day low on May 22, 2006). The BSE index also fell by 453.36 points or 3.49% to 12,529.62 points on March 14, 2007. Moreover, the BSE index fell from a close of 20,873.33 points on January 8, 2008 to a close of 8,509.56 points on October 27, 2008, a fall of approximately 59.23%. Trading was also halted on the NSE and BSE on May 18, 2009 as the BSE Sensex rose by 17.34% after the announcement of India's parliamentary results. The

Indian stock exchanges have also experienced problems that have affected the market price and liquidity of securities, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of our Equity Shares could be adversely affected.

External Risk Factors

1. Compliance with, and changes in, environmental, health and safety laws and regulations may adversely affect our financial condition, results of operationsand cash flows.

Our project operations are subject to environmental laws and regulations including the Environment Protection Act, 1986, the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974 and other regulations promulgated by the Ministry of Environment and the Pollution Control Boards (PCBs) of the relevant states. In addition, some of our operations are subject to risks involving personal injury, loss of life, environmental damage and severe damage to property.

We believe that the Government may take steps towards the adoption of more stringent environmental, health and safety regulations, and we cannot assure you that we will be at all times in full compliance with these regulatory requirements. For example, these regulations can often require us to purchase and install expensive pollution control equipment or make changes to our existing operations to limit any adverse impact or potential adverse impact on the environment or the health and safety of our employees, and any violation of these regulations, whether or not accidental, may result in substantial fines, criminal sanctions, revocations of operating permits or a shutdown of our facilities. Due to the possibility of unanticipated regulatory developments, the amount and timing of future expenditures to comply with regulatory requirements may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental, health and safety regulations we are subject to, we may need to incur substantial capital expenditures to comply with such new regulations. Our costs of complying with current and future environmental, health and safety laws and our liabilities arising from failure to comply with applicable regulatory requirements may adversely affect our business, financial condition, results of operations and cash flows.

2. ***Our business is subject to a significant number of legal and tax regulations and there may be changes in legislation governing the rules implementing them or the regulator enforcing them.***

We currently have operations and staff spread across many countries in the world. Consequently, we are subject to the jurisdiction of a number of legal and tax authorities and regulations.

The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws and related authorities in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations and results achieved and the timing and nature of income earned and expenditures incurred. Changes in the operating environment, including changes in tax law, could impact the determination of our tax liabilities for any given tax year.

Taxes and other levies imposed by the central or state governments in India that affect our industry include customs duties, excise duties, VAT, income tax, service tax and other taxes, duties or surcharges introduced from time to time. The central and state tax scheme in India is extensive and subject to change from time to time. Any adverse changes in any of the taxes levied by the central or state governments may adversely affect our competitive position, cash flows and profitability.

3. ***A slowdown in economic growth in India could cause our business to suffer.***

Our performance and growth are dependent on the health of the Indian economy. The economy could be adversely affected by various factors such as political or regulatory action, including adverse changes in liberalisation policies, social disturbances, terrorist attacks and other acts of violence or war, natural calamities, interest rates, commodity and energy prices and various other factors. Any slowdown in the Indian economy may adversely impact our business and financial performance and the price of our Equity Shares.

4. ***Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our financial results and prospects.***

We are incorporated in India and a substantial majority of our facilities and assets are located in India. We derive a major portion of our income from our business in India. Consequently, our performance, the market price and liquidity of the Equity Shares may be affected by changes in exchange rates and controls, interest rates, government policies, taxation, social and ethnic instability and other political and economic developments in and affecting India. In the early 1990s, India experienced significant inflation, low growth in gross domestic product and shortages of foreign currency reserves. Since 1991, the Indian government has pursued policies of economic liberalization, including providing significant tax incentives and relaxing certain regulatory restrictions, in order to encourage foreign investment in specific industries. We cannot assure you that liberalization policies will continue. Furthermore, the rate of economic liberalization could change, and specific laws and policies affecting technology companies, foreign investment, currency exchange rates and other matters affecting investment in our Equity Shares could also change. Since 1996, the government of India has changed numerous times. Currently and in the past, the central government has been a coalition of several political parties. Various factors, including a collapse of the present coalition government due to the withdrawal of support of coalition members, could trigger significant changes in India's economic liberalization and deregulation policies, disrupt business and economic conditions in India generally and our business in particular. A prolonged economic slowdown, significant inflation and local and national economic conditions could hurt our operations, cash flows and therefore affect our results.

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

Certain events that are beyond our control, including terrorist attacks and other acts of violence or war, including those involving India, the United States, the United Kingdom or other countries, may adversely affect worldwide financial markets and could potentially lead to economic recession, which could adversely affect our business, results of operations and financial condition, and more generally, any of these events could lower confidence in India as an investment destination. Southern Asia has, from time to time, experienced instances of civil unrest and hostilities among neighbouring countries. Although this has not been the case to date, such political tensions could create a perception that there is a risk of disruption of products provided by India-based companies, which could have an adverse effect on the market for our products. Furthermore, if India were to become engaged in armed hostilities, particularly hostilities that were protracted or involved the threat or use of nuclear weapons, we might not be able to continue to operate. India has witnessed communal clashes in the past. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could result in disruptions in transportation or communication networks, as well as have adverse implications for general economic conditions in India. Such events could have an adverse affect on our business, on the value of our Equity Shares and on your investment in our Equity Shares.

6. Any downgrading of India's debt rating by an independent agency may harm our ability to raise debt financing.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have a material adverse effect on our capital expenditure plans, business and financial performance.

7. Government regulation of foreign ownership of Indian securities may have an adverse effect on the price of the Equity Shares.

Foreign ownership of Indian securities is subject to Government regulation. Under foreign exchange regulations currently in effect in India, the RBI must approve the sale of the Equity Shares from a non-resident of India to a resident of India if the sale does not meet the requirements of a RBI Circular dated October 4, 2004. The RBI must approve the conversion of the Rupee proceeds from any such sale into foreign currency and repatriation of that foreign currency from India unless the sale is made on a stock exchange in India through a stock broker at the market price. As provided in the foreign exchange controls currently in effect in India, the RBI will approve the price at which the Equity Shares are transferred based on a specified formula, and a higher price per share may not be permitted. The approval from the RBI or any other government agency may not be obtained on terms favourable to a non-resident investor in a timely manner or at all. Because of possible delays in obtaining requisite approvals, investors in the Equity Shares may be prevented from realizing gains during periods of price increases or limiting losses during periods of price declines.

8. Natural calamities could have a negative impact on the Indian economy and cause our business to suffer.

India has experienced natural calamities, such as earthquakes, tsunamis, floods and drought in the past few years, which have had an adverse impact on the Indian economy. For example, there was an earthquake in 2004 in Gujarat. The occurrence of any such natural calamities in the future could have a negative impact on the Indian economy, adversely affecting our business and the price of our Equity Shares.

Prominent Notes:

1. The present Issue of 13,430,346 Equity Shares consists of a Fresh Issue of 10,744,276 Equity Shares and an Offer for Sale 2,686,070 Equity Shares at a price of Rs. [●] for cash aggregating up to Rs. [●] million is being made through the Book Building Process. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. The Issue will constitute approximately 25.37% of the post Issue paid-up capital of the Company.

2. The net asset value of our Company was Rs. 162.97 per Equity Share on a restated consolidated basis and Rs. 59.43 per Equity Share on a restated unconsolidated basis as of March 31, 2010 as per our Restated Financial Statements included in this Draft Red Herring Prospectus.

3. The net worth of our Company was Rs. 3,438.33 million on a restated consolidated basis and Rs. 1,253.91 million on a restated unconsolidated basis as of March 31, 2010 as per our “Restated Financial Statements” on page 144.

4. The average cost of acquisition of our Equity Shares by our Promoters, Mahesh Desai and V. Balasubramanian is Rs. 2.14 and Rs. 0.45 per Equity Share, respectively. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by us, including bonus shares.

5. For details of our related party transactions, refer to the section titled “Related Party Transactions” on page 139. For details of the Group Entities having business interests or other interests in the Issuer see “Group Entities” on page 137 and “Related Party Transactions” on page 139.For details of transactions by the Issuer with Subsidiary companies or Group Entities during the last year, see our “Restated Financial Statements” on page 144 and “Related Party Transactions” on page 139.

6. Our Promoters and certain of our Directors are interested in our Company by virtue of their shareholding and to the extent of options granted to them under our ESOP Schemes, if any, in our Company. See “Capital Structure” and “Our Management” on page 26 and page 121, respectively.

7. There are no financing arrangements whereby the Promoter Group, our Directors or their relatives have financed the purchase by any other person of securities of the Issuer other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of filing the Draft Red Herring Prospectus.

8. The Company has not made any issue of securities at a price less than the Issue Price period of one year immediately preceding the date of filing the Draft Red Herring Prospectus.

9. Any clarification or information relating to the Issue shall be made available by the BRLM and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever. Investors may contact any of the BRLMs who have submitted the due diligence certificate to the Board, for any complaints pertaining to the Issue.

10. Our Company was incorporated as Virgo Engineers Private Limited on June 8, 1987. Our status was subsequently changed to a public limited company by a special resolution of the members passed at the extraordinary general meeting held on February 10, 1995. The fresh certificate of incorporation consequent on conversion was granted to our Company on March 31, 1995 by the Additional Registrar of Companies, Maharashtra, at Mumbai.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

Valves are used to control or divert the flow of liquids, gases, slurries, dry material or steam in all kinds of industries. They may also control or isolate the rate of flow volume, pressure, direction or a combination of these parameters. There are only two known ways of controlling the flow of liquids and gases, and all valves are based on one of the two principles. Consider an overhead tank with water flowing out from an outlet pipe near the bottom. One way to stop/control the flow is to put a block against the flowing medium and the second way is to squeeze the outlet pipe shut if the pipe is flexible.

Modern Industrial valves have come a long way from the simple cock used to control the flow of water in older times and are now available in sophisticated configurations and can even be operated by remote signals from satellites. Modern process plants use valves to control various parameters including flow, volume, pressure and temperature and can also be used for mixing different flow media.

Types of Valves

Valves can be classified by type, design variations, and function as well as material, end connections and pressure-temperature. The types as defined by McIlvaine are as described below:

1. **Multi-Turn or Linear Motion Valves,** where opening / closing the valve requires rotating the handwheel a number of times, are divided into five different types: gate, globe, pinch, diaphragm, and needle.

   Gate valves are used in general service for on and off of non throttling service. A flat face, vertical disc or gate that slides down through the valve are the methods the gate valve used to block the flow.

   A plug with a flat or convex bottom lowered onto a matching horizontal seat located in the center of the valve is how the *globe valve* works. The valve opens by raising the plug to start the fluid flowing.

   Slurries or liquids with large amounts of suspended solids use *pinch valves*. This type of valve seals by means of one or more flexible elements, such as a rubber tube, that can be pinched to shut off flow.

   A *diaphragm valve* closes with a flexible diaphragm attached to a compressor. When the compressor is closed, the diaphragm seals and cuts off the flow. This type of valve handles corrosive, erosive, and dirty jobs.

   The *needle valve* controls volume by restricting flow in small lines. The fluid going through the valve turns 90 degrees and passes through an orifice that is the seat for a rod with a cone-shaped tip. The size of the orifice is changed by positioning the cone in relation to the seat.

2. **Quarter Turn or Rotary Valves,** where a 90 degree rotation of handle opens or closes the valve, come in three types: plug valve, ball valve, and butterfly valve. All three types of valves are used for on-off service and throttling service.

   The *plug valve* controls flow by means of a cylindrical or tapered plug with an opening in the center that lines up with the flow path to permit flow. A quarter turn in either direction blocks the flow path. Many types and styles of plug valves are used throughout the process industry: lubricated, nonlubricated, rotor, and eccentric.

   The *ball valve* uses a rotating ball with a hole through it to allow straight-through flow in the open position and shuts off flow when the ball is rotated 90 degrees to block the flow passage.

   A circular disc or vane with its pivot axis at right angles to the direction of flow in the pipe is a *butterfly valve*. Bi-directional shut-off is one of the hallmarks of butterfly valves. The butterfly disc provides the structural integrity to resist the typdrostatic shut-off loads and operating torque. Butterfly valves's light-weight, positive shut-off and ease of operation make them the valve of choice for applications that involve low-to medium-pressure and temperature.

3. **Self-Actuated Valves** are divided into two types: check and pressure relief valves.

   The *check valve* can provide directional or pressure control or both. It is designed to prevent backflow. Fluid flow in the desired direction opens the valve, while backflow forces the valve closed.

The *pressure relief valve* is designed to provide protection from over-pressure in steam, gas, air and liquid lines. The valve "lets off steam" when safe pressures are exceeded, then closed again when pressure drops to a preset level.

4. **Controls Valves** are designed to ensure accurate proportioning control of flow. The rate of flow varies based on signals it receives from sensing devices in a continuous process. Some valves are specifically designed to be control valves. Additionally, most types of valves can be used as control valves with the additional of power actuators, positioners, and other accessories.

5. **Specialty Valves** are custom designed valves and actuators for specific applications. Valves come in a wide variety of materials and sizes.

SUMMARY OF OUR BUSINESS

We are one of the leading manufacturers of valves, by revenue, in India. We manufacture and supply various types of ball, triple offset, gate and check valves as well as steam products and have a significant customer base in the oil and gas (including refining and petro-chemical) industry. We also supply our products to customers in the infrastructure (including pipelines and storage terminals) and process industries (including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers).

We commenced manufacturing operations in Pune in 1990, Milan in Italy in 2006, Coimbatore in 2008, and Houston in the United States in 2009. In addition, we acquired manufacturing facilities for steam products in Bremen, Germany in 2009.

Our manufacturing plants span an area of approximately 606,600 sq. ft. and are equipped with robotic, CNC and manual machines. We have robotic facilities for metalizing valve components with specialized coatings and special purpose equipment for creating a metallic overlay on valve components.

We currently have the capability to manufacture a wide range of ball valves and triple offset valves as well as specialty valves such as three-way valves, jacketed valves, valves with extended stems, cryogenic valves, valves in exotic materials of construction such as Hastelloy, duplex stainless steel, Inconel and valves for severe service applications. We also automate our portfolio of valves when they are required to be operated, monitored or controlled from remote locations. We manufacture and sell specialized emergency shutdown valves and fire proof valve automation systems.

We have received numerous industry and client specific accreditations and certifications which allow us to deliver and supply our products to a wide range of customers. After receiving our first ISO-9001 certificate in the year 1997, we have worked to acquire several international quality accreditations for our products and processes around the world, such as American Petroleum's API Q1, EU's Pressure Equipment Directive (PED), and Safety Integrity Level (SIL) certified products for functional safety. In addition, we have obtained OHSAS 18001 (2007) certification for adhering to global standards in occupational health and safety management from Det Norske Veritas and have also obtained an ISO 9001-2008 certification from our quality management system issued by TUV Sud Management Service GmbH. Our Company has been awarded the designation or "all-India star performer" in the category of large enterprises for the years 2005-2006 as well as 2008-09 by Engineering Export Promotion Council. Our Company and our subsidiary, Virgo Valves & Controls Limited has been given a Star One Export House Status. We have also been awarded an Award of Honour by the Instrumentation, Systems and Automation Society in 2005.

Our Company has been approved as an "Approved Manufacturer", "Approved Supplier" or "Approved Vendor" by several leading oil and gas companies, and engineering consultants. Further, several of our product lines and products have been tested by leading companies and approved for supply to them.

As of June 15, 2010, we were executing 746 orders for 232 customers. As on the same date, the total value of our order book was Rs. 4,345.70 million. These 746 orders come from 234 customers, of which 684 orders are from our repeat customers. Today, we have a customer base of approximately 2300 customers.

We have six sales offices in India located at Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune. Internationally, we have sales offices in Houston, Oklahoma, Milan, Kuala Lumpur, Dubai; Abu Dhabi and Shanghai. In addition to our regular sales and distribution mechanisms, our Subsidiary Vintrol Inc. offers our products to customers in the U.S on a 'stock and sale' basis. It stocks our products in its warehouses situated in Oklahoma which enables it to meet demands of some of its customers promptly.

We were founded in 1987 by our Promoters Mahesh Desai and V. Balasubramanian who collectively have over 65 years of experience in the valve industry. In 2006, Tano Mauritius India FVCI, a financial investor, invested in our Company and continues to be a shareholder of our Company. For further details of the shareholders agreement with Tano Mauritius India FVCI, please refer to the section titled "History and Corporate Structure" on page 112.

As of June 15, 2010, in India we employed 743 employees (excluding probationers, trainees and temporary employees) and our Foreign Subsidiaries employed 70 persons (excluding probationers, trainees and temporary employees).

Our restated consolidated total income was Rs. 6,818.86 million for Fiscal 2010 as compared to Rs. 7,260.78 million for Fiscal 2009 and Rs. 6,037.31 million in Fiscal 2008.

Restated consolidated revenue (excluding other income) on the basis of client industries for the past three years:

(*Rs. in million*)

Sector	**Fiscal 2010**		**Fiscal 2009**		**Fiscal 2008**	
	Amount	**Percentage(%)**	**Amount**	**Percentage(%)**	**Amount**	**Percentage(%)**
Oil and Gas Sector	6,425.35	95.43	6,416.04	93.27	4850.67	94.35
Infrastructure Sector	165.08	2.45	298.99	4.35	232.28	4.52
Other Process*	142.58	2.12	163.88	2.38	58.46	1.14
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

**including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers*

The following is the breakdown of restated consolidated revenue (excluding other income) on the basis of location in the past three years:

(*Rs. in million*)

Geography	**Fiscal 2010**		**Fiscal 2009**		**Fiscal 2008**	
	Amount	**Percentage(%)**	**Amount**	**Percentage(%)**	**Amount**	**Percentage(%)**
Domestic	1,741.54	25.87	1,288.16	18.73	1,038.37	20.20
USA	2,117.99	31.46	2,323.45	33.78	2,227.89	43.33
Europe	1,007.41	14.96	1,030.40	14.98	512.46	9.97
Middle East	1,257.94	18.68	1,929.01	28.04	1,109.34	21.58
Far East	608.12	9.03	307.89	4.48	253.34	4.93
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

Our Competitive Strengths

Our Product and Quality focus

We have followed a manufacturing strategy, aimed at quality conscious customers with stringent product requirements. We place significant emphasis on maintaining the quality of our flow control products. Our quality control departments are managed by a team of competent engineers and our extensive testing facilities permit us to check our products at every stage of manufacture.

We have developed quality systems and invested in testing facilities including high pressure gas testing, low and high temperature testing as well as fugitive emission testing facilities. This allows us to develop, test, manufacture and supply products for applications ranging from routine to severe service applications.

The quality standards adhered to at every stage in the manufacture of our products have resulted in our products receiving numerous global certifications. Our products have also been evaluated and approved by leading customers in the industries we serve, in accordance with their respective product approval standards. For instance, our Company has been approved as an "Approved Manufacturer", "Approved Supplier" or "Approved Vendor" by several of the leading oil and gas companies, and engineering consultants in the world. Further, several of our product lines and products have been tested by leading companies and approved for supply to them.

We believe that our above approach of working closely with end-users of valves has helped us grow our business and operations.

Strong relationships with our customers

A significant portion of our total revenues were derived from repeat orders, i.e. orders received from former customers.

We support our customers at both pre-order and post order stages and regularly interact with our customers to understand their requirements. For instance, we have a dedicated team of application engineers who respond to customer enquiries including budgetary quotations. We often develop or modify our products to meet their requirements and are sometimes even called upon to assist customers with flow control issues that they may face in their applications.

We believe that our above initiatives have helped increase repeat orders from customers and enabled us to broaden our relationships with our existing customers.

Cost-efficient and 'lean' manufacturing

We follow several production processes to manufacture our products in a lean and cost efficient manner. We believe in the philosophy of lean manufacturing and have successfully implemented lean manufacturing techniques by using cellular shop floor layouts and visual management tracks and change management processes including Kaizan and Value Stream Mapping to improve the efficiency of our operations.

We follow modern and efficient production processes in our plants. We use CNC machining systems, robotic metalizing equipment extensive testing facilities and specialized production processes to improve the efficiency of our manufacturing and testing processes. Our centralized planning and manufacturing processes are controlled using a BAAN – LN ERP system which enables us to track production and inventory across our operations in India and Houston. This provides our management with real time information and allows us to centralize our forecasting functions.

Strategic control over critical manufacturing processes and selective outsourcing.

We execute critical aspects of our manufacturing processes including design, final machining, metallic coating, assembly and testing in-house.

We have a strong in house design function with 67 qualified engineers and experienced draughtsmen and design software packages like Pro E -3, Finite Element Analysis ("FEA") and modelling versions. We have also integrated our design packages through Product Life Management ("PLM") with BAAN LN-ERP. In order to increase development of products and have a clear focus on the research and development aspects on designing, we have a dedicated Research and Development Cell for carrying out development of new products. This R&D cell has its own manufacturing lab where prototypes are validated before being made available to our customers.

We subject our products to a variety of testing processes to ensure their compliance with different standards, code requirements and additional customer specifications such as high pressure hydro shell and seat testing, pneumatic testing, high pressure nitrogen gas testing, fugitive testing, vacuum testing, cryogenic testing, steam testing, fire safe testing and non destructive testing.

Our emphasis on quality has enabled us to maintain control over production operations, ensure product quality and satisfy the requirements of our customers.

All of our critical manufacturing processes are conducted in-house. We however outsource generic / low value manufacturing processes like casting, rough and repetitive machining, electro-plating. Adequate controls are established to ensure that the outsourced work is carried out according to our designs and meets our quality standards and specifications. We use prudent vendor rating and vendor assessment policies to maintain quality standards for our outsourced work.

This selective outsourcing has allowed us to focus our resources on those aspects ofmanufacturing which are critical to maintaining product quality, while optimizing cost and capital expenditure.

Robust international presence ensuring multiple points of interaction with our customers.

We interact directly with our customers through our sales offices in Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune and our international sales offices in Houston, Oklahoma, Milan, Kuala Lumpur, Dubai, Abu Dhabi and Shanghai. In addition to our regular sales and distribution mechanisms, our Subsidiary Vintrol Inc. offers our products to customers in the U.S on a 'stock and sale' basis. It stocks our products in its warehouses situated in Oklahoma which enables it to meet demands of some of its customers promptly. These locations also house experienced application engineers to support local customers. In addition, we maintain warehouses in Houston and Dubai to satisfy immediate demands of some of our customers. We also have distributors in Mumbai and Chennai.

Our sales and marketing offices interact with our customers (existing and potential) on an ongoing basis. At the pre-sales stage, they determine upcoming customer requirements and projects and ensure that we are suitably pre - qualified for them. Our sales and marketing teams explore newer markets and customers for our products, obtain more registrations and product approvals, develop new strategies for product placement, project tracking and global information sharing across our Company and our Subsidiaries. After receipt of an enquiry, they co-ordinate the preparation of suitable bids for these projects and work to convert bids or customer enquiries into orders for our products. Post-sale, they provide first level support to our customers and develop our customer relationships on an ongoing basis.

In areas which are not directly represented by us we sell through our agents and representatives.

We believe that our combination of a direct sales network as well as alternative sales channels allows us to obtain higher margins and lower sales costs. We further believe that our multiple points of contact with our customers enable us to market and sell our product more comprehensively.

Qualified and experienced management team

Virgo was founded by Mahesh Desai and V. Balasubramanian, both engineers with over six decades of collective experience. Our Promoters and our management team of experienced professionals have been responsible for making Virgo one of the leading valve manufacturing company's by revenue in India.

In growing our international presence, we have identified and recruited professionals who are technically qualified and highly experienced in their respective geographies to operate our international subsidiaries. They operate our subsidiaries in an independent manner. Our Company is managed by a seven member management council which includes the three business heads of our International Subsidiaries in Europe and the United States.

We believe that the above management framework allows us to maintain the flexibility to address local markets and needs in each of the geographies where we operate while availing of centralized support and inputs through our management council. This allows us to function in an agile and responsive manner.

We have six independent Directors on our Board, who further strengthen our management and bring significant business experience. Our technical teams bring with them extensive experience in design, engineering, assembly and marketing of valves. Our senior management team that is in charge of operations, finance, sales and marketing, business development and strategic planning has extensive experience in the industry. We believe the strength and quality of our management team and our unique organizational structure has been instrumental in implementing our business and growth strategies.

We have also initiated three ESOP schemes namely ESOP 2006, ESOP 2007 and ESOP 2009 to reward our employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of our Company.

Our Strategy

Continue to expand our product range

As on March 31, 2010, we derived 95.43% of our income from sales of products and services from companies that operate in the oil & gas and infrastructure industries. In Fiscal 2009, we introduced our new range of triple offset valves to broaden the market to which our products can be supplied. We have also started manufacturing severe service valves which will cater to our existing customers as well as new customers in the mining and power industries.

In addition to our existing portfolio of valves, we propose to expand our range of cryogenic valves which function at extremely low temperatures and sub-sea valves.

Obtaining new customer accreditations and expanding sales to customers who have accredited us.

Most of our customers and potential customers source their valve requirements only from vendors who have been approved by them or their clients. Such customers evaluate prospective vendors on numerous parameters and determine the adequacy of the quality of the products. Our marketing department aggressively endeavours to expand our customer base, by approaching new customers and ensuring that we form part of their approved vendor list.

We propose to expand our sales to customers with whom we have completed accreditation of certain of our products and also propose to expand the number of customers and potential customers with whom we are accredited.

Create a steam engineering division

In addition to broadening our valve range we have also acquired RIFOX with the objective of providing fluid control solutions in the steam handling and processing space.

RIFOX has manufactured steam products for over 60 years. RIFOX's steam handling products including steam traps, dryers and sight glasses. Through RIFOX we aim to service a larger portion of the process industry by starting a steam engineering division to develop, manufacture and supply steam handling and processing solutions including pressure and temperature controls, manifolds, strainers and condensate recovery systems.

Strengthen capabilities through inorganic expansion or investments

In 2009, we expanded our operations inorganically by acquiring RIFOX in order to be able to offer its portfolio of steam products.

We are continuously examining strategic acquisition or investment opportunities that have complementary capabilities and will help us expand into new geographies or acquire new technologies or customers. In particular, we plan to acquire companies manufacturing related products in valves, flow control and steam products. This will help us to diversify our product range and expand our customer base.

Expand our geographical reach

We have recently expanded our geographical reach by converting our branch office in the UAE to a Subsidiary Virgo Valves and Controls (ME) FZE ("**Virgo FZE**") which includes a valve automation center in order to better service the Middle East markets. In addition to acting as sales and marketing offices for us, certain of our local offices also allow us to source components locally.

We are proposing to an offices in Seoul, South Korea and are also involved in expanding our operations within India by setting up a manufacturing facility in the special economic zone in Chennai, India.

We plan to further expand our geographical coverage by expanding our offices and operations to strategic locations across the globe where our customers or potential customers are located. We believe that this will enable us to better service our existing customers in these geographies as well as acquire new customers.

SUMMARY FINANCIAL INFORMATION

SUMMARY STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

(All amounts in Rs. Million)

	Financial Year Ended				
Particulars	**March 31, 2006**	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
A. Fixed Assets:					
Gross Block	368.02	772.65	954.12	1,433.22	1,608.31
Less: Depreciation	130.91	238.56	315.49	411.07	523.80
Net Block	**237.11**	**534.09**	**638.63**	**1,022.15**	**1,084.51**
Capital Work-in-Progress	57.16	32.26	84.90	111.57	80.56
Total	**294.27**	**566.35**	**723.53**	**1,133.72**	**1,165.07**
B. Investments	**14.07**	**0.06**	**0.06**	**0.06**	**0.06**
C. Deferred Tax Assets	**2.33**	**5.40**	**8.12**	**3.62**	**19.17**
D. Current Assets, Loans and Advances:					
Inventories	543.28	1,053.68	2,049.26	2,598.07	2,514.17
Sundry Debtors	601.89	793.68	1,778.72	1,934.28	1,879.05
Cash and Bank Balances	32.29	73.53	139.38	243.66	307.03
Other Current Assets	42.79	126.84	222.05	205.90	198.01
Loans and Advances	71.09	188.55	343.99	531.92	562.18
Total	**1,291.34**	**2,236.28**	**4,533.40**	**5,513.83**	**5,460.44**
E. Liabilities and Provisions:					
Non-convertible Preference Shares of subsidiaries held by outsiders	27.94	27.94	-	-	-
Secured Loans	240.16	460.99	1,178.75	1,724.32	1,439.51
Unsecured Loans	12.21	-	94.38	40.50	35.58
Minority Interest	17.19	-	-	-	-
Deferred Tax Liability	14.29	23.63	23.74	40.90	44.72
Current Liabilities and Provisions	873.06	1,229.48	2,157.21	2,015.24	1,686.60
Total	**1,184.85**	**1,742.04**	**3,454.08**	**3,820.96**	**3,206.41**
F. Net Worth (A+B+C+D-E)	**417.16**	**1,066.05**	**1,811.03**	**2,830.27**	**3,438.33**
Net Worth represented by -					
1.Equity Share Capital	99.62	105.39	210.78	210.78	210.98
2.Equity shares pending allotment	-	-	-	10.04	-
3.Employee Stock Option Outstanding	-	0.23	0.57	0.73	0.81
4.Reserves and Surplus	318.21	960.62	1,599.68	2,608.72	3,226.54
5.Miscellanous Expenditure to the extent not adjusted/ written off	0.67	0.19	-	-	-
Net Worth (1+2+3+4-5)	**417.16**	**1,066.05**	**1,811.03**	**2,830.27**	**3,438.33**

SUMMARY STATEMENT OF CONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
INCOME					
Sales					
Sale of Goods and Service Income	1,634.29	3,078.79	5,141.41	6,878.91	6,733.00
TOTAL	**1,634.29**	**3,078.79**	**5,141.41**	**6,878.91**	**6,733.00**
Other Income	11.86	26.70	56.69	60.10	80.00
(Increase)/Decrease in inventories	217.03	286.97	839.21	321.77	5.86
TOTAL INCOME (A)	**1,863.18**	**3,392.46**	**6,037.31**	**7,260.78**	**6,818.86**
EXPENDITURE					
Raw Material Consumed	1,024.42	1,866.78	3,570.65	3,968.65	3,534.66
Operating and other Expenses	266.17	499.10	712.27	1,035.85	981.14
Employees' Remuneration and Benefits	154.93	250.77	433.65	644.35	827.39
Financial Charges	49.30	72.08	158.28	236.51	229.97
Depreciation/Amortisation	29.89	71.12	86.80	120.37	151.63
TOTAL EXPENDITURE (B)	**1,524.71**	**2,759.85**	**4,961.65**	**6,005.73**	**5,724.79**
Sub-Total (A-B)	**338.47**	**632.61**	**1,075.66**	**1,255.05**	**1,094.07**
Less: Profit transferred to goodwill	-	13.93	-	-	-
Less: Share of profit transferred with subsidiary	-	-	-	2.49	-
Add: Share of loss of minority interest	0.42	-	-	-	-
Net Profit before tax and extraordinary items	**338.89**	**618.68**	**1,075.66**	**1,252.56**	**1,094.07**
Add:					
Exceptional items [Income/(Expense)]	-	-	-	-	-
Extraordinary items[Income/(Expense)]	-	-	-	-	-
Net Profit before Tax	**338.89**	**618.68**	**1,075.66**	**1,252.56**	**1,094.07**
Taxation [Charge/(Reversal)]					
- Current Tax	43.73	119.44	232.02	295.05	318.71
- MAT Credit Entitlement	-	-	(63.05)	(81.57)	(82.59)
- Fringe Benefit Tax	1.08	2.30	2.67	3.54	-
- Wealth Tax	1.25	0.02	0.04	0.05	0.04
- Deferred Tax [Charge/(Reversal]	(3.89)	6.27	(1.98)	21.66	(11.73)
Net Profit before adjustments	**296.72**	**490.65**	**905.96**	**1,013.83**	**869.64**
ADJUSTMENTS					
Impact of changes in accounting policies and estimates					
Transitional Adjustment [AS-15(New)]	-	-	(0.74)	-	-
(See Note No. I-1(a) of Annexure III)					
Other adjustments					
Prior Period Items	-	(2.24)	-	(4.54)	-
(See Note No. I-2 of Annexure III)					
Total Impact of Adjustments	**-**	**(2.24)**	**(0.74)**	**(4.54)**	**-**
Current Tax Impact of Adjustments	-	0.82	-	1.46	-
Total of Adjustments after Tax impact	**-**	**(1.42)**	**(0.74)**	**(3.08)**	**-**
Net Profit, as restated	**296.72**	**489.23**	**905.22**	**1,010.75**	**869.64**
Profit and loss account at the beginning of the year/period	**44.66**	**293.27**	**683.60**	**1,320.37**	**2,097.20**
Balance available for appropriation, as restated	**341.38**	**782.50**	**1,588.82**	**2,331.12**	**2,966.84**
Appropriations					
Interim Dividend on Equity Shares	6.51	31.62	42.16	52.70	52.75
Provision for Dividend on preference shares	3.06	3.07	1.56	-	-
Proposed Dividend on Equity Shares	6.55	31.62	52.70	52.70	63.29
Dividend on Preference Shares	1.63	-	-	-	-
Tax on Dividends	2.06	10.85	17.03	18.52	19.52
Transfer to Capital Redemption Reserve	18.80	-	-	-	-
Transfer to General Reserve	9.50	21.74	155.00	110.00	116.60
Surplus/(deficit) carried forward, as restated	**293.27**	**683.60**	**1,320.37**	**2,097.20**	**2,714.68**

STATEMENT OF CONSOLIDATED CASH FLOWS, AS RESTATED

(All amounts in Rs. Million)

	Financial Year ended				
Particulars	**March 31, 2006**	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
A. Cash flow from operating activities					
Profit before tax and extraordinary items	338.47	632.61	1,075.66	1,255.05	1,094.07
(before restatement adjustments)					
Restatement adjustments	-	(2.24)	(0.74)	(4.54)	-
Share in profit transferrred to subsidiary	-	-	-	(2.49)	-
Profit before taxation and extraordinary items, as restated	**338.47**	**630.37**	**1,074.92**	**1,248.02**	**1,094.07**
Adjustments for:					
Depreciation/Amortisation	29.95	71.12	86.80	120.37	151.63
Foreign Currency Translation Reserve	0.07	(12.15)	(48.47)	122.22	(126.10)
Loss/(Profit) on sale of fixed assets	0.42	1.44	2.13	(12.93)	1.65
Interest income	(1.25)	(2.40)	(6.76)	(6.85)	(9.41)
Dividend income	(0.29)	(0.07)	(0.01)	(0.01)	(0.01)
Interest expense	39.15	54.34	123.88	185.60	178.30
Employee stock option compensation cost	-	0.23	0.33	0.17	0.08
Unclaimed liabilities written back	(0.16)	-	-	(9.26)	-
Bad debts written off	0.77	2.46	2.95	10.46	3.25
Investment written off	0.00	-	-	-	-
Preliminary expenses written off	1.86	0.48	0.19	-	-
Share Issue expenses	0.08	-	-	-	-
Provision for doubtful debts	1.61	2.32	1.61	41.20	2.34
Excess Provision for doubtfful debts written back	-	-	-	-	(14.37)
Provision for doubtful loans & advances	-	-	-	-	3.37
Operating profit before working capital changes	**410.68**	**748.14**	**1,237.57**	**1,698.99**	**1,284.80**
Movements in working capital:					
Decrease / (Increase) in trade receivables and other receivables	(214.02)	(393.84)	(1,159.57)	(272.74)	110.72
Decrease / (Increase) in inventories	(210.46)	(510.40)	(995.60)	(548.80)	83.90
Increase / (Decrease) in current liabilities	130.30	312.18	852.84	(87.98)	(384.93)
Cash generated from/(used in) operations	**116.50**	**156.08**	**(64.76)**	**789.47**	**1,094.49**
Direct taxes paid, net of refund	**(48.22)**	**(113.81)**	**(219.46)**	**(367.57)**	**(260.23)**
Net cash generated from/(used in) operating activities	**68.28**	**42.27**	**(284.22)**	**421.90**	**834.26**
B. Cash flows from investing activities					
Purchase of fixed assets (Inclusive movement in CWIP)	(133.07)	(376.73)	(254.24)	(574.25)	(185.93)
Proceeds from sale of fixed assets	0.98	32.10	9.73	56.62	1.32
Proceeds from sale of investments	178.07	14.01	-	-	-
Purchase of investments	(201.60)	-	-	-	-
Purchase of Minority Interest	-	0.13	-	-	-
Interest received	1.80	1.63	4.04	7.33	5.70
Dividends received	0.29	0.07	0.01	0.01	0.01
Net cash generated from/(used in) investing activities	**(153.53)**	**(328.79)**	**(240.46)**	**(510.29)**	**(178.90)**

C. Cash flows from financing activities					
Equity Shares pending allotment	-	-	-	10.04	-
Proceeds from issuance of share capital	1.78	4.00	-	-	-
Premium on issuance of share capital	14.74	220.99	-	-	-
Redemption of preference share capital	(18.80)	-	-	-	-
Purchase of Preference Share of subsidiary	-	-	(27.94)	-	-
Share issue expenses	(0.08)	(7.98)	-	-	-
Deposits accepted	3.16	-	-	-	-
Deposits repaid	(3.19)	(12.21)	-	-	-
Proceeds from long term borrowings	17.29	114.43	230.40	257.09	23.30
Proceeds / (Repayment) of short term borrowings	103.88	187.32	709.62	260.29	(153.04)
Repayment of long-term borrowings	-	(80.93)	(127.87)	(25.72)	(159.99)
Interest paid	(39.14)	(54.34)	(123.88)	(184.95)	(178.67)
Dividends paid	(11.40)	(38.17)	(73.77)	(105.39)	(105.44)
Tax on dividends paid	(1.60)	(5.35)	3.97	(18.69)	(18.15)
Net cash generated from/(used in) financing activities	**66.64**	**327.76**	**590.53**	**192.67**	**(591.99)**
Net increase in cash and cash equivalents (A + B + C)	**(18.61)**	**41.24**	**65.85**	**104.28**	**63.37**
Cash and cash equivalents at the beginning of the period (See Annexure III Note (I) - 4)	**50.90**	**32.29**	**73.53**	**139.38**	**243.66**
Cash and cash equivalents at the end of the period (See Annexure III Note (I) - 4)	**32.29**	**73.53**	**139.38**	**243.66**	**307.03**

Components of cash and cash equivalents as at	**31-Mar-06**	**31-Mar-07**	**31-Mar-08**	**31-Mar-09**	**31-Mar-10**
Cash and cheques on hand	0.97	0.71	0.27	0.87	0.35
With scheduled banks					
- on current account	4.37	26.78	29.46	36.86	21.41
-on deposit account	21.45	40.80	87.78	100.35	117.73
Balance with non-scheduled banks - current accounts	5.50	5.24	21.87	105.58	167.54
	32.29	**73.53**	**139.38**	**243.66**	**307.03**

SUMMARY STATEMENT OF UNCONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
A. Fixed Assets:					
Gross Block	221.20	434.19	558.88	896.68	1,001.19
Less: Depreciation	106.22	132.97	168.70	211.50	265.57
Net Block	**114.98**	**301.22**	**390.18**	**685.18**	**735.62**
Capital Work-in-Progress	34.66	24.42	78.47	85.45	30.54
Total	**149.64**	**325.64**	**468.65**	**770.63**	**766.16**
B. Investments	**19.06**	**110.12**	**110.12**	**126.36**	**26.29**
C. Current Assets, Loans and Advances:					
Inventories	120.73	293.88	483.55	642.69	509.83
Sundry Debtors	186.63	358.74	583.49	641.82	810.47
Cash and Bank Balances	18.73	30.73	32.39	53.94	63.95
Other Current Assets	16.41	82.18	158.57	141.18	144.67
Loans and Advances	39.27	115.03	175.46	239.88	195.68
Total	**381.77**	**880.56**	**1,433.46**	**1,719.51**	**1,724.60**
D. Liabilities and Provisions:					
Secured Loans	52.73	194.65	578.61	941.26	648.11
Unsecured Loans	12.21	-	29.81	-	-
Deferred Tax Liability	12.82	18.72	21.62	30.91	41.37
Current Liabilities and Provisions	250.54	552.83	738.33	869.74	573.66
Total	**328.30**	**766.20**	**1,368.37**	**1,841.91**	**1,263.14**
E. Net Worth (A+B+C-D)	**222.17**	**550.12**	**643.86**	**774.59**	**1,253.91**
Net Worth represented by					
1.Share Capital	99.62	105.39	210.78	210.78	210.98
2.Equity Share pending allotment	-	-	-	10.04	-
3. Employee Stock Option	-	0.23	0.57	0.73	0.81
4.Reserves and Surplus	123.22	444.69	432.51	553.04	1,042.12
5.Miscellanous Expenditure to the extent not adjusted/ written off	0.67	0.19	-	-	-
Net Worth (1+2 +3+4-5)	**222.17**	**550.12**	**643.86**	**774.59**	**1,253.91**

SUMMARY STATEMENT OF UNCONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended on				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
INCOME					
Sales					
Of products manufactured (including scarp sales and net of excise duty)	779.20	1,342.92	2,162.99	2,427.74	2,740.47
Of products traded	1.38	2.38	55.19	6.62	0.06
Of services rendered	0.81	0.32	7.13	52.04	60.32
TOTAL	**781.39**	**1,345.62**	**2,225.31**	**2,486.40**	**2,800.85**
Other Income	9.32	21.05	88.11	149.28	160.77
Increase/(decrease) in inventories	11.24	86.43	117.11	(6.43)	(26.20)
TOTAL INCOME (A)	**801.95**	**1,453.10**	**2,430.53**	**2,629.25**	**2,935.42**
EXPENDITURE					
Raw material consumed (including cost of job work)	535.76	969.43	1,557.55	1,582.39	1,652.29
Purchases of traded goods	0.72	1.26	46.79	5.40	0.07
Operating and other Expenses	97.23	159.04	267.11	378.00	360.71
Employees' Remuneration and Benefits	56.38	91.34	154.07	183.13	202.11
Financial Charges	29.33	36.76	85.94	132.24	152.27
Depreciation	17.60	27.46	43.36	56.38	75.41
TOTAL EXPENDITURE (B)	**737.02**	**1,285.29**	**2,154.82**	**2,337.54**	**2,442.86**
Net Profit before tax, exceptional and extraordinary items (C)=(A-B)	**64.93**	**167.81**	**275.71**	**291.71**	**492.56**
Add: Exceptional Items [Income/(Expense)]	-	-	-	-	-
Add: Extraordinary Items[Income/(Expense)]	51.10	-	-	-	238.23
Net Profit before Tax	**116.03**	**167.81**	**275.71**	**291.71**	**730.79**
Taxation					
- Current Tax	25.30	50.50	75.00	54.00	125.00
- Wealth Tax	0.02	0.02	0.04	0.05	0.04
- Fringe Benefits	1.39	1.34	1.82	2.44	-
- Deferred Tax [Charge/(Reversal)]	(1.81)	5.90	3.15	9.29	10.47
Net Profit	**91.13**	**110.05**	**195.70**	**225.93**	**595.28**
Profit and loss account at the beginning of the year	**51.40**	**97.48**	**112.74**	**166.42**	**256.95**
Balance available for appropriation, as restated	**142.53**	**207.53**	**308.44**	**392.35**	**852.23**
Appropriations					
Interim Dividend on Equity Shares	6.51	31.62	42.16	52.70	52.75
Proposed Dividend on Equity Shares	6.55	31.62	52.70	52.70	63.29
Dividend on Preference Shares	1.63	-	-	-	-
Tax on Dividends	2.06	9.81	7.16	-	-
Transfer to Capital Redemtion Reserve	18.80	-	-	-	-
Transfer to General Reserve	9.50	21.74	40.00	30.00	59.60
Balance carried forward, as restated	**97.48**	**112.74**	**166.42**	**256.95**	**676.59**

STATEMENT OF UNCONSOLIDATED CASH FLOWS, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended on				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
A. Cash flow from operating activities					
Profit before taxation	**116.03**	**167.81**	**275.71**	**291.71**	**730.79**
Less:Extraordinary Items	51.10	-	-	-	238.23
Profit before taxation and exceptional items	**64.93**	**167.81**	**275.71**	**291.71**	**492.56**
Adjustments for:					
Depreciation	17.60	27.46	43.36	56.38	75.41
Loss on sale of fixed assets	0.42	0.73	1.34	(13.77)	1.61
Foreign Exchange Loss (net)	(0.38)	-	-	-	-
Interest income	(0.75)	(1.80)	(2.18)	(2.99)	(3.75)
Dividend income	(0.01)	(0.01)	(55.01)	(109.01)	(116.31)
Interest expense	23.58	28.19	67.43	108.94	127.67
Employee stock compensation cost		0.23	0.33	0.17	0.08
Bad debts written off	0.30	1.52	0.62	5.24	1.46
Preliminary expenses written off	0.64	0.48	0.19	-	-
Unclaimed Liabilities written back	(0.16)	-	-	8.08	-
Provision for Warranties and Guarantees	-	1.61	3.19	3.77	4.71
Provision for doubtful debts	1.61	2.32	1.38	20.29	2.24
Excess Provision for doubtful debts written back	-	-	-	-	(0.65)
Operating profit before working capital changes	**107.78**	**228.54**	**336.36**	**368.81**	**585.03**
Movements in working capital:					
Decrease / (Increase) in sundry debtors, loans & Advance and Current asset	(45.97)	(316.90)	(363.77)	(76.01)	(155.05)
Decrease / (Increase) in inventories	4.11	(173.16)	(189.66)	(159.13)	132.85
Increase / (Decrease) in current liabilities	36.12	264.50	173.96	118.99	(326.11)
Cash generated from operations	**102.04**	**2.98**	**(43.11)**	**252.66**	**236.72**
Direct taxes paid	**(27.36)**	**(45.21)**	**(84.96)**	**(69.23)**	**(83.76)**
Net cash from/(used in) operating activities	**74.68**	**(42.23)**	**(128.07)**	**183.43**	**152.96**
B. Cash flows from investing activities					
Purchase of fixed assets	(52.29)	(204.58)	(195.46)	(379.65)	(73.51)
Proceeds from sale of fixed assets	0.98	0.39	7.74	40.03	0.96
Purchase of investments	(29.35)	(26.82)	-	(6.19)	
Sale of investments	130.30	9.00	-	-	338.29
Interest received	1.45	1.22	2.41	3.48	2.11
Dividends received	0.01	0.01	55.01	66.51	116.31
Net cash used in investing activities	**51.10**	**(220.78)**	**(130.30)**	**(275.82)**	**384.16**
C. Cash flows from financing activities					
Proceeds from issuance of share capital including premium	2.44	225.00	-	-	-
Redemption of preference share capital	(18.80)	-	-	-	-
Share issue expenses	-	(7.98)	-	-	-
Proceeds from long term borrowings	-	92.38	133.25	251.25	0.92
Repayment of long term borrowings	(27.87)	(25.81)	(32.96)	(19.22)	(150.47)
Proceeds/(Repayment) of short term borrowings	(48.46)	75.34	313.48	95.82	(143.60)
Deposits Accepted	3.16	-	-	-	-
Deposits repaid	(3.19)	(12.21)	-	-	-
Interest paid	(23.58)	(28.19)	(67.43)	(108.52)	(128.53)
Dividends paid	(11.40)	(38.17)	(73.77)	(105.39)	(105.44)
Tax on dividends paid	(1.60)	(5.35)	(12.54)	-	-

Net cash from/(used in) financing activities	**(129.30)**	**275.01**	**260.03**	**113.94**	**(527.12)**
Net increase in cash and cash equivalents (A + B + C)	**(3.52)**	**12.00**	**1.66**	**21.55**	**10.00**
Cash and cash equivalents at the beginning of the Year	**22.25**	**18.73**	**30.73**	**32.39**	**53.94**
Cash and cash equivalents at the end of the Year	**18.73**	**30.73**	**32.39**	**53.94**	**63.94**

Components of cash and cash equivalents as at	**March 31,2006**	**March 31,2007**	**March 31,2008**	**March 31,2009**	**March 31,2010**
Cash and cheques on hand	0.86	0.04	0.12	0.19	0.07
With scheduled banks					
- on current account	1.11	12.79	5.53	5.30	6.00*
-on deposit account	16.76	17.90	26.74	48.45	57.87
	18.73	**30.73**	**32.39**	**53.94**	**63.94**

**includes balance of unpaid dividend of Rs. 0.07 million which is not available for use by the Company.*

THE ISSUE

Equity Shares offered	
Issue by our Company	13,430,346 Equity Shares
Of which:	
Fresh Issue by our Company	10,744,276 Equity Shares
Offer for Sale by the Selling Shareholders(1)	2,686,070 Equity Shares
Therefore Issue to the Public	
Of which	
A) Qualified Institutional Buyers (QIB) portion(2)	Up to 6,715,173 Equity Shares
Of which	
Allocation for Anchor Investor(2)	Upto 2,014,552 equity shares
Mutual Funds Portion	235,031 Equity Shares
Balance for all QIBs including Mutual Funds	4,465,590 Equity Shares
B) Non-Institutional Portion(3)	Not less than 2,014,552 Equity Shares
C) Retail Portion(3)	Not less than 4,700,621 Equity Shares
Equity Shares outstanding prior to the Issue	42,196,524 Equity Shares
Equity Shares outstanding after the Issue	52,940,800 Equity Shares
Use of Net Proceeds	See the section titled "Objects of the Issue" on page 50.

Allocation to all categories, except Anchor Investor Portion, if any, shall be made on a proportionate basis.

(1) *The Selling Shareholders are offering an aggregate of 2,686,070 Equity Shares, which have been held for a period of at least one year prior to the date of filing of this Draft Red Herring Prospectus and hence, are eligible for being offered for sale in the Issue.*

(2) *Our Company and the Selling Shareholders may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, see "Issue Procedure" on page 291.*

3) *Subject to valid Bids being received at or above the Issue Price, under subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange.*

GENERAL INFORMATION

Our Company was incorporated as Virgo Engineers Private Limited on June 8, 1987. The status of our Company was subsequently changed to a public limited company by a special resolution of the members passed at the extraordinary general meeting held on February 10, 1995. The fresh certificate of incorporation consequent on conversion was granted to our Company on March 31, 1995 by the Additional Registrar of Companies, Maharashtra, at Mumbai.

Registered Office

Virgo Engineers Limited
277, Hinjewadi Phase II
Maan (Mulshi)
Pune 411057, India.
Email: investors@virgoengineers.com
Website: www.virgoengineers.com
Corporate Identity Number: U28939PN1987PLC043673
Tel: (91 20) 6674 4000
Fax: (91 20) 6674 4021

Address of Registrar of Companies

The Registrar of Companies, Maharashtra, Pune
Ministry of Corporate Affairs
Third floor, PMT Commercial Building
Deccan Gymkhana
Pune 411 004, India

Board of Directors

Name, Designation, Occupation	Age	Address
Mahesh Desai Non Executive Chairman *Business*	53	B-11/12, Chaitraban Residency Aundh, Pune 411 007
V. Balasubramanian Non Executive Director *Business*	64	F-504, Fifth Floor, Ganga Estate Ghatla Village Road Near Acharya Garden Mumbai 400 071
Jagdish Desai Non- Executive Director *Business*	51	F-2, Shanti Co-operative Housing Society, Mogul Lane, Mahim Mumbai 400 016.
Paresh Rajda Whole time Executive Director *Service*	53	F6/1, Gera Emerald City, Pan Card Club Road, Baner, Pune 411045
Rajaram Ajgaonkar Non Executive Director *Professional*	52	"Mandar", Opp. Bharat Petrol Pump Juhu Tara Road Santacruz (W) Mumbai 400 049
Kishore Kulkarni Non Executive Independent Director *Consultant*	55	33, ICICI Apartments Spring Mills Compound Mumbai 400 014
Hetal Gandhi Nominee Director for Tano	44	Rosy House Premises Co-operative Housing Society, Flat No 61 North Avenue, Santacruz (W)

Name, Designation, Occupation	Age	Address
Service		Mumbai 400 054
N. Venkiteswaran Non Executive Independent Director *Professor*	60	H. No. 415, IIM Campus Indian Institute of Management Vastrapur, Ahmedabad 380 015
Dr. Dhananjay Kelkar Non Executive Independent Director *Professional*	49	902, Tara Towers Near Swapnashilpa Kothrud, Pune 411 029
Abhay Nalawade Non Executive Independent Director *Business*	61	AMAN 53, National Housing Society Baner Road, Aundh Pune 411 007
Manu Parpia Non Executive Independent Director *Business*	60	72, Tenerife Little Gibbs Road #2 Malabar Hills Mumbai 400 001
Dheerendra Joshi Non Executive Independent Director *Professional*	55	4/14. Garden View Amritvan, Goregaon (E) Mumbai 400 063

For further details of our Directors, see "Our Management" on page 121.

Company Secretary and Compliance Officer

Manoj Kohok is the Company Secretary and Compliance Officer of our Company and his contact details are as follows:

277, Hinjewadi Phase II
Maan (Mulshi)
Pune 411057, India
Tel: (91 20) 6674 4000
Fax: (91 20) 6674 4021
Email: investors@virgoengineers.com
Website: www.virgoengineers.com

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

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the relevant SCSB giving full details such as name, address of the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA account number and the designated branch of the relevant SCSB where the ASBA Form was submitted by the ASBA Bidder.

Book Running Lead Manager	
IDFC Capital Limited Naman Chambers C-32,G Block, Bandra Kurla Complex, Bandra (E) Mumbai 400 051 Tel: (91 22) 6622 2600 Fax: (91 22) 6622 2501 Email: virgo.ipo@idfc.com Investor Grievance Id: complaints@idfc.com Website: www.idfccapital.com SEBI Registration No.: INM000011336 Contact Person: Cyril Paul	**Edelweiss Capital Limited** 14th Floor, Express Towers Nariman Point Mumbai 400 021 Tel: (91 22) 4086 3535 Fax: (91 22) 4086 3610 Email: virgo.ipo@edelcap.com Investor Grievance Email: customerservice.mb@edelcap.com Website: www.edelcap.com SEBI Registration No.: INM0000010650 Contact Person: Viral Shah

Syndicate Members

[●]

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on http://www.sebi.gov.in/pmd/scsb.pdf. For details on Designated Branches, please refer the above mentioned SEBI link.

Domestic Legal Counsel to the Issue
Amarchand & Mangaldas & Suresh A. Shroff & Co. 201, Midford House Midford Garden (Off M. G. Road) Bangalore 560 001, India Tel: (91 80) 2558 4870 Fax: (91 80) 2558 4266

International Legal Counsel for the International Wrap
Dorsey & Whitney LLP 50, South Sixth Street Suite 1500 Minneapolis Minnesota 55402-1498 USA Tel: (612) 340 2600 Fax: (612) 340 2868

Registrar to the Issue
Link Intime India Private Limited C-13, Pannalal Silk Mills Compound L.B.S Marg Bhandup (West) Mumbai 400 078 Tel: (91 22) 2596 0320 Fax: (91 22) 2596 0329 Email: vel.ipo@linkintime.com Website: www.linkintime.co.in SEBI Registration No.: INR000004058 Contact Person: Sachin Achar

Bankers to the Issue and Escrow Collection Banks

Bankers to the Issue	
[●]	[●]

Refund Banker

[●]

Bankers to the Company	
Canara Bank Prime Corporate Branch, M.G.Road Red Cross Building, Camp Pune 411001 Tel: (91 20) 2612 6825 Fax: (91 20) 2613 8417 Email: pnc2551@canbank.co.in Website: www.canarabank.com Contact Person: Ganesh Bapaye	**Kotak Mahindra Bank Limited** Bhandarkar Road Branch, Flat No. 226/3, Bakre Avenue, Bhandarkar Institute Road, Pune 411 004 Tel: (91 20) 6609 4048 Fax: (91 20) 6609 4048 Email: dattaprasad.krovvidi@kotak.com Website: www.kotak.com Contact Person: Datta Prasad
State Bank of India Industrial Finance Branch,Tara Chambers, Wakadewadi, Pune 411 003. Tel: (91 20) 2712 5506 Fax: (91 20) 2712 5784 Email: sbi.04523@sbi.co.in Website: www.statebank of india.com Contact Person: Manoj Singh	**Hongkong and Shanghai Banking Corporation Limited** Amar Avinash Corporate City, S. No. 11 Bund Garden Road, Pune 411 001 Tel: (91 20) 6629 7777 Fax: (91 20) 6640 2945 Email: info@hsbc.co.in Website: www.hsbc.co.in Contact Person: Rohan Jaywant
Union Bank of India Industrial Finance Branch 619, Sachapir Street Pune 411 001. Tel: (91 20) 2613 4360 Fax: (91 20) 2613 6607 Email: ifbpune@unionbankofindia.com Website: www.unionbankofindia.co.in Contact Person: Prabhakar Kashinath Sugwekar	

Statutory Auditors to our Company

Auditors
S. R. Batliboi & Associates **Chartered Accountants** C-401, Fourth Floor, Panchshil Tech. Park Yerwada, Pune 411 006, India Tel: (91 20) 6603 6000 Fax: (91 20) 6601 5900 Email: SRB@in.ey.com

Monitoring Agency

There is no requirement for a monitoring agency for the Issue pursuant to Regulation 16 of the SEBI Regulations, since the Fresh Issue size does not exceed Rs. 5,000 million.

Inter Se Allocation of Responsibilities between the BRLMs

The responsibilities and co-ordination for various activities in this Issue are as follows:

S. No.	Activities Responsibility	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities etc.	IDFC Capital, Edelweiss	IDFC Capital
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Draft Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs 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 including co-ordination with Auditors for preparation of financials and drafting and approving all statutory advertisements.	IDFC Capital, Edelweiss	IDFC Capital
3.	Drafting and approval of all publicity material other than statutory advertisement including corporate advertisement, brochure etc.	IDFC Capital, Edelweiss	IDFC Capital
4.	Appointment of other intermediaries viz., Registrar(s), Printers, Escrow Collection Banks, Advertising Agency, IPO Grading Agency, Monitoring Agency (if required)	IDFC Capital, Edelweiss	Edelweiss
5.	Preparation of roadshow presentation and FAQs	IDFC Capital, Edelweiss	IDFC Capital
6.	Institutional marketing strategy: · International institutional	IDFC Capital, Edelweiss	IDFC Capital
7.	Institutional marketing strategy: · Domestic institutional	IDFC Capital, Edelweiss	Edelweiss
8.	Retail / HNI marketing strategy · Finalise centers for holding conference for brokers etc. · Finalise media, marketing & PR Strategy · Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material · Finalise bidding centers	IDFC Capital, Edelweiss	Edelweiss
9.	Pricing, managing the book and coordination with Stock-Exchanges	IDFC Capital, Edelweiss	Edelweiss
10.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc	IDFC Capital, Edelweiss	Edelweiss
11.	The Post Issue activities for the Issue will involve essential follow up steps, which include the finalisation of basis of allotment, dispatch of refunds, demat and delivery of shares, finalisation of listing and trading of instruments with the various agencies connected with the work such as the Registrar(s) to the Issue and Escrow Collection Banks. (The BRLMs shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company)	IDFC Capital, Edelweiss	Edelweiss

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

Credit Rating

As this is an issue of Equity Shares, a credit rating is not required.

IPO Grading

This Issue being has been graded by [●], a SEBI registered credit rating agency, as IPO Grade [●], indicating [●]

fundamentals. Pursuant to SEBI regulations the rationale furnished by the grading agency for its grading will be updated at the time of filing of the Red Herring Prospectus with the RoC.

Experts

Except the report of [●] in respect of IPO grading of this Issue annexed herewith and except as stated elsewhere in this Draft Red Herring Prospectus, the Company has not obtained any expert opinion.

Trustees

As this is an issue of Equity Shares, the appointment of trustees is not required.

Project Appraisal

There is no project being appraised.

Book Building Process

The Book Building Process, with reference to the Issue, refers to the process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band which will be decided by our Company and the Selling Shareholders in consultation with the Book Running Lead Managers and advertised at least two (2) working days prior to the Bid/Issue Opening Date. The Issue Price is finalised after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

1. Our Company and Selling Shareholders;

2. The BRLMs;

3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs;

4. Registrar to the Issue;

5. Escrow Collection Banks; and

6. SCSBs.

The Issue is being made through the Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to QIBs (the "**QIB Portion**"), provided that the Company may allocate up to 30% of the QIB Portion, to Anchor Investors, on a discretionary basis (the "**Anchor Investor Portion**"). Further 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% 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. Any Bidder may participate in this Issue through the ASBA process by providing the details of their respective bank accounts in which the corresponding Bid amounts will be blocked by SCSBs.

QIB Bidders are not allowed to withdraw their Bids after the Bid /Issue Closing Date. For further details, please see "Terms of the Issue" on page 285

Our Company and the Selling Shareholders shall comply with regulations issued by SEBI for this Issue. In this regard, our Company and the Selling Shareholders have appointed IDFC Capital Limited and Edelweiss Capital Limited as the BRLMs to manage the Issue and to procure subscriptions to the Issue.

The process of Book Building under the SEBI Regulations is subject to change from time to time and the investors are advised to make their own judgement about investment through this process prior to making a Bid or application in the Issue.

Illustration of Book Building and Price Discovery Process *(Investors should note that this example is solely for illustrative purposes and is not specific to the Issue, it also excludes bidding by Anchor Investors or under the ASBA process)*

Bidders (excluding ASBA Bidders who can only Bid at the cut-off price) can bid at any price within the price band. For instance, assume a price band of Rs. 20 to Rs. 24 per share, issue size of 3,000 equity shares and receipt of five Bids from bidders, details of which are shown in the table below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below shows the demand for the shares of the issuer company at various prices and is collated from bids received from various investors.

Bid Quantity	Bid Price (Rs.)	Cumulative Quantity	Subscription
500	24	500	16.67%
1,000	23	1,500	50.00%
1,500	22	3,000	100.00%
2,000	21	5,000	166.67%
2,500	20	7,500	250.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired number of shares is the price at which the book cuts off, i.e., Rs. 22 in the above example. The issuer, in consultation with the Selling Shareholders and book running lead managers, will finalise the issue price at or below such cut-off price, i.e., at or below Rs. 22. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in the respective categories.

Steps to be taken by the Bidders for bidding:

1. Check eligibility for making a Bid (see "Issue Procedure – Who Can Bid" on page 291).

2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form or the ASBA Bid cum Application Form, as may be applicable.

3. Except for Bids on behalf of the Central or State Government and the officials appointed by the courts, for Bids of all values ensure that you have mentioned your PAN allotted under the I.T. Act in the Bid cum Application Form or the ASBA Bid cum Application Form, as may be applicable (see "Issue Procedure - Permanent Account Number or PAN" on page 291.)

4. Ensure that the Bid cum Application Form or the ASBA Bid cum Application Form, as may be applicable, is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form or the ASBA Bid cum Application Form, as may be applicable.

5. Ensure the correctness of your Demographic Details (as defined in the "Issue Procedure-Bidders Depository Account Details" on page 291) given in the Bid cum Application Form or the ASBA Bid cum Application Form, as may be applicable, with the details recorded with your Depository Participant.

6. Bids by QIBs (including Anchor Investors) will have to be submitted to the BRLMs other than Bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs.

7. Bids by ASBA Bidders will have to be submitted to the Designated Branches. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB to ensure that the ASBA Bid cum Application Form is not rejected.

Withdrawal of the Issue

Our Company and the Selling Shareholders in consultation with the BRLMs, reserves the right not to proceed with the Issue. In such an event, our Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. Our Company shall also inform the same to Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by our Company shall be in compliance with applicable laws.

Bid/Issue Programme

BID/ISSUE OPENS ON	**[●], 2010***
BID/ISSUE CLOSES ON	**[●], 2010**

* *Our Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one day prior to the Bid/ Issue Opening Date.*

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 5 p.m**. (Indian Standard Time) during the Bidding/Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form or in case of Bids submitted through ASBA, the designated branches of the SCSBs. except on Bid/Issue Closing Date. On the Bid/Issue Closing Date, the Bids shall be accepted only during 10.00 a.m. and 3.00 p.m. (Indian Standard Time) and shall be uploaded until (i) 4.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) until 5.00 p.m. or such extended time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 100,000. It is clarified that the Bids not uploaded in the book would be rejected. Bids by the ASBA Bidders shall be uploaded by the SCSB in the electronic system to be provided by the NSE and the BSE.

In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical Bid form, for a particular Bidder, the details as per the physical form of the Bidder may be taken as the final data for the purpose of Allotment. In case of discrepancy in the data entered in the electronic book vis-à-vis the data contained in the physical or electronic Bid cum Application Form, for a particular ASBA Bidder, the Registrar to the Issue shall ask for rectified data from the SCSB.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than the times mentioned above on the Bid/ Issue Closing Date. All times mentioned in the Draft Red Herring Prospectus are Indian Standard Time. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, our Company, the Selling Shareholder, the BRLMs and Syndicate Members will not be responsible. Bids will be accepted only on Business Days.

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids submitted by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchanges within half an hour of such closure.

Our Company and the Selling Shareholder, in consultation with the BRLMs, reserve the right to revise the Price Band during the Bidding/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two (2) working days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Bid/Issue Period will be extended for a minimum of three additional working days after revision of Price Band subject to the Bid/Issue Period not exceeding 10 working days. Any

revision in the Price Band and the revised Bid/Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the changes on the websites of the BRLMs and at the terminals of the Syndicate.

Underwriting Agreement

After the determination of the Issue Price and allocation of our Equity Shares but prior to the filing of the Prospectus with the RoC, our Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. The Underwriting Agreement is dated [•] and has been approved by the IPO Committee of the Board. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

The Underwriter has indicated its 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 the RoC.)

Details of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten *(Rs. in million)*
[•]	[•]	[•]

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation.
In the opinion of our Board of Directors (based on a certificate given by the Underwriter), the resources of the above mentioned Underwriter are sufficient to enable it to discharge its respective underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchange(s). Our Board of Directors, at its meeting held on [•] has accepted and entered into the Underwriting Agreement with the Underwriters.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments set forth in the table above. Notwithstanding the above table, the Underwriter shall be responsible for ensuring payment with respect to Equity Shares allocated to investors procured by them. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are subject to certain conditions to closing, as specified therein. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment; and (ii) the final approval of the RoC after the Prospectus is filed with the RoC.

CAPITAL STRUCTURE

Our share capital before the Issue and after giving effect to the Issue, as at the date of this Draft Red Herring Prospectus, is set forth below:

(All Amounts in Rs. except share data)

		Aggregate Value at nominal value	Aggregate Value at Issue Price
A)	**AUTHORISED SHARE CAPITAL**		
	60,000,000 equity shares of Rs. 10 each	600,000,000	[•]
B)	**ISSUED, SUBSCRIBED AND PAID-UP EQUITY SHARE CAPITAL**		
	42,196,524 fully paid up equity shares of Rs. 10 each	421,965,240	[•]
C)	**PRESENT ISSUE IN TERMS OF THIS DRAFT RED HERRING PROSPECTUS**[1]		
	13,430,346 equity shares of Rs. 10 each		
	Out of which:		
	(i) Fresh Issue of 10,744,276 equity shares of Rs. 10 each	107,442,760	[•]
	(ii) Offer for Sale of 2,686,070 equity shares of Rs. 10 each [(2)]	26,860,700	
F)	**EQUITY CAPITAL AFTER THE ISSUE**		
	52,940,800 equity shares of Rs. 10 each	529,408,000	[•]
G)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	Nil	
	After the Issue	[•]	

1. *The Issue has been authorized by a resolution of our Board dated June 12, 2010 and by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the extraordinary general meeting of the shareholders of our Company held on June 21, 2010.*
2. *The Offer for Sale has been authorized by the Selling Shareholders as follows:*

S. No.	Selling Shareholder	No. of Shares Offered	Date of Consent
1.	Tano Mauritius India FVCI	970,070	July 6, 2010
2.	V. Balasubramanian	440,000	July 3, 2010
3.	Mahesh Desai	220,000	July 3, 2010
4.	Rajaram M. Ajgaonkar	220,000	June 22, 2010
5.	Neeta Desai	220,000	July 3, 2010
6.	Jagdish Desai	110,000	June 22, 2010
7.	Sujata Jagdish Desai	110,000	June 22, 2010
8.	V.R. Jayaraman	110,000	July 3, 2010
9.	Billy Neimann	110,000	June 28, 2010
10.	S.N. Srinivasan	80,000	June 28, 2010
11.	Deepak Kirtilal Shah	25,000	June 22, 2010
12.	Paresh Rajda	25,000	July 3, 2010
13.	Sarang Sathe	18,000	July3, 2010
14.	Firose Aslam	9,000	June 22, 2010
15.	A.K. Mohamed Aslam	9,000	June 22, 2010
16.	Zahir Aslam	4,000	June 22, 2010
17.	Jagdish Prasad Gupta	4,000	June 22, 2010
18	Parmeshwari J Gupta	2,000	June 22, 2010
Total		**2,686,070**	

Amendments to the Authorized Share Capital

Since incorporation, the following changes have been made to the authorised share capital of our Company in our Memorandum of Association:

a) The initial authorized capital of Rs. 1,000,000 (Rupees one million only) comprising of 10,000 equity shares of Rs. 100 each was increased to Rs. 10,000,000 (Rupees ten million only) comprising of 100,000 equity shares of Rs. 100 each pursuant to a resolution of the shareholders at an annual general meeting held on August 25, 1994.

b) The authorised capital of Rs. 10,000,000 (Rupees ten million only) comprising of 100,000 equity shares of Rs. 100 each were reorganised and divided into 1,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an extraordinary general meeting held on March 10, 1995.

c) The authorized capital of Rs. 10,000,000 (Rupees ten million only) comprising of 1,000,000 Equity Shares was increased to Rs. 20,000,000 (Rupees twenty million only) comprising of 2,000,000 Equity Shares pursuant to a resolution of the shareholders at an annual general meeting held on July 10, 1995.

d) The authorized capital of Rs. 20,000,000 (Rupees twenty million only) comprising of 2,000,000 Equity Shares was increased to Rs. 50,000,000 (Rupees fifty million only) comprising of 5,000,000 Equity Shares and reclassified as 3,000,000 Equity Shares and 2,000,000 unclassified shares of Rs. 10 each pursuant to a resolution of the shareholders at an annual general meeting held on June 30, 1998.

e) The authorised capital of Rs. 50,000,000 (Rupees fifty million only) comprising of 3,000,000 Equity Shares and 2,000,000 unclassified shares was reclassified into Rs. 50,000,000 (Rupees fifty million only) comprising of 3,000,000 Equity Shares and 2,000,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders at an annual general meeting held on August 31, 2000.

f) The authorized capital of Rs. 50,000,000 (Rupees fifty million only) comprising of 3,000,000 Equity Shares and 2,000,000 preference shares of Rs. 10 each was increased to Rs. 65,000,000 (Rupees sixty five million only) comprising of 4,500,000 Equity Shares and 2,000,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders at an extraordinary general meeting held on March 26, 2005.

g) The authorized capital of Rs. 65,000,000 (Rupees sixty five million only) comprising of 4,500,000 Equity Shares and 2,000,000 preference shares of Rs. 10 each was increased to Rs. 120,000,000 (Rupees one hundred and twenty million only) comprising of 10,000,000 Equity Shares and 2,000,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders at an extraordinary general meeting held on March 20, 2006.

h) The authorized capital of Rs. 120,000,000 (Rupees one hundred and twenty million only) comprising of 10,000,000 Equity Shares and 2,000,000 preference shares of Rs. 10 each was increased to Rs. 150,000,000 (Rupees one hundred and fifty million only) comprising of 12,000,000 Equity Shares and 3,000,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders at an extraordinary general meeting held on August 24, 2006.

i) The authorized capital of Rs. 150,000,000 (Rupees one hundred and fifty million only) comprising of 12,000,000 Equity Shares and 3,000,000 preference shares of Rs. 10 each was reclassified to Rs. 150,000,000 (Rupees one hundred and fifty million only) comprising of 15,000,000 Equity Shares pursuant to a resolution of the shareholders at an extraordinary general meeting held on June 16, 2007.

j) The authorized capital of Rs. 150,000,000 (Rupees one hundred and fifty million only) comprising of 15,000,000 Equity Shares was increased to Rs. 250,000,000 (Rupees two hundred and fifty million only) comprising of 25,000,000 Equity Shares pursuant to a resolution of the shareholders at an extraordinary general meeting held on June 16, 2007.

k) The authorized capital of Rs. 250,000,000 (Rupees two hundred and fifty million only) comprising of 25,000,000 Equity Shares was increased to Rs. 600,000,000 (Rupees Six hundred million only) comprising of 60,000,000 Equity Shares pursuant to a resolution of the shareholders at an extraordinary general meeting held on May 31, 2010.

Notes to the Capital Structure

1. Share Capital History of our Company

(a) Equity Share Capital History

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons/Mode for allotment	Cumulative No. of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
June 18, 1987	2	100	100	Cash	Subscribers to Memorandum[(1)]	2	200	-

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons/Mode for allotment	Cumulative No. of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
July 1, 1987	100	100	100	Cash	Preferential Allotment (2)	102	10,200	-
September 1, 1987	100	100	100	Cash	Preferential Allotment (3)	202	20,200	-
April 2, 1988	100	100	100	Cash	Preferential Allotment (4)	302	30,200	-
May 4, 1988	100	100	100	Cash	Preferential Allotment (5)	402	40,200	-
February 20, 1989	100	100	100	Cash	Preferential Allotment(6)	502	50,200	-
April 19, 1989	300	100	100	Cash	Preferential Allotment (7)	802	80,200	-
April 24, 1990	350	100	100	Cash	Preferential Allotment (8)	1,152	115,200	-
October 10, 1990	350	100	100	Cash	Preferential Allotment (9)	1,502	150,200	-
March 31, 1991	102	100	100	Cash	Preferential Allotment (10)	1,604	160,400	-
March 31, 1992	6,350	100	100	Cash	Preferential Allotment (11)	7,954	795,400	-
March 31, 1993	46	100	100	Cash	Preferential Allotment (12)	8,000	800,000	-
March 10, 1995	80,000	10	Equity Shares with a face value of Rs. 100 each were sub-divided into Equity Shares with a face value of Rs. 10 each			80,000	800,000	-
July 10, 1995	920,000	10	-	-	Bonus Issue in the ratio of 2:23 (13)	1,000,000	10,000,000	-
August 7, 1995	193,000	10	40	Cash	Preferential Allotment (14)	1,193,000	11,930,000	5,790,000
August 7, 1995	52,500	10	40	Cash	Preferential Allotment(15)	1,245,500	12,455,000	7,365,000
December 29, 1995	4,500	10	40	Cash	Preferential Allotment(16)	1,250,000	12,500,000	7,500,000
March 31, 1997	100,000	10	40	Cash	Preferential Allotment (17)	1,350,000	13,500,000	10,500,000
March 31, 1997	126,860	10	50	Cash	Preferential Allotment(18)	1,476,860	14,768,600	15,574,400
May 15, 1997	23,140	10	50	Cash	Preferential Allotment(19)	1,500,000	15,000,000	16,500,000
July 24, 1997	372,700	10	78	Cash	Preferential Allotment(20)	1,872,700	18,727,000	41,843,600
March 13, 2003	127,300	10	78	Cash	Conversion of Compulsory Convertible Debentures(21)	2,000,000	20,000,000	50,500,000
November 1, 2003	(372,700)	10	52.74	Cash	Buy-back of Equity Shares (22)	1,627,300	16,273,000	34,570,802
March 31, 2005	1,627,300	10	-	-	Bonus Issue in the ratio of 1:1(23)	3,254,600	32,546,000	22,024,802
March 20, 2006	66,000	10	37	Cash	Preferential Allotment to Employees/Directors (24)	3,320,600	33,206,000	23,806,802
March 31, 2006	6,641,200	10	-	-	Bonus Issue in the ratio of 2:1 issued (from capital	9,961,800	99,618,000	-

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons/Mode for allotment	Cumulative No. of Equity Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
					redemption reserve and share premium account)(25)			
October 18, 2006	399,884	10	562.66	Cash	Preferential Allotment (26)	10,361,684	103,616,840	220,999,891.44 *
February 16, 2007	177,338	10	-	Shares of Vintrol	Preferential Allotment of shares other than cash in lieu of 667 equity shares of Vintrol (27)	10,539,022	105,390,220	284,484,420.44 +
July 26, 2007	10,539,022	10	-	-	Bonus Issue in ratio 1:1 (issued from share premium account)(28)	21,078,044	210,780,440	179,094,200.44
April 20, 2009	20,218	10	-	Equity Shares issued in exchange for shares of RIFOX	Issue made pursuant to RIFOX acquisition.(29)	21,098,262	210,982,620	188,930,020
June 12, 2010	21,098,262	10	-	-	Bonus Issue in ratio 1:1 (issued from share premium account)(30)	42,196,524	421,965,240	Nil

(1) Allotment of 1 equity share each to V. Balasubramanian and Mahesh Desai.
(2) Allotment of 50 equity shares to V. Balasubramanian and 50 equity shares to Mahesh Desai.
(3) Allotment of 50 equity shares to B. Sashikala and 50 equity shares to Neeta Desai.
(4) Allotment of 50 equity shares to V. Balasubramanian. The balance 50 equity shares were allotted to Mahesh Desai on April 19, 1988.
(5) Allotment of 50 equity shares to V. Balasubramanian and 50 equity shares to Mahesh Desai.
(6) Allotment of 50 equity shares to V. Balasubramanian and 50 equity shares to Mahesh Desai.
(7) Allotment of 300 equity shares to Mahesh Desai.
(8) Allotment of 201 equity shares to V. Balasubramanian and 149 equity shares to Mahesh Desai.
(9) Allotment of 350 equity shares to V. Balasubramanian.
(10) Allotment of 102 equity shares to Mahesh Desai.
(11) Allotment of 6,350 equity shares to Virgo Engineers (Partnership).
(12) Allotment of 23 equity shares to V. Balasubramanian and 23 equity shares to Mahesh Desai.
(13) Allotment of 431,250 Equity Shares to V. Balasubramanian, 431,250, Equity Shares to Mahesh Desai, 5,750 Equity Shares to B. Sashikala, 5,750 Equity Shares to Neeta Desai, 23,000 Equity Shares to Jagdish Desai, 18,400 Equity Shares to Pradeep Parab, and 4,600 Equity Shares to Sujata Desai.
(14) Includes allotment of 2,500 Equity Shares to V.R. Jayaraman, 40,000 Equity Shares to R.M. Ajgaonkar, 11,000 Equity Shares to Jagdish Desai, 1,000 Equity Shares to Mahesh Desai, among others.
(15) Includes allotment of 50,000 Equity Shares to Jyoti Corporate Management Service Private Limited.
(16) Allotment of 2,500 Equity Shares to V.R. Jayaraman, 1000 Equity Shares to Neeta Desai, 500 Equity Shares each to N.K. Hariharan and Jayashree Hariharan.
(17) Includes allotment of 20,000 Equity Shares to V. Balasubramanian and 25,250 Equity Shares to Mahesh Desai.
(18) Includes allotment of 10,112 Equity Shares to Neeta Desai and 36,000 Equity Shares to Rajaram Ajagonkar and others.
(19) Includes allotment of 12,000 Equity Shares to Mahesh Desai and 4,000 Equity Shares to V. Balasubramanian.
(20) Allotment of 372,700 Equity Shares to Citicorp Investment (Singapore) Limited.
(21) Debentures converted into 127,300 Equity Shares which were allotted to Citicorp Investment (Singapore) Limited.
(22) Buy back of Equity Shares from Citi Corp Investment (Singapore) Limited.
(23) Includes allotment of 607,900 Equity Shares to Mahesh Desai and 506,150 Equity Shares to V. Balasubramanian among others. Rs. 12,546,000 was funded from the Share Premium Account and the balance amount of Rs. 3,727,000 was funded by the Capital Redemption Reserve.
(24) Allotment of 17,000 Equity Shares to Jagdish Desai, 37,000 Equity Shares to V.R. Jayaraman and 12,000 Equity Shares to Paresh Rajda.
(25) Includes allotment of 2, 431,600 Equity Shares to Mahesh Desai and 2,024,600 Equity Shares to V. Balasubramanian among others.
(26) Allotment of 399,884 Equity Shares to Tano Mauritius India FVCI.
(27) Allotment of 66,501 Equity Shares to Mahesh Desai and 110,837 Equity Shares to Billy D. Neimann. This share swap was conducted pursuant to a capital restructuring and improve liquidity.
(28) Includes allotment of 3,608,251 Equity Shares to Mahesh Desai and 2,936,016 Equity Shares to V. Balasubramanian.
(29) Allotment of 20,218 Equity Shares to Sabine Richter, in exchange of shares of RIFOX-Hans Richter GmBH Spezialarmaturen,

equivalent to Euro 150,000
(30) Allotment of 6,816,502 Equity Shares to Mahesh Desai and 5,872,032 Equity Shares to V.Balasubrmanian amongst others.
* Rs. 7,982,685 to be deducted for paying expenses incurred during investment by Tano Mauritius India FVCI which included commission to Enam Securities Private Limited and professional fees to the lawyers involved.
+ Rs. 71,467,214 received at a price of Rs. 413 per Equity Share.

Other than as mentioned in the table above, we have not made any issue of Equity Shares during the preceding one year.

(b) Preference Share Capital History:

Date of allotment / redemption of the Preference Shares	No. of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons/Mode for allotment	Cumulative No. of Preference Shares	Cumulative Issued Capital (Rs.)	Cumulative Share Premium (Rs.)
October 13, 2000	1,167,500	10	10	Cash	Allotment Cumulative non-convertible of redeembale preference shares (1)	1,167,500	11,675,000	-
October 13, 2002	(167,500)	10	10	Redemption	Cumulative non-convertible redeemable preference shares of our Company were redeemed at par	1,000,000	10,000,000	-
December 14, 2002	354,000	10	10	Cash	Further Allotment (2)	1,354,000	13,540,000	-
October 13, 2003	(1,000,000)	10	10	Redemption	Cumulative non-convertible redeemable preference shares of our Company were redeemed at par	354,000	3,540,000	-
February 11, 2004	1,880,000	10	10	Cash	Further Allotment (3)	2,234,000	2,2340,000	-
February 11, 2004	(354,000)	10	10	Redemption	Cumulative non-convertible redeemable preference shares of our Company were redeemed at par	1,880,000	18,800,000	-
February 11, 2006	(1,880,000)	10	10	Redemption	Cumulative non-convertible redeemable preference shares of our Company were redeemed at par	-	-	-

1. Allotment of 1,000,000 preference shares to Yuksom Breweries Limited, 10,000 preference shares to Deepa S. Khot, 20,000 preference shares to Shamala K. Kulkarni, 17,500 preference shares to Suhas L. Kavle, 40,000 preference shares to Dayanand Prabhu, 10,000 preference shares to Sanjay Khot, 30,000 preference shares to Sushil Kumar Biswas, 20,000 preference shares to Kishore Kulkarni, 20,000 preference shares to Deepak Gandhi.
2. Allotment of 50,000 preference shares to Dayanand Prabhu, 7,000 preference shares to Anuradha Prabhu, 7,000 preference shares to Ramesh Prabhu, 5,000 preference shares to Sunita Prabhu, 5,000 preference shares to Ashok Prabhu, 10,000 preference shares to Nivedita

Saha, 20,000 preference shares to Suhas Kavle, 10,000 preference shares to Sanjay Khot, 15,000 preference shares to Deepa Khot, 20,000 preference shares to N. Govindraya Pai, 10,000 preference shares to Vikas Moghe, 20,000 preference shares to Deepak Gandhi, 20,000 preference shares to Shamala Kulkarni, 20,000 preference shares to Kishore Kulkarni, 5,000 preference shares to Ratna Vaswani, 5,000 preference shares to Hrishikesh Vanarase, 5,000 to Mrinalini Gaikwad, 35,000 preference shares to Sushil Biswas, 10,000 preference shares to Samir Kumta, 25,000 preference shares to Meena Kumta and 50,000 preference shares to Shekhar Kumta.

3. Allotment of 1,000,000 preference shares to Yuksom Breweries Limited, 10,000 preference shares to Hrishikesh Vanarase, 5,000 to Mrinalini Gaikwad, 10,000 preference shares to Sunita Vaswani, 10,000 preference shares to Sanjay Khot, 10,000 preference shares to Nivedita Saha, 60,000 preference shares to Vikas Moghe, 15,000 preference shares to Deepa Khot, 20,000 preference shares to Shamala Kulkarni, 25,000 preference shares to Suhas L. Kavle, 20,000 preference shares to Kishore Kulkarni, 50,000 preference shares to N. Govindraya Pai, 20,000 preference shares to Deepak Gandhi, 50,000 preference shares to Sushil Biswas, 20,000 preference shares to Samir Kumta, 45,000 preference shares to Meena Kumta, 70,000 preference shares to Shekhar Kumta, 10,000 preference shares to Manabendra Saha, 60,000 preference shares to K. Rajamani, 80,000 preference shares to Digambar Devnally, Vijaya Devnally, 5,000 preference shares to Kirti Shah, 10,000 preference shares to Sashikant Kavle, 5,000 preference shares to Shishir Kavale, 150,000 preference shares to V.H. Patil, 10,000 preference shares to S.N. Srinivasan, 5,000 preference shares to Jueeli Ranadive, Rs. 20,000 preference shares to Sonal Kapasi, 5,000 preference shares to Vinod Nayak, 20,000 preference shares to Purushottamdas Kapasi, 10,000 preference shares to Sushila Kapasi, 20,000 preference shares to Nikhil Kapasi, 10,000 preference shares to Purshottem Kapasi, 5,000 preference shares to Sunita Prabhu and 5,000 preference shares to Ashok Prabhu.

(c) Shares allotted for consideration other than cash

Date of allotment of shares	No. of Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reason for allotment
July 10, 1995	920,000	10.00	-	Bonus Issue in the ratio of 2:23	Bonus Issue
March 31, 2005	1,627,300	10.00	-	Bonus Issue in the ratio of 1:1	Bonus Issue
March 31, 2006	6,641,200	10.00	-	Bonus Issue in the ratio of 2:1 (issued from capital redemption reserve and share premium account)	Bonus Issue
February 16, 2007	177,338	10.00	-	Preferential allotment of Equity Shares other than cash in lieu of 667 Equity Shares of Vintrol	Preferential Allotment
July 26, 2007	10,539,022	10.00	-	Bonus Issue in the ratio of 1:1 (issued from share premium account)	Bonus Issue
April 20, 2009	20,218	10.00	-	Preferential allotment of Equity Shares in lieu of EUR 150,000 as part consideration for acquisition of RIFOX-Hans Richter GmBH, Germany	Preferential Allotment
June 12, 2010	21,098,262	10.00	-	Bonus Issue in the ratio of 1:1 (issued from share premium account)	Bonus Issue

Except as disclosed above, no benefits have accrued to our Company out of the above allotments.

2. Promoters' Contribution and Lock-in

(a) Details of historical build up of Promoters' holding:

<u>i. Mahesh Desai</u>

Name of the Promoter*	Date on which Equity Shares were acquired/ transferred/Allotted	Nature of payment of consideration	Nature of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue/Acquisition price per Equity Share (Rs.)	% of Pre Issuer Paid up Capital	% of Post Issue Paid up Capital	Pledges Shares	
									No	% of Pre Issue Paid up Capital
Mahesh Desai (jointly held by	June 18, 1987	Cash	Subscriber to the Memorand	1	100	100^	0.00#	0.00#	-	-

Name of the Promoter*	Date on which Equity Shares were acquired/ transferred/Allotted	Nature of payment of consideration	Nature of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue/Acquisition price per Equity Share (Rs.)	% of Pre Issuer Paid up Capital	% of Post Issue Paid up Capital	Pledges Shares	
									No	% of Pre Issue Paid up Capital
Neeta Desai except 133,002 Equity Shares held alone)			um							
	July 1, 1987	Cash	Allotment	50	100	100^	0.00#	0.00#	-	-
	April 2, 1988	Cash	Allotment	50	100	100^	0.00#	0.00#	-	-
	May 4, 1988	Cash	Allotment	50	100	100^	0.00#	0.00#	-	-
	February 20, 1989	Cash	Allotment	50	100	100^	0.00#	0.00#	-	-
	April 19, 1989	Cash	Allotment	300	100	100^	0.00#	0.00#	-	-
	April 24, 1990	Cash	Allotment	149	100	100^	0.00#	0.00#	-	-
	March 31, 1991	Cash	Allotment	102	100	100^	0.00#	0.00#	-	-
	March 31, 1993	Cash	Allotment	23	100	100^	0.00#	0.00#	-	-
	March 10, 1995	-	Sub-division of Equity Shares of Rs. 100 each into fully paid Equity Shares of Rs. 10 each	7750^^	10		0.02	0.01	-	-
	May 1, 1995	Cash	Purchased from Virgo Partnership	31,750	10	10	0.08	0.06	-	-
	May 1, 1995	Cash	Sold to Pradeep Parab	(1,600)	10	22.50	0.00#	0.00#	-	-
	May 1, 1995	Cash	Sold to Sujata Desai	(400)	10	22.50	0.00#	0.00#	-	-
	July 10, 1995	-	Bonus	431,250	10	10	1.02	0.80	-	-
	August 7, 1995	Cash	Allotment	1,000	10	40	0.00#	0.00#	-	-
	July 5, 1996	Cash	Purchased from Ayappan Investment (Madras) Private Limited	13,000	10	40	0.03	0.02	-	-
	March 31, 1997	Cash	Allotment	20,250	10	40	0.06	0.05	-	-
	May 15, 1997	Cash	Allotment	12,000	10	10	0.03	0.02	-	-
	August 13, 1999	Cash	Purchased from Jyothi Corporation	10,000	10	55	0.02	0.02	-	-

Name of the Promoter*	Date on which Equity Shares were acquired/ transferred/Allotted	Nature of payment of consideration	Nature of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue/Acquisition price per Equity Share (Rs.)	% of Pre Issuer Paid up Capital	% of Post Issue Paid up Capital	Pledges Shares	
									No	% of Pre Issue Paid up Capital
			Management Services Private Limited							
	August 13, 1999	Cash	Purchased from Ganeshan K. Iyer	700	10	40	0.00#	0.00#	-	-
	October 13, 2000	Cash	Purchased from Geetha Rathnam	200	10	50	0.00#	0.00#	-	-
	October 13, 2000	Cash	Purchased from Milind Khadilkar	1,000	10	50	0.00#	0.00#	-	-
	May 13, 2002	Cash	Purchased from Anuradha Kanade	2,000	10	40	0.00#	0.00#	-	-
	May 13, 2002	Cash	Purchased from Meena Bhandarkar	1,000	10	50	0.00#	0.00#	-	-
	May 13, 2002	Cash	Purchased from Shrikant Shah	3,500	10	45	0.01	0.01	-	-
	June 7, 2002	Cash	Purchased from Digambar Devnally	13,000	10	40	0.03	0.02	-	-
	July 12, 2002	Cash	Purchased from Rajiv S. Kulkarni	1,500	10	50	0.00#	0.00#	-	-
	July 12, 2002	Cash	Purchased from Citicorp Investment (Singapore) Limited	50,000	10	40	0.12	0.09	-	-
	July 12, 2002	Cash	Purchased from Prasad Impex Private Limited	5,000	10	60	0.01	0.01	-	-

Name of the Promoter*	Date on which Equity Shares were acquired/ transferred/Allotted	Nature of payment of consideration	Nature of Allotment	Number of Equity Shares	Face Value (Rs.)	Issue/Acquisition price per Equity Share (Rs.)	% of Pre Issuer Paid up Capital	% of Post Issue Paid up Capital	Pledges Shares	
									No	% of Pre Issue Paid up Capital
	March 31, 2005	-	Bonus	607,900	10	-	1.44	1.13	-	-
	March 31, 2006	-	Bonus	2,431,600	10	-	5.76	4.53	-	-
	April 18, 2006	Cash	Sold to Prashant Kasbekar	(2,000)	10	25	0.00#	0.00#	-	-
	April 18, 2006	Cash	Sold to Umesh Kasbekar	(7,500)	10	33.33	0.02	0.01	-	-
	February 16, 2007	Shares of Vintrol	Allotment other than cash	66,501	10	413	0.16	0.12	-	-
	February 16, 2007	Cash	Sold to Tano Mauritius India FVCI	(96,150)	10	562.66	0.23	0.18	-	-
	July 26, 2007	-	Bonus	3,608,251	10	-	8.55	6.72	-	-
	February 8, 2010	-	Gifted to Sanyukta Mahesh Desai	(150,000)	10	-	0.36	0.28	-	-
	February 8, 2010	-	Gifted to Amod Mahesh Desai	(150,000)	10	-	0.36	0.28	-	-
	March 27, 2010	-	Gifted to Sanyukta Mahesh Desai	(50,000)	10	-	0.12	0.09	-	-
	March 27, 2010	-	Gifted to Amod Mahesh Desai	(50,000)	10	-	0.12	0.09	-	-
	June 12, 2010	-	Bonus	6,816,502	10	-	16.15	12.67	-	-
			Total	13,633,004			34.70			

** Please note that only instances where Promoters are the first holders have been taken into consideration in the aforesaid build up.*

^ Equity shares of face value of Rs. 100 each.

^^ Being the total number of Equity Shares arising from sub-division of 775 Equity Shares of Rs. 100 each into fully paid Equity Shares of Rs. 10 each.

 # Rs.0.00 refers to negligible amount

ii. V. Balasubramanian

Name of the Promoter*	Date on which Equity Shares were acquired/ transferred	Nature of payment of consideration	Number of Equity Shares	Face Value (Rs.)	Acquisition price per Equity Share (Rs.)	% of Pre Issue Paid up Capital	% of Post Issue Paid up Capital	Pledged Shares	
								No.	% of Pre Issue Paid up Capital
V. Balasubramanian (jointly held by B. Sashikala except 78,000 Equity Shares held alone)	June 18, 1987	Subscriber to the Memorandum	1	100	100^	0.00#	0.00#	-	-
	July 1, 1987	Allotment	50	100	100^	0.00#	0.00#	-	-
	April 2, 1988	Allotment	50	100	100^	0.00#	0.00#	-	-
	May 4, 1988	Allotment	50	100	100^	0.00#	0.00#	-	-
	February 20, 1989	Allotment	50	100	100^	0.00#	0.00#	-	-
	April 24, 1990	Allotment	201	100	100^	0.00#	0.00#	-	-
	October 10, 1990	Allotment	350	100	100^	0.00#	0.00#	-	-
	March 31, 1993	Allotment	23	100	100^	0.00#	0.00#	-	-
	March 10, 1995	Sub-division of Equity Shares of Rs. 100 each into fully paid Equity Shares of Rs. 10 each	7750^^	10		0.02	0.01	-	-
	May 1, 1995	Purchased from Virgo Partnership	31,750	10	10	0.08	0.06	-	-
	May 1, 1995	Sold to Jagdish Desai	(2,000)	10	22.50	0.00#	0.00#	-	-
	July 10, 1995	Bonus	431,250	10	10	1.02	0.80	-	-
	March 31, 1997	Allotment	20,000	10	40	0.05	0.04	-	-
	May 15, 1997	Allotment	4,000	10	10	0.01	0.01	-	-
	August 13, 1999	Purchase of shares from Ganeshan	700	10	40	0.00#	0.00#	-	-
	February 28, 2000	Purchase of shares from Swapna Karnik	400	10	50	0.00#	0.00#	-	-
	February 28, 2000	Purchase of shares from Mohan Karnik	300	10	50	0.00	0.00	-	-

Name of the Promoter*	Date on which Equity Shares were acquired/ transferred	Nature of payment of consideration	Number of Equity Shares	Face Value (Rs.)	Acquisition price per Equity Share (Rs.)	% of Pre Issue Paid up Capital	% of Post Issue Paid up Capital	Pledged Shares	
								No.	% of Pre Issue Paid up Capital
	November 17, 2001	Purchase of shares from Shrikant Shenvi	4,000	10	50	0.01	0.01	-	-
	May 13, 2002	Purchase of shares from Shrikant Shah	4,000	10	45	0.01	0.01	-	-
	May 13, 2002	Purchase of shares from Dinkar Kanade	2,500	10	40	0.00	0.00	-	-
	June 7, 2002	Purchase of shares from Rekha Patwardhan	1,500	10	40	0.00#	0.00#	-	-
	March 31, 2005	Bonus	506,150	10	-	1.20	0.94	-	-
	March 31, 2006	Bonus	2,024,600	10	-	4.80	3.77	-	-
	October 18, 2006	Sold to Tano Mauritius India FVCI	(100,884)	10	562.66	0.24	0.19	-	-
	July 26, 2007	Bonus	2,936,016	10	-	6.96	5.47	-	-
	June 12, 2010	Bonus	5,872,032	10	-	13.92	10.93	-	-
		Total	**11,744,064**			**28.32**			

** Please note that only instances where Promoters are the first holders have been taken into consideration in the aforesaid build up.*
^ Equity shares of face value of Rs. 100 each.
^^ Being the total number of Equity Shares arising from sub-division of 775 Equity Shares of Rs. 100 each into fully paid Equity Shares of Rs. 10 each.
 # Rs.0.00 refers to negligible amount

(b) Details of Promoters' Contribution locked-in for three years

Pursuant to Regulations 32 and 36 of the SEBI Regulations, an aggregate of 20% of the fully diluted post-Issue capital of our Company held by the Promoters shall be locked in for a period of three years from the date of Allotment. The details of such lock-in are given below:

Name	Date of Allotment/ Acquisition and when made fully paid-up	Nature of Allotment	Nature of Consideration (Cash, bonus, kind, etc.)	No. of shares	Face Value (Rs.)	Issue Price/ Purchase Price (Rs.)	Percentage of Post-Issue paid-up capital (including vested options under our ESOPs)	Lock-in Period
Mahesh Desai	June 12, 2010	Bonus	Bonus	5,372,138	10.00	-	10	3 years
V. Balasubramanian	June 12, 2010	Bonus	Bonus	5,372,138	10.00	-	10	3 years
Total				**10,744,276**			**20**	

The minimum Promoter's contribution has been brought to the extent of not less than the specified minimum lot and from persons defined as Promoter under the SEBI Regulations. The Promoters have through letters dated July 3, 2010 granted specific written consent for the lock-in of 20% of the post-Issue paid-up Equity Share capital of the Company, held by it, for three years from the date of Allotment and for lock-in of the balance pre-Issue Equity Share capital of the Company shall be locked in, held by it, for a period of one year from the date of Allotment.

Oversubscription, if any, to the extent of 10% of this Issue can be retained for the purpose of rounding off and making allotments in minimum lots, while finalising the 'Basis of Allotment'. Consequently, the Allotment may increase by a maximum of 10% of this Issue, as a result of which the post-Issue paid-up capital would also increase by the excess amount of Allotment so made. In such an event, the Equity Shares to be locked-in towards the Promoter's Contribution shall be suitably increased, so as to ensure that 20% of the post-Issue paid-up capital is locked in.

(c) The Equity Shares constituting the Offer for Sale have been held by the Selling Shareholder for a period of at least one year as on the date of filing of the Draft Red Herring Prospectus with SEBI and hence are eligible for being offered for sale in this Issue.

(d) The Promoters' contribution has been brought in to the extent of not less than the specified minimum lot and from the persons defined as promoters under the SEBI Regulations.

(f) The Equity Shares that are being locked-in are eligible for computation of Promoters' contribution under Regulation 33 of the SEBI Regulations.

(g) In terms of Regulation 37 of the SEBI Regulations, our entire pre-Issue equity share capital held by persons other than our Promoters' contribution i.e. 20% of our post-Issue paid-up capital held by our Promoters (consisting of 10,744,276 Equity Shares) which will be locked in for a period of three years from the date of Allotment in this Issue.

  (i) Less 973,966 Equity Shares held for a period of more than one year by FVCIs namely, Tano Mauritius India FVCI (excluding the shares being offered as part of Offer for Sale by Tano). Tano is registered with SEBI as a foreign venture capital investor bearing number IN/FVCI/06-07/77 pursuant to a certificate of registration dated March 21, 2007;

  (ii) less 2,686,070 Equity Shares held by the Selling Shareholders and which would be transferred pursuant to the Offer for Sale;

Hence 27,792,212 Equity Shares will be locked in for a period of one year from the date of Allotment in this Issue, except as provided below.

(g) In terms of Regulation 40 of the SEBI Regulations:

  (i) the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares of our Company which are locked-in as per Regulation 37 of the SEBI Regulations, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

  (ii) the Equity Shares held by the Promoters may be transferred to another Promoter and among the Promoter Group or to a new promoter or persons in control of our Company which are locked-in as per Regulation 36 of the SEBI Regulations, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code, as applicable.

(h) Locked-in Equity Shares of our Company held by the Promoters can be pledged with scheduled commercial banks or public financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan. Further, the Equity Shares constituting 20% of the fully diluted post-Issue capital of our Company held by the Promoters that are locked in for a period of three years from the date of Allotment, may be pledged only if, in addition to complying with the aforesaid conditions, the loan has been granted by the banks or financial institutions for the purpose of financing one or more objects of the Issue.

3. The list of the top ten shareholders of our Company and the number of Equity Shares held by them is as follows:

(a) Our top ten shareholders and the number of Equity Shares held by them as of the date of this Draft Red Herring Prospectus with SEBI and ten days prior to filing with SEBI, is as follows:

Sl. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1.	Mahesh Desai	13,633,004	32.31%
2.	V.Balasubramanian	11,744,064	27.83%
3.	Tano Mauritius India FVCI	4,088,072	9.69%
4.	Rajaram Ajgaonkar	2,999,200	7.11%
5.	Jagdish Desai	2,327,200	5.52%
6.	Neeta Desai	769,600	1.82%
7.	Sujata Desai	685,000	1.62%
8.	V.R. Jayaraman	583,200	1.38%
9.	Praveena Balasubramanian	495,000	1.17%
10.	Sanyukta Desai	482,800	1.14%
	TOTAL	**37,807,140**	**89.60**

(b) Our top ten shareholders and the number of Equity Shares held by them ten days prior to the date of this Draft Red Herring Prospectus with SEBI and ten days prior to filing with SEBI, is as follows:

Sl. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1.	Mahesh Desai	13,633,004	32.31%
2.	V.Balasubramanian	11,744,064	27.83%
3.	Tano Mauritius India FVCI	4,088,072	9.69%
4.	Rajaram Ajgaonkar	2,999,200	7.11%
5.	Jagdish Desai	2,327,200	5.52%
6.	Neeta Desai	769,600	1.82%
7.	Sujata Desai	685,000	1.62%
8.	V.R. Jayaraman	583,200	1.38%
9.	Praveena Balasubramanian	495,000	1.17%
10.	Sanyukta Desai	482,800	1.14%
	TOTAL	**37,807,140**	**89.60**

(c) Our top ten shareholders and the number of Equity Shares held by them two years prior to the date of this Draft Red Herring Prospectus with SEBI are as follows:

Sl. No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1.	Mahesh Desai	7,216,502	34.24%
2.	V. Balasubramanian	5,872,032	27.86%
3.	Tano Mauritius India FVCI	1,669,536	7.92%
4.	Rajaram Ajgaonkar	1,497,600	7.11%
5.	Jagdish Desai	1,463,600	6.94%
6.	Neeta Desai	384,800	1.83%
7.	Sujata Desai	342,500	1.62%
8.	V.R. Jayaraman	291,600	1.38%
9.	Praveena Balasubramanian	247,500	1.17%
10.	S.N.Srinivasan	228,000	1.08%
	TOTAL	**19,213,670**	**91.15%**

4. Our shareholding pattern

(i) The table below presents our shareholding pattern as on the date of filing of this Draft Red Herring Prospectus:

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					As a percentage of (A+B)	As a percentage of (A+B+C)	Number of Shares	As a percentage
(I)	**(II)**	**(III)**	**(IV)**	**(V)**	**(VI)**	**(VII)**	**(VIII)**	**(IX)= (VIII)/(IV)*100**
(A)	**Promoter and Promoter Group**							
(1)	**Indian**							
(a)	Individuals/ Hindu Undivided Family	7	13,116,064	13,116,064	31.08	31.08	-	-
(b)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(c)	Bodies Corporate	-	-	-	-	-	-	-
(d)	Financial Institutions/ Banks	-	-	-	-	-	-	-
(e)	Any Other (specify)	-	-	-	-	-	-	-
	Sub-Total (A)(1)	**7**	**13,116,064**	**13,116,064**	**31.08**	**31.08**	-	-
(2)	**Foreign**							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	6	17,670,204	16,463,800	41.88	41.88	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Any Other (specify)	-	-	-	-	-	-	-
	Sub-Total (A)(2)	**6**	**17,670,204**	**16,463,800**	**41.88**	**41.88**	-	-
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	**13**	**30,786,268**	**29,579,864**	**72.96**	72.96	-	-
(B)	**Public**							

	shareholding							
(1)	**Institutions**							
(a)	Mutual Funds/UTI	-	-	-	-	-	-	-
(b)	Financial Institutions/ Banks	-	-	-	-	-	-	-
(c)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-		-	-
(f)	Foreign Institutional Investors	-	-	-	-	-	-	-
(g)	Foreign Venture Capital Investors	1	4,088,072	660,000	9.69	9.69	-	-
(h)	Any Other (specify)	-	-	-	-	-	-	-
	Sub-Total (B)(1)	**1**	**4,088,072**	**660,000**	**9.69**	**9.69**		
(2)	**Non-institutions**							
(a)	Bodies Corporate	2	34,000	10,000	0.08	0.08		
(b)	Individuals -							
)	Individual shareholders holding nominal share capital up to Rs. 1 lakh.	37	202,200	91,400	0.48	0.48		
	Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	36	7,085,984	2239400	16.79	16.79		
(c)	Any Other (specify)	-	-	-	-	-		
	Sub-Total (B)(2)	75	**7,322,184**	**2,340,800**	**17.35**	**17.35**		
	Total Public Shareholding (B)=	**76**	**11,410,256**	**3,000,800**	**27.04**	**27.04**		NA

	(B)(1)+(B)(2)						
	TOTAL (A)+(B)	**89**	**42,196,524**	**32,580,664**	**100.00**	**100.00**	
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**	-	-	-	-	-	NA
	GRAND TOTAL (A)+(B)+(C)	**89**	**42,196,524**	**32,580,664**	**100.00**	**100.00**	

(ii) The table below presents our shareholding pattern of the Promoter, Promoter Group and others before and after the proposed Issue:

Shareholder Category	**Pre-Issue**		**Post-Issue*** **	
	No. of shares	**%**	**No. of shares**	**%**
Promoters				
Mahesh Desai	13,633,004	32.31	13,413,004	25.34
V. Balasubramanian	11,744,064	27.83	11,304,064	21.35
Sub Total (A)	**25,377,068**	**60.14**	**24717068**	**46.69**
Promoter Group				
Jagdish Desai	23,27,200	5.52	2,217,200	4.19
Neeta Desai	769,600	1.82	549,600	1.04
Sanyukta Desai	482,800	1.14	482,800	0.91
Amod Desai	424,000	1.00	424,000	0.80
Anagha Kanade	33,600	0.08	36,600	0.06
Vijaya Devnally	624,00	0.15	62,400	0.12
B. Sashikala	214,000	0.51	214,000	0.40
Praveena Ravishankar	495,000	1.17	495,000	0.94
B. Prasad	413,400	0.98	413,400	0.78
V. Balasubramanian (HUF)	120,000	0.28	120,000	0.23
V. Anantharaman	67,200	0.16	67,200	0.13
Sub Total (B)	**5,409,200**	**12.82**	**5,079,200**	**9.59**
Promoters and Promoter Group (A +B)	**30,786,268**	**72.96**	**29,796,268**	**56.28**
Directors excluding Promoters and members of Promoter Group (C)	3,313,600	7.85	3,068,600	5.80
Strategic Investors (D)	0	0	0	0
Employees* (E)	1,074,548	2.55	386,548	1.58
Others (F)	7,022,108	16.64	5,809,038	10.97
Issue#			13,430,346**	25.37
Total share capital (A + B + C + D + E + F)	**42,196,524**	**100**	**52,940,800**	**100.00**

** includes employees of our Subsidiaries.*

 # The Issue comprises of a Issue to the public of 13,430,346 Equity Shares consisting of a Fresh Issue of 10,744,276 Equity Shares by the Company and an Offer For Sale of 2,686,070 Equity Shares by the Selling Shareholders.

*** Assuming subscription to the entire Issue by persons who are not shareholders of the Company or employees of the Company and its Subsidiaries.*

****Assuming they do not participate in the issue.*

5. None of our Directors or Key Management Personnel of our Company or our Subsidiaries hold Equity Shares in our Company, other than as follows:

S. No.	Name	Number of Equity Shares Held	Pre Issue Percentage	Post Issue Percentage*
Our Directors				
1.	Mahesh Desai	13,633,004	32.31	25.34
2.	V. Balasubramanian	11,744,064	27.83	21.35
3.	Jagdish Desai	2,327,200	5.52	4.19
4.	Rajaram Ajgaonkar	2,999,200	7.11	5.25
5.	Kishore Kulkarni	82,800	0.20	0.16
6.	Dhananjay Kelkar	10,000	0.02	0.02
7.	Manu Parpia	20,000	0.05	0.04
8.	Paresh Rajda	201,600	0.48	0.33
Key Management Personnel of our Company				
9.	Sarang Sathe	36,000	0.09	0.03
10.	V.R. Jayaraman	583,200	1.38	0.89
Key Management Personnel of our Subsidiaries				
11.	Billy D. Neimann	443,348	1.05	0.63
12.	Rajesh Walawalkar	12,000	0.03	0.02
	Total	**32,092,416**	**76.07**	**58.25**

** Assuming they do not participate in the Issue*

6. *Employee stock option plans*

As of July 3, 2010, the following were the details of our ESOP Schemes:

(a) ESOP 2006

The objective of ESOP 2006 was to reward the employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of our Company. Our Board of Directors approved the ESOP 2006 at their meeting on July 27, 2006 and our shareholders approved the ESOP 2006 at their annual general meeting held on August 24, 2006. This scheme was amended for the first time on November 24, 2007, by shareholders resolution, changing the vesting period for the first 25% from 8.5 months to 1 year. Subsequently, it was again amended pursuant to the shareholders resolution dated September 23, 2009 allowing the exercise of options before the initial public offering of the Company.

Particulars	Details
Options granted	498,240
Exercise price of options	**No. of options granted**: 498,240; **Exercise Price**: Rs. 406# (# effective price is Rs. 101.50 on account of bonus)
Total options vested	327,945
Options exercised	Nil
Total number of Equity Shares arising as a result of full exercise of options already granted	Nil
Options forfeited/ lapsed/ cancelled	63,360
Variations in terms of options	The vesting period for the first 25% has been changed from 8.5 months to 1 year pursuant to the shareholders resolution dated November 24, 2007. The exercise of options has been allowed before the initial public offering of the Company pursuant to the shareholders resolution dated September 23, 2009.
Money realised by exercise of options	Nil
Options outstanding (in force)	434,880
Person wise details of options granted to	
i) Directors and key management employees	As on the date of this Draft Red Herring Prospectus, we have not made any grants to our Directors. For details of grants to our key management employees, see Table A below
ii) Any other employee who received a grant in any	See Table B below

Particulars		Details
	one year of options amounting to 5% or more of the options granted during the year	
iii)	Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	NIL

Vesting schedule	Grant dated October 18, 2006 with a vesting period of 4 years: **TIME FROM DATE OF GRANT** — **PERCENTAGE OF SHARES VESTING (%)** 12 months* — 25 21.5 months — 25 33.5 months — 25 45.5 months — 25 * In the shareholders resolution dated November 24, 2007, the vesting period for the first 25% has been changed from 8.5 months to 1 year
Fully diluted EPS on a pre-issue basis (on restated unconsolidated basis on all options granted until April 30, 2010)	Rs. 14.11
Fully diluted EPS on a pre-issue basis (on restated consolidated basis on all options granted until April 30, 2010)	Rs. 20.61
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	Valuation done on intrinsic value method
Lock-in	Nil
Impact on profits and EPS of the last three years (restated unconsolidated impact on profits)	Impact on profit for the last three years **Fiscal** — **Profit/(Loss)** — **Impact on EPS** March 2008 — (334,447) — below Rs. 0.01 Per share March 2009 — (166,402) — below Rs. 0.01 Per share March 2010 — (77,650) — below Rs. 0.01 Per share
Intention of the holders of Equity Shares allotted on exercise of options to sell their Equity Shares within three months after the listing of Equity Shares pursuant to the Issue	Nil
Intention to sell Equity Shares arising out of ESOP 2006 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Nil

(b) ESOP 2007

The objective of ESOP 2007 was to appreciate the critical role employees' play in growth of the Company. The value created by employees should be shared by them to promote the culture of employee ownership in the company. Our Board of Directors approved the ESOP 2007 at their meeting on July 26, 2007 and our shareholders approved the ESOP 2007 at their annual general meeting held on September 17, 2007 of a grant upto 107,172 Equity Shares. The ESOP 2007 was amended for the first time by our shareholders at the extraordinary general meeting held on November 24, 2007. Subsequently, it was again amended pursuant to the shareholders resolution dated September 23, 2009 allowing the exercise of options before the initial public offering of the Company.

<table>
<tr><th>Particulars</th><th>Details

(Grant –I)</th><th>Details

(Grant –II)</th></tr>
<tr><td>Options granted</td><td>156,600</td><td>56,000</td></tr>
<tr><td>Exercise price of options</td><td><table><tr><th>No. of options granted</th><th>Exercise Price</th></tr><tr><td>78,300</td><td>337*</td></tr></table>
(*effective price is Rs. 168.50 on account of bonus)</td><td><table><tr><th>No. of options granted</th><th>Exercise Price</th></tr><tr><td>56,000</td><td>427*</td></tr></table>
(*effective price is Rs. 213.50 on account of bonus)</td></tr>
<tr><td>Total options vested</td><td>65,850</td><td>12,500</td></tr>
<tr><td>Options exercised</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Total number of Equity Shares arising as a result of full exercise of options already granted</td><td>NIL</td><td>NIL</td></tr>
<tr><td>Options forfeited/ lapsed/ cancelled</td><td>24,900</td><td>6,000</td></tr>
<tr><td>Variations in terms of options</td><td>The vesting period for the first 25% has been changed from 8.5 months to 1 year pursuant to the shareholders resolution dated November 24, 2007.

The exercise of options has been allowed before the initial public offering of the Company pursuant to the shareholders resolution dated September 23, 2009.</td><td>The vesting period for the first 25% has been changed from 8.5 months to 1 year pursuant to the shareholders resolution dated November 24, 2007.

The exercise of options has been allowed before the initial public offering of the Company pursuant to the shareholders resolution dated September 23, 2009.</td></tr>
<tr><td>Money realised by exercise of options</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Options outstanding (in force)</td><td>131,700</td><td>50,000</td></tr>
<tr><td>Person wise details of options granted to</td><td></td><td></td></tr>
<tr><td>i) Directors and key management employees</td><td>See Table A below</td><td></td></tr>
<tr><td>ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year</td><td>See Table B below</td><td></td></tr>
<tr><td>iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant</td><td>Nil</td><td>Nil</td></tr>
<tr><td>Vesting schedule</td><td>Grant dated October 26, 2007 with a vesting period of 4 years:<table><tr><th>TIME FROM DATE OF GRANT</th><th>PERCENTAGE OF SHARES VESTING (%)</th></tr><tr><td>12 months</td><td>25</td></tr><tr><td>24 months</td><td>25</td></tr><tr><td>36 months</td><td>25</td></tr><tr><td>48 months</td><td>25</td></tr></table></td><td>Grant dated November 1, 2008 with a vesting period of 4 years:<table><tr><th>TIME FROM DATE OF GRANT</th><th>PERCENTAGE OF SHARES VESTING (%)</th></tr><tr><td>12 months</td><td>25</td></tr><tr><td>24 months</td><td>25</td></tr><tr><td>36 months</td><td>25</td></tr><tr><td>48 months</td><td>25</td></tr></table></td></tr>
<tr><td>Fully diluted EPS on a pre-issue basis (on restated unconsolidated basis on all options granted until April 30, 2010)</td><td>Rs. 14.61</td><td>Rs. 14.11</td></tr>
<tr><td>Fully diluted EPS on a pre-issue basis (on restated consolidated basis on all options granted until April 30, 2010)</td><td>Rs. 20.61</td><td>Rs. 20.61</td></tr>
</table>

Particulars	Details (Grant –I)	Details (Grant –II)
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	Valuation done on intrinsic value method	Valuation done on intrinsic value method
Lock-in	Nil	Nil
Impact on profits and EPS of the last three years (restated unconsolidated impact on profits)	Nil	Nil
Intention of the holders of Equity Shares allotted on exercise of options to sell their Equity Shares within three months after the listing of Equity Shares pursuant to the Issue	Nil	Nil
Intention to sell Equity Shares arising out of ESOP 2007 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Nil	Nil

(c) ESOP 2009

The objective of ESOP 2009 was to appreciate the critical role employees' play in growth of the Company. The value created by employees should be shared by them to promote the culture of employee ownership in the company. Our Board of Directors approved the ESOP 2009 at their meeting on July 26, 2009 and our shareholders approved the ESOP 2009 at their annual general meeting held on September 23, 2009 of a grant of upto 214,546 Equity Shares.

Particulars	Details
Options granted	168,000
Exercise price of options	**No. of options granted** / **Exercise Price**: 168,000 / 431* *(*effective price is Rs. 215.50 on account of bonus)*
Total options vested	Nil
Options exercised	Nil
Total number of Equity Shares arising as a result of full exercise of options already granted	Nil
Options forfeited/ lapsed/ cancelled	4,000
Variations in terms of options	Nil
Money realised by exercise of options	Nil
Options outstanding (in force)	162,000
Person wise details of options granted to	
i) Directors and key management employees	See Table A below
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	See Table B below
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
Vesting schedule	Grant dated October 27, 2009 with a vesting period of 4 years: **TIME FROM DATE OF GRANT** / **PERCENTAGE OF SHARES VESTING (%)** 12 months / 25 24 months / 25

Particulars	Details	
	36 months	25
	48 months	25
Fully diluted EPS on a pre-issue basis (on restated unconsolidated basis on all options granted until April 30, 2010)	Rs. 14.11	
Fully diluted EPS on a pre-issue basis (on restated consolidated basis on all options granted until April 30, 2010)	Rs. 20.61	
Difference between employee compensation cost using the intrinsic value method and the employee compensation cost that shall have been recognised if the Company has used fair value of options and impact of this difference on profits and EPS of the Company	Valuation on intrinsic value method	
Lock-in	Nil	
Impact on profits and EPS of the last three years (restated unconsolidated impact on profits)	Nil	
Intention of the holders of Equity Shares allotted on exercise of options to sell their Equity Shares within three months after the listing of Equity Shares pursuant to the Issue	Nil	
Intention to sell Equity Shares arising out of ESOP 2007 within three months after the listing of Equity Shares by Directors, senior managerial personnel and employees having Equity Shares amounting to more than 1% of the issued capital (excluding outstanding warrants and conversions)	Nil	

Table A: The following are the details regarding options granted to our Directors and the key management personnel of our Company and our Subsidiaries as disclosed in the chapter titled "Our Management" on 121 page under both ESOP 2006, ESOP 2007 and ESOP 2009 as on the date of this Draft Red Herring Prospectus:

Name of Director/ Key Management Personnel	No. of options granted	No. of options exercised	No. of options outstanding
ESOP 2006			
Key Management Personnel of our Company			
Sarang Sathe	28,480	Nil	28,480
Manoj Kohok	25,280	Nil	25,280
Key Management Personnel of our Subsidiaries			
Silvano Calciolari	28,480	Nil	28,480
Rajib Raychaudhury	28,480	Nil	28,480
Avnish Gupta	25,280	Nil	25,280
Total	**136000**		**136,000**
ESOP 2007 (Grant –I)			
Key Management Personnel of our Company			
Manoj Kohok	2,000	Nil	2,000
Nagraj Mundargi	12,000	Nil	12,000
Key Management Personnel of our Subsidiaries			
Silvano Calciolari	20,000	Nil	20,000
Rajib Raychaudhury	6,000	Nil	6,000
Avnish Gupta	3,000	Nil	3,000
Rajesh Walawalkar	18,000	Nil	18,000
Total	**61,000**		**61,000**
ESOP 2007 (Grant – II)			
Key Managementl Personnel of our Company			
Nil	Nil	Nil	Nil
Key Management Personnel of our Subsidiaries			
Bill Neimann	20,000	Nil	20,000
Total	**20,000**		**20,000**

Name of Director/ Key Management Personnel	No. of options granted	No. of options exercised	No. of options outstanding
ESOP 2009			
Key Management Personnel of our Company			
V.R. Jayaraman	10,000	Nil	10,000
Paresh Rajda	10,000	Nil	10,000
Sarang Sathe	6,000	Nil	6,000
Vaibhav Pradhan	10,000	Nil	10,000
Manoj Kohok	2,000	Nil	2,000
Key Management Personnel of our Subsidiaries			
Rajib Raychaudhury	2,000	Nil	2,000
Rajesh Walawalkar	4,000	Nil	4,000
Avnish Gupta	6,000	Nil	6,000
Shrikrishna Gandhe	4,000	Nii	4,000
Marvin Beasley	20,000	Nil	20,000
Holger Mundt	6,000	Nil	6,000
Total	**80,000**		**80,000**

Table B: Any other employee of our Company and our Subsidiaries who received a grant in any one year of options amounting to 5% or more of the options granted under ESOP 2006, ESOP 2007 and ESOP 2009:

Name of employee	No. of options granted	No. of options exercised	Percentage of total options granted during the year
ESOP 2006			
Employees of our Company			
Nil	Nil	Nil	Nil
Employees of our Subsidiaries			
Robert Garrett	32,960	NIL	6.62
Mike Hicks	32,960	NIL	6.62
Larry Lawrence	32,960	NIL	6.62
ESOP 2007 (Grant –I)			
Employees of our Company			
Nil	Nil	Nil	Nil
Employees of our Subsidiaries			
Nil	Nil	Nil	Nil
ESOP 2007 (Grant –II)			
Employees of our Company			
Nil	Nil	Nil	Nil
Employees of our Subsidiaries			
Avinash Deshmane	4,000	NIL	7.14
ESOP 2009			
Employees of our Company			
Nil	Nil	Nil	Nil
Employees of our Subsidiaries			
Nil	Nil	Nil	Nil
Total	**102,880**		

Our Directors and the key management personnel who have been granted options and Equity Shares on the exercise of the options pursuant to ESOPs have confirmed to us that they do not intend to sell any shares arising from such options for three months after the date of listing of the Equity Shares in this Issue. However, the key management personnel (including the key management personnel of our Subsidiaries) hold 297,000 outstanding options, of which 137,500 are vested and the other employees hold 593,840 outstanding options, of which 410,740 are vested. Our other employees holding Equity Shares at the time of listing of Equity Shares and Equity Shares on exercise of vested options may sell equity shares within the three month period after the listing of the Equity Shares. This disclosure is made in accordance with para 15.3 (b) and 15.3 (c) of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000.

In accordance with Regulation 37(a) of the SEBI Regulations, full disclosures in respect to the ESOP Schemes and all options granted thereunder have been made in accordance with Part A of Schedule VIII of SEBI Regulations in the above tables and therefore, none of the Equity Shares were issued on the exercise of the options granted under any of the ESOP Schemes shall be subject to a lock-in for one year.

8. Details of transactions in Equity Shares by our Promoters, Promoter Group, Directors, relatives of Directors and Group Entities during the period of six months preceding the date on which the Draft Red Herring Prospectus is filed with SEBI:

Date	Transferor	Transferee	Nature of the transaction	Number of Equity Shares	Acquisition/transfer price per Equity Shares
February 8, 2010	Mahesh Desai and Neeta Desai	Sanyukta Mahesh Desai	Gift	150,000	-
February 8, 2010	Mahesh Desai and Neeta Desai	Amod Mahesh Desai	Gift	150,000	-
March 27, 2010	Mahesh Desai and Neeta Desai	Amod Mahesh Desai	Gift	50,000	-
March 27, 2010	Mahesh Desai and Neeta Desai	Sanyukta Mahesh Desai	Gift	50,000	-
March 27, 2010	Jagdish Desai and Sujata Desai	Pooja Jagdish Desai	Gift	150,000	-
March 27, 2010	Jagdish Desai and Sujata Desai	Anand Jagdish Desai	Gift	150,000	-

9. None of our Company, our Promoters, our Promoter Group, our Directors and the BRLMs have entered into any buy back arrangements for purchase of the specified securities of the Company, other than the arrangements, if any, entered for safety net facility as permitted under the SEBI Regulations.

10. Except as stated above, none of our Directors, key management personnel, BRLMs or their associates hold any Equity Shares in the Company.

11. Except as disclosed above, the Directors, the Promoters or the Promoter Group have not purchased or sold any securities of our Company, during a period of six months preceding the date of filing this Draft Red Herring Prospectus with SEBI.

12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Issue and the Bids shall be subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.

13. The Promoter Group, the Directors of the Company which is a Promoter of the Company, the Directors of the Company and their relatives have not financed the purchase by any other person of securities of the Company other than in the normal course of the business of the financing entity during the period of six months immediately preceding the date of this Draft Red Herring Prospectus.

14. Apart from the options granted under the ESOP 2006, ESOP 2007 and ESOP 2009 there are no outstanding financial instruments or any other rights which would entitle the existing promoters or shareholders or any other person any option to acquire our Equity Shares after the Issue.

15. Except as may be disclosed above, we presently do not intend to or propose to alter the capital structure by way of split or consolidation of the denomination of our Equity Shares, or issue Equity Shares on a preferential basis or issue of bonus or rights or further public issue of Equity Shares or qualified institutions placement, within a period of six months from the date of opening of the Issue.

16. There shall be only one denomination of Equity Shares, unless otherwise permitted by law. We shall

comply with such disclosure and accounting norms as may be specified by SEBI from time to time.

17. The Equity Shares being issued in this Issue will be fully paid up at the time of Allotment.

18. As of the date of filing of this Draft Red Herring Prospectus, the total number of holders of Equity Shares are 89.

19. The Company has not raised any bridge loans against the Net Proceeds.

20. As per the RBI regulations, OCBs are not allowed to participate in the Issue.

21. The Company, Directors, Promoters or Promoter Group shall not make any payments direct or indirect, discounts, commissions, allowances or otherwise under this Issue except as disclosed in this Draft Red Herring Prospectus.

22. The Equity Shares held by the Promoters are not subject to any pledge.

23. Over-subscription to the extent of 10% of the Issue can be retained for the purpose of rounding off.

24. The Company has not issued or allotted any Equity Shares out of revaluation reserves or for consideration other than cash or in terms of scheme approved under Sections 391 to 394 of the Companies Act, 1956 except as stated in "History and Corporate Structure", "Capital Structure" on pages 112 and 26.

25. There has been no sale or purchase of securities of our Company between our Promoter and Promoter Group exceeding 10% of the value of the Issue.

26. Up to 50% of the Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion (excluding Anchor Investor Portion) shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIBs including Mutual Funds subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation to Retail Individual Bidders, subject to valid Bids being received from them at or above the Issue Price.

27. Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange.

28. Excepting for allotments of equity shares pursuant to the exercise of vested options under our ESOP Schemes, there will 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 the submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares to be Issued are listed

29. Except to the extent of their participation in the Offer for Sale our Promoters and Promoter Group will not participate in the Issue.

30. For details of our related party transactions, see "Related Party Transaction" on page 139.

31. For further details, see "Issue Structure" on page 288 of this Draft Red Herring Prospectus.

OBJECTS OF THE ISSUE

The objects of the Issue are to:

(a) fund capital expenditure at the manufacturing facilities of our Company;
(b) fund capital expenditure at our Subsidiaries towards setting up new manufacturing facilities and expansion of existing facilities;
(c) fund capital expenditure towards our information technology infrastructure;
(d) funding the repayment of a portion of the debt availed by our Company;
(e) general corporate purposes; and
(f) achieve the benefits of listing on the Stock Exchanges.

The main objects clause of our Memorandum of Association and objects incidental to the main objects enable us to undertake our existing activities and the activities for which funds are being raised by us through this Fresh Issue.

The Issue comprises of a Fresh Issue and an Offer for Sale. The Company will not receive any proceeds from the Offer for Sale. All the expenses associated with the Issue including underwriting and management fees, selling commissions and other expenses will be borne by our Company and the Selling Shareholders in proportion to the Equity Shares being issued/ offered in the Fresh Issue and Offer for Sale respectively. The listing fees will be paid by the Company.

We intend to utilize the proceeds of the Fresh Issue, after deducting the Company's share of the underwriting and management fees, selling commission and other expenses associated with the Issue ("**Net Proceeds**"), which is estimated at Rs. [●] million. The details of proceeds of the Fresh Issue are summarized in the following table:

(Rs. In million)

S. No.	Description	Amount
1.	Gross proceeds of the Fresh Issue	[●]
2.	Issue Expenses	[●]
3.	Net proceeds of the Fresh Issue	[●]

We intend to utilise the Net Proceeds for the following objects:

(Rs. In million)

S. No.	Project	Estimated amount to be utilized from the Net Proceeds
1.	Fund capital expenditure for the manufacturing facilities of our Company	1,296.15
2.	Fund capital expenditure at our Subsidiaries towards setting up new manufacturing facilities and expansion of existing facilities	1,232.45
3.	Fund capital expenditure towards our information technology infrastructure	72.45
4.	Funding the repayment of a portion of the debt availed by our Company	805.46
5.	General corporate purposes	[●]
	Total	[●]

Year wise break up of fund utilization

The following is a year wise break up of the proposed utilization of funds.

(Rs. In million)

S. No.	Project	Total Fund Required	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in Fiscal 2012	Balance Amount to be utilized in Fiscal 2013
1.	Funding capital expenditure at our manufacturing facilities	1,296.15	1,296.15	27.63	764.55	503.97	-
2.	Funding capital expenditure at our Subsidiaries towards setting up new manufacturing facilities and expansion of existing facilities	1,232.45	1,232.45	25.00	835.02	372.43	-
3.	Capital expenditure for information technology infrastructure	72.45	72.45	10.14	38.21	24.10	-
4.	Funding the repayment of a portion of the debt availed by our Company	805.46	805.46	-	672.84	85.19	47.43
5.	Fund expenditure for general corporate purposes	[•]	[•]	-	[•]		
	Total	3406.51	3406.51	62.77	2310.62	985.69	47.43

Means of Finance for total fund requirements

The objects of the Issue detailed above are intended to be entirely funded from the Net Proceeds. As a result, there is no requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised through the Fresh Issue, as required under clause 4(g) of the SEBI (ICDR) Regulations.

The fund requirement and deployment are based on our internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, other financial conditions, business or strategy, as discussed further below. We have placed certain orders for, and deployed certain amounts towards, the purchase of machinery and equipment which we propose to acquire pursuant to the receipt of the Net Proceeds.

In case of variations in the actual utilization of funds allocated for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt. We shall recoup the expenses incurred up to the listing of the Equity Shares towards the objects of the Issue from the Net Proceeds.

Details of the Objects

We believe that our ownership of suitable plant and machinery adds significantly to our production capabilities and will be a critical factor which will enable us to undertake and execute larger and more complex orders in the future. We have decided to only procure specific machines, machine upgrades, testing equipment, etc., to add to our manufacturing capabilities and respond to customer needs. Towards this end, we have proposed to incur the following capital expenditure towards manufacturing facilities and equipment for us and our subsidiaries. The prices have been stated based on quotations received from various vendors. The names of the vendors have not been included as the Company believes such information, being competitive in nature, is sensitive to its business.

A. Capital expenditure for the manufacturing facilities of our Company

(Rs. In millions)

S. No.	Project	Total Fund Required	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in Fiscal 2012
1.	Hinjewadi	850.73	850.73	Nil	472.90	377.83
2.	Coimbatore	300.99	300.99	Nil	174.85	126.14
3.	Bhosari	144.43	144.43	27.63	116.80	-
	Total	**1296.15**	**1296.15**	**27.63**	**764.55**	**503.97**

1. <u>Capital expenditure for our Hinjewadi Plant:</u>

We currently manufacture ball valves including soft seated ball valves, trunnion mounted ball valves, cryogenic ball valves and automated valves from our plant at Hinjewadi, Pune.

We propose to utilize Rs. 850.73 million from the Net Proceeds of the Issue in various phases for investment in our Hinjewadi plant which will be utilized for the procurement of equipments and expanding our manufacturing facilities.

The details of the capital expenditure is as follows:

(Rs. In million)

S. No.	Equipment	Total estimated fund requirement	Estimated amount to be utilized from the Net Proceeds	Fund Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
1.	Capital Expenditure for equipments in Phase I	304.55	304.55	Nil	304.55	-	304.55
2.	Capital Expenditure for equipments in Phase II	377.83	377.83	Nil	-	377.83	377.83
3.	Capital Expenditure for equipments in Phase III	168.35	168.35	Nil	168.35	-	168.35
4	**Grand Total**	**850.73**	**850.73**	**-**	**472.90**	**377.83**	**850.73**

Details of expenditure and quotations obtained for Hinjewadi Phase I is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Upgradation of Plauret HBM – - Retrofit of VWF Boring Machine - Siemens Sinumerik 802DSL package	1	4.12	Indigenous	June 3, 2010
2.	Fourth Axis Packaging with UCAN Table – 250MM	1	0.74	Indigenous	June 8, 2010
3.	Machine Shop Coolant recovery system	1	1.19	Indigenous	June 26, 2010
4.	Material handling Trolley equipment from Asmita Engineering	1	0.40	Indigenous	June 5, 2010
5.	Material handling equipment from Tacklers – Aluminium Ladders	1	0.40	Indigenous	June 30, 2010
6.	Maximator Operator High Pressure Pump Type G100 LVE	3	0.51	Indigenous	June 25, 2010
7.	Maximator High Pressure Needle Valve Pump Type 21V9M071	50	0.98	Indigenous	June 25, 2010
8.	High Pressure 2500# testing setup – Maximator Hydro Pneumatic Power Pack Type G100LVE-DLE 30-75-2	1	1.68	Indigenous	June 25, 2010
9.	Test Stand – 500 Ton Horizontal Valve Test Machine	1	2.78	Indigenous	June 26, 2010
10.	High pressure testing control panel – Maximator Power Pack Type G100LVE	2	0.86	Indigenous	June 25, 2010
11.	Heatless Air Dryer with Vertical air receiver and electric heater with temperature control	7	0.37	Indigenous	June 26, 2010
12.	Centralized maintenance storage system – IBM Maximo Maintenance Management solutions	1	1.43	Indigenous	June 26, 2010
13.	Anti collation system for crane – Proto control make Optical Proximity Switch OPS-R3JK-R5A3	30	0.11	Indigenous	June 26, 2010
14.	Flame proof Fitting – 2 x 40 W FTL Industrial Flameproof Luminaire	20	0.24	Indigenous	June 14, 2010
15.	Shed for D. G & Extension system	1 Job	0.51	Indigenous	June 7, 2010
16.	Induction heating system for bearing fillings	1	0.13	Indigenous	June 29, 2010
17.	Construction of Fork Lift Work Station comprising masonry, plaster and filling sand and laying soiling	1 Job	0.18	Indigenous	June 27, 2010
18.	Energy management equipments	1	0.59	Indigenous	May 15, 2010
19.	Hydraulic Hand Pallet trucks	10	0.16	Indigenous	June 5, 2010
20.	Trevisan machining center model DS600/ 200 C	1	48.06	Imported	June 30, 2010
21.	Ball Valve Grinding Machine - Sapority grinding Machine PV 1100	2	149.23	Imported	June 11, 2010
22.	Trevisan machining centre DS 450/130C	1	43.34	Imported	June 30, 2010
23	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		46.54		
	Grand Total		**304.55**		

Details of expenditure and quotations obtained for Hinjewadi Phase II is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Trevisan machining center – DS 450/130 C and DS 600/ 200 C	2	91.40	Imported	June 30, 2010

2.	Ball Valve Grinding Machine - Saporiti grinding Machine PV 1100	3	188.96	Imported	June 11, 2010
3.	Ball Valve Grinding Machine PV 500	1	39.73	Imported	June 11, 2010
4.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		57.74		
	Grand Total		**377.83**		

Details of expenditure and quotations obtained for Hinjewadi Phase III is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Construction of Factory in PEB with EOT crane structure arrangement and Civil work up to linrel level with plinth, foundation, trimix poad work etc. Complete	1	29.74	Indigenous	June 30, 2010
3.	Nitrogen Gas Piping and Tubing	1	0.10	Indigenous	April 1, 2010
4.	Air Compressor Model GA 22, 7.55 with Atlas Copco make refrigerant type air dryer	1	0.97	Indigenous	June 4, 2010
5.	2m^{3}Air receiver with working pressure 7 Kg.Cm^2	2	0.20	Indigenous	June 4, 2010
6.	Supply of 630 Amps Aluminum, Air Insulated Busbar trunking for Shop Floor Distribution along with 2x25x6 mm Aluminium earthing, mounting brackets and plug in points:	1 Job	5.80	Indigenous	June 23, 2010
7.	Light Fitting	1 Job for 76 fittings	0.79	Indigenous	June 7, 2010; June 26, 2010; and June 19, 2010
8.	Fans	1 Job for 40 fans	0.48	Indigenous	April 16, 2010; June 26, 2010; and June 19, 2010
9.	Double Girder EOT Crane 10 tons	3	6.89	Indigenous	June 5, 2010
10.	Single Girder EOT Crane 6 tons	6	5.96	Indigenous	June 5, 2010
11.	Hydraulic Dock Leveler – Model 7810 FH	2	0.52	Indigenous	June 7, 2010
12.	Material Handling Trolley	25	0.26	Indigenous	June 8, 2010
13.	Maini Made Hydraulic Hand Pallet Trucks	5	0.08	Indigenous	June 5, 2010
14.	Pallet	200	1.22	Indigenous	June 11, 2010
15.	Tools & Tackles	1	0.33	Indigenous	June 26, 2010
16.	Voltas Diesel Operated Fork Lift Truck (3 ton)	1	1.07	Indigenous	June 25, 2010
17.	CNC Vertical Turning Machine – VTL Model PTB-125	2	44.61	Indigenous	June 30, 2010
18.	Horizontal Machining Center	2	43.61	Indigenous	June 9, 2010
19.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		25.72		
	Grand Total		**168.35**		

2. Capital Expenditure for our Coimbatore Plant

We propose to utilize Rs. 300.99 million from the Net Proceeds of the Issue for procurement of equipment at our Coimbatore plant and expanding our manufacturing facilities. The details of the capital expenditure is as follows:

(Rs. In million)

S. No.	Equipment	Total fund requirement	Estimated amount to be utilized from the Net Proceeds	Fund Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
1.	Capital Expenditure for Coimbatore Phase I	174.85	174.85	Nil	174.85	-	174.85
2.	Capital Expenditure for Coimbatore Phase II	126.14	126.14	Nil	-	126.14	126.14
	Total	**300.99**	**300.99**	**-**	**174.85**	**126.14**	**300.99**

Details of expenditure and quotations obtained for Coimbatore Plant Phase I, is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Fixture for Machine shop comprising Drill Jig, Iso Side Drill, Body Side Drill Jug, Customer side Drill, Spring Hole Drill Jig and Flange side Drill	1	3.36	Indigenous	May 28, 2010
2.	Digital read out system for laths – Scale Type Magnetic Scale Resolution 5 Micron	2	0.25	Indigenous	June 22, 2010
3.	Dnc Interlink – Wireless Shop Link System with Wireless DNC	1	0.48	Indigenous	June 30, 2010
4.	Bench Drilling/ Grinding/ Lathe Machining	1	0.56	Indigenous	June 9, 2010
5.	Jib Crane – Jib Arm with Electric wire rope hoist and Motor Driven Trolley	6	0.78	Indigenous	June 5, 2010
6.	Trimos vertical instrument with granite surface plate	1 set	0.59	Indigenous	June 4, 2010 and June 8, 2010
7.	Reconditioning of Excell Slant bed CNC Lathe	1 Job	0.33	Indigenous	May 25, 2010
8.	CNC Double Column Vertical Lathe Chuck dia 1.6 Mtrs	1	10.13	Indigenous	May 27, 2010
9.	VTI Chuck Dia 1.6 mtrs X 1.2 Mtrs	1	7.20	Indigenous	May 11, 2010
10.	Radial Drilling Machine, Horizontal Milling Machine and Universal Milling Machine	1	4.59	Indigenous	June 30, 2010
11.	Paint Booth	2	1.91	Indigenous	June 29, 2010
12.	Hydraulic Test stand (14" to 24") and Test stand (4" to 12")	2	8.61	Indigenous	June 2, 2010
13.	Manual Test stand (0.5" to 1")	2	1.82	Indigenous	June 30, 2010
14.	Welding Overlay Equipment for ball valves	1	6.28	Indigenous	June 25, 2010
15.	Hydraulic Torque Wrench	1 set	2.15	Imported	April 30, 2010
16.	Robodrill a –T14iFb and T21Fb with Fanuc Series 31i-4	2	7.69	Imported	June 8, 2010
17.	Trevisan machining center - DS 450 / 130C and DS 600 / 200C	2	91.40	Imported	June 30, 2010
18.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		26.72		
	Grand Total		**174.85**		

Details of expenditure and quotations obtained for Coimbatore Plant Phase II is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	CNC Double column Vertical Lathe - Chuck Dia 2.5 Mtrs X 1.25 Mtrs	1	16.88	Indigenous	May 24, 2010
2.	Vertical Turret Lathe 1600 mm Chuck with 1000 mm height with 4 tool turret	1	10.13	Indigenous	June 8, 2010
3.	HMC/ HBM Table 1000 X 1000 – Horizontal Machining Center, Model MaxPro H750	1	20.68	Indigenous	June 9, 2010
4.	Radial Drilling RM 65	2	3.62	Indigenous	June 30, 2010
5.	CNC Vertical Turning Lathe Machine	2	36.67	Indigenous	June 30, 2010
6.	Hydraulic Torque wrench	1set	2.15	Imported	April 30, 2000
7.	Hydraulic Test Bench - 36"	1	16.73	Imported	June 9, 2010
8.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		19.28		
	Grand Total		**126.14**		

3. Expansion of our Triple offset Valve plant at Bhosari:

Our Company is currently engaged in the manufacture of various types of valves at our plant at Bhosari, Pune. With the objective of expanding our production and range of triple offset valves, we intend to utilize the Net Proceeds of the Issue to expand the existing facilities for the manufacture of triple offset valves in our plant situated at Bhosari, Pune. We propose to utilize Rs. 144.43 million from the Net Proceeds for purchase of certain equipment for the above purpose.

The details of the utilization is as follows:

(Rs. In million)

S. No.	Equipment	Total estimated fund requirement	Estimated amount to be utilized from the Net Proceeds	Fund Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
1.	Capital expenditure for the procurement of equipments for manufacture of triple offset valves at Bhosari plant	144.43	144.43	27.63	116.80	-	116.80
	Total	**144.43**	**144.43**	**27.63**	**116.80**	-	**116.80**

We have incurred capital expenditure of Rs. 27.63 million as of June 15, 2010 towards the purchase of capital equipment as certified by an independent chartered accountant Ramesh Ramu dated July 6, 2010 bearing membership number 40983.

Details of expenditure and quotations obtained is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total estimated Cost	Imported or Indigenous	Quotation Dated
1.	TriTork Body and Disc Pattern	1	5.89	Indigenous	April 9, 2010
2.	Test Bench Model VTS 600 –C	1	10.82	Imported	March 1, 2010
3.	VT -1150 and VTM-2000 Vertical Turning and Milling Center	2	33.90	Imported	June 9, 2010

S. No.	Equipment	Quantity	Total estimated Cost	Imported or Indigenous	Quotation Dated
4.	Test Bench Model VTS 1500-C	1	17.58	Imported	June 9, 2010
5.	AF-16 Horizontal Machining Center	1	30.61	Imported	June 9, 2010
6.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		18.00		
	Grand Total		**116.80**		

B. Investment by our Subsidiaries towards capital expenditure for expansion / setting-up of their manufacturing facilities

(Rs. In million)

S. No.	Subsidiary - Project	Total Fund Required	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in Fiscal 2012	Total
1.	VVCL – Hinjewadi expansion	144.54	144.54	Nil	83.40	61.14	144.54
2.	VVCL – Chennai new plant	607.04	607.04	25.00	270.75	311.29	582.04
3.	Virgo S.p.A. – new plant	480.87	480.87	Nil	480.87	-	480.87
	Total	**1232.45**	**1232.45**	**25.00**	**835.02**	**372.43**	**1207.45**

Our Company proposes to fund our Subsidiaries for financing the above mentioned objects. We have not yet decided the mode of funding and the final decision would be taken by our management, in accordance with the policies of our Board. Our Company will remain interested in our Subsidiaries, and will derive benefits from our Subsidiaries, to the extent of our shareholding in such Subsidiaries.

1. <u>Expansion of the VVCL plant at Hinjewadi:</u>

We intend to utilize funds from the Net Proceeds of the Issue to capitalize our Subsidiary VVCL. This investment will be utilized for the procurement of equipment for expanding the manufacturing facilities of VVCL at Hinjewadi, Pune. We propose to utilize Rs. 144.54 million from the Net Proceeds to finance this expansion. The details of the capital expenditure is as follows:

(Rs. In million)

S. No.	Equipment	Total fund requirement	Estimated amount to be utilized from the Net Proceeds	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
1.	Capital Expenditure for VVCL Phase I	83.40	83.40	83.40		83.40
2.	Capital Expenditure for VVCL Phase II	61.14	61.14	-	61.14	61.14
	Total	**144.54**	**144.54**	**83.40**	**61.14**	**144.54**

Details of expenditure and quotations obtained for VVCL Plant Phase I is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Upgradation of Acme VTL – Grinding of Cross Rail and Laser calibration of axis and Panel cooler for cabinet	1	3.39	Indigenous	June 3, 2010
2.	LML Precision Slant Bed CNC Lathe Model TL – 30 with 7.5 kw AC spindle and servo drives and Fanuc OiT –C CNC System and other accessories	1	2.23	Indigenous	June 8, 2010

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
3.	Machine shop Coolant recovery system of 300 LPD	1	1.19	Indigenous	June 26, 2010
4.	Material handling Trolley for 5 ton capacity	1	0.40	Indigenous	June 5, 2010
5.	Material handling equipment from Tacklers	1	0.24	Indigenous	June 30, 2010
6.	Pump – Maximator Air Operated High Pressuer Pump Type G 100 LVE	3	0.51	Indigenous	June 25, 2010
7.	Valve – Maximator High Pressure Needle Valve Type 21V9M071	52	1.02	Indigenous	June 25, 2010
8.	High pressure 2500# testing Setup – Maximator Power Type G100LVE	3	1.17	Indigenous	June 25, 2010
9.	Test stand – 500 Ton Horizontal Valve Test Machine	1	2.78	Indigenous	June 26, 2010
10.	SBI Paint Booth Front Open Water Curtain type (Model: SBI/PB/WC/101010	2	0.77	Indigenous	June 28, 2010
11.	Hot air blowing system for valve drying	6	0.32	Indigenous	June 26, 2010
12.	Single girder EOT crane with electric wire rope hoist and motor driven trolley Crane 6 Ton	5	4.96	Indigenous	June 5, 2010
13.	Double grider EOT Crane 10 Ton	3	6.89	Indigenous	June 5, 2010
14.	Air Compressor Model GA 37 plus (- 7.5) with Atlas Copco make refrigerant type air dryer, $1m^3$ and $2m^3$ air receiver with maximum working pressure of $7kg/cm^2$	1	1.85	Indigenous	June 4, 2010
15.	Voltas Diesel operated Forklift	2	2.13	Indigenous	June 25, 2010
16.	CNC Vertical Turning Machine	2	40.89	Indigenous	June 30, 2010
17.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		12.69		
	Grand Total		**83.40**		

Details of expenditure and quotations obtained for VVCL Plant Phase II

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Fanuc Robodrill a-T 14 iFb with Fanuc Series 31i-a	1	3.77	Imported	June 8, 2010
2.	Trevisen machining center - 200 C	1	48.06	Imported	June 30, 2010
3.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		9.31		
	Grand Total		**61.14**		

2. <u>Expenditure for establishment of our new manufacturing facility at Chennai, Tamil Nadu by VVCL</u>

Towards expanding our valve production facilities, we propose to fund VVCL which would set-up a valve manufacturing unit in New Chennai Township Private Limited, a Special Economic Zone ("**SEZ**") situated in the Kancheepuram district of Tamil Nadu. The manufacturing unit will enable us to expand our manufacturing capacity and meet our customers' needs satisfactorily.

On March 25, 2010 we have entered into a MOU with M/s New Chennai Township Private Limited ("**Developer**") pursuant to which the Developer has agreed to allot plot number 6 and 7 admeasuring 10 acres in the SEZ to our Company. We were required to enter into a lease deed for a period of 99 years for this purpose by June 30, 2010. For details please see "History and Corporate Structure" on page 112 and "Risk Factors" on page xi.

We have applied and received approval for setting up valve manufacturing unit in Chennai, from the Development

Commissioner, MEPZ Special Economic Zone, Chennai. We would be executing a lease deed for this premises and apply for in principle approval from the Pollution Control Board for construction of the Chennai manufacturing facility. For further details on the risks associated with our proposed SEZ facility and pending approvals, please see "Risk Factors" on page xi and "Government Approvals" on page 268.

We estimate that the construction of the structure for the proposed plant will be completed in eight months. The breakup of the total project cost for the Chennai manufacturing plant is as described below:

We have incurred capital expenditure of Rs. 25.00 million as of June 15, 2010 towards a part payment of consideration for acquisition of land, as certified by an independent chartered accountant Ramesh Ramu dated July 6, 2010 bearing membership number 40983.

(Rs.In million)

S. No.	Equipment	Total fund requirement	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
1.	Land	60.00	60.00	25.00	35.00	-	35.00
2.	Plant and Machinery and Equipments including Building	547.04	547.04	Nil	235.75	311.29	547.04
	Total	**607.04**	**607.04**	**25.00**	**270.75**	**311.29**	**582.04**

1. *Details of expenditure and quotations obtained*

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
A. Pneumatic Pipe Line Work					
1.	5'' Pipe Line Fabrication with accessories	1 set	0.83	Indigenous	June 7, 2010
2.	M.S Pipe 5''B Class with accessories	1 set	1.05	Indigenous	June 7, 2010
	Sub Total		**1.88**		
B.	***Air Compressor***				
1	Atlas Copco Make Screw Type Air Compressor Model GA 37 plus 7.5 delivering F.A.D 250 CFM at 7.5 Bar working pressure with 37KW/50 HP Motor with Atlas Copco Make Refrigerant Air Dryer	2	2.72	Indigenous	June 4, 2010
	Sub Total		**2.72**		
C.	***Air Receiver***				
1	5m^3 Air Receiver with working pressure 7 Kg/Cm^2 ASME Sec VIII- Division I	2	0.53	Indigenous	June 4, 2010
	Sub Total		**0.53**		
D.	***Water Line***				
1.	Water Pump KDS 550	2	0.03	Indigenous	April 28, 2010
2.	DOL Starter for 5 H.P	2	0.002	Indigenous	June 8, 2010
3.	Pipes & Fittings	550	0.31	Indigenous	June 8, 2010
4.	Water Cooler SDLX 680	4	0.14	Indigenous	June 23, 2010
	Sub Total		**0.48**		
E.	***Transformer Electrical Equipment***				
1.	1000 KVA, 22/0.433 KV, Oil filled Transformer with OLTC	1	1.20	Indigenous	June 25, 2010
	Sub Total		**1.20**		
F.	***Electrical Main Panel Internal Shop Floor***				
1.	Supply and erection of 11 KV TNEB metering DP with fencing CTPT and trivector meter as per TNEB/CEIG standards, Transformers, distribution boards and other electrical equipments	1 Set	2.48	Indigenous	June 10, 2010
	Sub Total		**2.48**		

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
G.	***Bus Bar Trucking 630 Amps with necessary Switch gears***				
1.	Supply of 630 Amps Aluminum, Air Insulator, Busbar trunking for shop floor distribution along with 2x 25x6 mm Aluminium earthing, mounting brackets, end cover to close the bustrunking at end, plug in box (Straight length – 825; MCCB-7) with TPN -25K A MCCB with thermal magnatic release (63A-50; 125A-10; 200A-5; 250A-5)	1 Set	4.67	Indigenous	June 23, 2010
	Sub Total		**4.67**		
H.	***Light Fitting Equipments***				
1.	GE make 4x28 watt T-5 high Bay Fixture complete set with star coat lamp	288	1.35	Indigenous	June 7, 2010
2.	Bracket for light fitting	288	0.13	Indigenous	June 26, 2010
3.	6 AMP MCB Switch plus MCB Box, PVC COP and ARM Cable	288	0.46	Indigenous	June 19, 2010
	Sub Total		**1.94**		
I.	***Street Lighting Equipments***				
1.	4 x 24 Watt –T-5 Street Light Fixture Complete set with Star Coat Lamp	100	0.33	Indigenous	June 7, 2010
2.	Supply of 7 mtrs long swan neck type M.S. Tubular pole 410 SP 2	100	0.37	Indigenous	June 26, 2010
3.	6 AMP MCB Switch plus MCB Box, PVC COP and ARM Cable	100	0.16	Indigenous	June 19, 2010
	Sub Total		**0.85**		
J.	***Industrial Fans***				
1.	30'' Wall Mounted Fan	150	0.93	Indigenous	April 16, 2010
2.	Bracket for Fans	150	0.56	Indigenous	June 26, 2010
3.	6 AMP MCB Switch + MCB Box, PVC COP and ARM Cable	150	0.24	Indigenous	June 19, 2010
	Sub Total		**1.23**		
K.	***Emergency Lighting Equipments***				
1.	6 AMP MCB Switch + MCB Box, PVC COP and ARM Cable	1	0.001	Indigenous	June 19, 2010
2.	DB make HNux 6 KVA on-line UPS system with 1 Phase I/P and 1 phase O/P as per Std. specification (Model Hnux61) and Rocket Make – 12 V/42Ah sealed maintenance free batteries for 1 & ½ hour back up	1	0.12	Indigenous	June 26, 2010
	Sub Total		**0.13**		
L.	***Diesel Generating Set***				
1.	256 KW /320 KVA Diesel Generating Set with CPCB approved acoustic enclosure and Autosynchronisation control panel for new 2 x 320 KVA DG sets	1	2.45	Indigenous	June 7, 2010
	Sub Total		**2.45**		
M.	***Crane***				
1.	750 SAFE Line -100 M 4 Bar insulated Conductor System with Pin Joint and 100 - Current Collector 100 Amps rated (Model No. CC 100)		0.85	Indigenous	June 23, 2010
2.	Single Girder EOT crane with Electric Wire Rope Hoist and Motor	6	4.80	Indigenous	June 5, 2010
3.	Double girder EOT crane with crab (Cap - 10 ton, Span – 15 mts, lift – 8 mts height, Speed – 3 mts/min)	4	7.40	Indigenous	June 5, 2010
4.	Double girder EOT crane with crab (Cap - 20 ton, Span – 15 mts, lift – 8 mts height, Speed – 3 mts/min)	2	5.72	Indigenous	June 5, 2010
	Sub Total		**18.77**		
N.	***Surface Preparation and Painting***				
1.	Shot Blasting chamber with accessories 6M x 6M x 3 M and ETP for paint Booth	1	2.44	Indigenous	June 23, 2010
2.	Liquid Paint Booth	2	1.70	Indigenous	June 29, 2010
3.	ETP Set Up	1	0.55	Indigenous	June 30, 2010

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
	Sub Total		**4.69**		
O.	***Assembly and Testing***				
1.	IEC make pneumatic impact wrench, Capacity Bolt Size M 32, 3500 RPM (Model IW-32)	15	0.38	Indigenous	June 25, 2010
2.	IEC make pneumatic impact wrench, Capacity Bolt Size M 38, 3000 RPM (Model IW-401)	9	0.58	Indigenous	June 25, 2010
3.	GMT Make Granite Plate Grade O and M.S. Iron Angle stand	1 set	0.15	Indigenous	June 8, 2010
4.	Material Handling Trolley	25	0.20	Indigenous	June 8, 2010
5.	Material Table Assembly	10	0.11	Indigenous	June 24, 2010
6.	Electrical Mat (Thickness 10mm) (22Kv Shock Proof) & Rubber Sheet		0.22	Indigenous	June 8, 2010
7.	500 Ton Horizontal Valve Test Machine	2	4.94	Indigenous	June 26, 2010
8.	Compression Type Test Rig for manual test stand for 24'' # 1500 & Compression Type Test Rig for SSBV & STMBV up to 6'' 150 ton capacity (H-Frame)	1	3.98	Indigenous	June 2, 2010
9.	RCC Barricade work including excavation for foundation, PCC for foundation, Footing, Column, RCC Paddi, Plaster for Pardi, Painting an d Steel	1 Job	1.05	Indigenous	June 26, 2010
10.	Water Circulation System	1 Set	1.21	Indigenous	June 8, 2010
11.	Nitrogen Testing Line – Maximator Hydro Pneumatic Power Pack Type G 100 LVE – DLE 3—75-2	1	1.35	Indigenous	June 25, 2010
12.	Marktronic Markmate with marking area 100 mm x 75 mm and pneumatic nameplate holding fixture	1	0.20	Indigenous	June 25, 2010
	Sub Total		**14.35**		
P.	***Stores and Material Handling***				
1.	Dock Leveller (7810 FH)	2	0.41	Indigenous	June 7, 2010
2.	Voltas Diesel operated Forklift Truck	2	1.72	Indigenous	June 25, 2010
3.	Maini make Hydraulic Hand Pallet Truck	10	0.13	Indigenous	June 5, 2010
4.	Metal Pallets with Rubber Lining	300	1.23	Indigenous	June 20, 2010
5.	Electronic Weighing scale (Model DS-315 of 10 capacity and Model DS – 415 capacity 3000 Kg)	2	0.16	Indigenous	June 25, 2010 and June 3, 2010
	Sub Total		**3.65**		
Q.	***General Equipments***				
1.	Bay Marking (480 Sq.Mt)	4	0.25	Indigenous	June 4, 2010
2.	Q Manager	100	0.25	Indigenous	June 26, 2010
3.	Vinyl Sign Boards/Stickers	400	0.08	Indigenous	June 8, 2010
4.	Vinyl Printed Stickers/Boards with PVC Back ups (36''x 18'' and 48''x 24'')	200	0.45	Indigenous	June 8, 2010
5.	Safety Equipments – 275- Safety Goggles, 25 -Shoes, 500-Ear Plugs, 150-Helmet, 30-Face Shield, 40-Apron, 400-Mask, 20-Gloves, 20-Full Body Harness	various	0.51	Indigenous	May 21, 2010
	Sub Total		**1.54**		
R.	***Machine Platform***				
1.	RM6Z/NH32 Platform, CNC Lathe /HMC/Turning Machine facing Lathe Paltform, VTL Platform, Drilling Lathe Platform, Travin Machine Platform	various	0.19	Indigenous	June 4, 2010
	Sub Total		**0.19**		
S.	***Basic Machine Set Up (Phase –I)***				
1.	NH 22/26/32 Center Lathe Machine and accessories	1	1.42	Indigenous	June 30, 2010
2.	Facing Lathe with Hardened Bed Swing 750 mm x 2 Mt	1	2.00	Indigenous	April 25, 2010
3.	WSU -40 X 2000 mm Universal CNC Turning Machine and accessories	1	8.59	Indigenous	June 25, 2010
4.	VTL (Dia 1200 Chuck Swing 1400)	1	5.50	Indigenous	March 23, 2010
5.	Horizontal Machining Center, Model Max Pro H 650	1	11.67	Indigenous	June 9, 2010
6.	Radial Drilling Machine Model RM 63 and accessories	1	1.20	Indigenous	June 30, 2010
	Sub Total		**30.37**		
T.	***Basic Machine Set Up (Phase –II)***				

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	WSU-15 CNC Turning Machine and Dia. 400 mm x 3 jaw hydraulic operated solid chuck solid cylinder mounting elements and one set of hard jaws and soft jaws (Airtech)	1	4.20	Indigenous	June 25, 2010
2.	Facing Lathe – CNC Vertical Machining Center- Model BMV 65 –Sooraj	1	4.11	Indigenous	June 8, 2010
3.	Horizontal Machining Center, Model Max Pro H 750 and accessories	1	17.08	Indigenous	June 8, 2010
4.	Radial Drilling Machine Model RM 63 and accessories	1	1.20	Indigenous	June 7, 2010
5.	Radial Drilling Machine (Drill Cap 100 m)	1	2.20	Indigenous	May 17, 2010
	Sub Total		**28.79**		
U.	***Infrastructure Equipments***				
1.	Hytorc Torque wrench	1	2.15	Imported	April 30, 2010
2.	Ital Control Test bench HTS 300 –C	2	8.17	Imported	June 4, 2010
3.	Ital Control Test bench HTS 450 - C	1	5.44	Imported	June 4, 2010
4.	Ital Control HTS	2	18.24	Imported	June 4, 2010
5.	Global Tech VTL- VT 1150 with MC function	2	71.16	Imported	June 9, 2010
6.	Trevisan Machining Centre 200C	1	86.68	Imported	June 30, 2010
	Sub Total		**191.84**		
V.	***Building***				
1.	Factory- Civil	-	62.56	Indigenous	June 26, 2010
2.	Factory- PEB	-	71.42	Indigenous	April 27, 2010
3.	Office Furniture	various	13.29	Indigenous	June 1, 2010
	Sub Total		**147.29**		
W.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		**84.49**		
	Grand Total		**547.04**		

2. *Description of Land for the SEZ, Chennai and funds deployed*

(Rs. In million)

Land	Area	Total Premium Payable	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
Plot Number 6 and 7 in in the Special Economic Zone in the Survey Number 7/3, 7/4, 7/5, 7/6, 8/1, 8/2, 8/3, and 20 within the village limits of Seekinakuppam, Taluk of Cheyyur, Sub Registration District of Chengalpattu of Kancheepuram Revenue District	10 acres	60.00	60.00	25.00	35.00	Nil	35.00
Total		**60.00**	**60.00**	**25.00**	**35.00**	**Nil**	**35.00**

We have incurred capital expenditure of Rs. 25.00 million as of June 15, 2010 towards a part payment of consideration for acquisition of land, as certified by an independent chartered accountant Ramesh Ramu dated July 6, 2010 bearing membership number 40983.

3. Expenditure for establishment of our new manufacturing facility in Virgo Europe S.p.A

We intend to utilize funds from the Net Proceeds of the Issue to fund our Subsidiary Virgo S.p.A for the procurement of additional equipment for expansion of its manufacturing facilities. We propose to utilize Rs. 480.87 million from the Net Proceeds of the Issue for the purpose. The details of the capital expenditure is as follows:

(Rs. In million)

S. No.	Equipment	Total estimated fund requirement	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012
1.	Capital Expenditure for equipment in Phase I	480.87	480.87	Nil	480.87	Nil
	Total	**480.87**	**480.87**	**Nil**	**480.87**	**Nil**

Details of expenditure and quotations obtained is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	Test Bench Model VTS 1500C	1	15.82	Imported	March 1, 2010
2.	Test Bench Model HTS 2600-C	1	19.41	Imported	January 26,2010
4.	Workshop and office facility	-	331.56	Imported	May 19, 2010
5.	Electric and power system plus lighting	-	23.91	Imported	June 14, 2010
6.	Heating system	1	14.23	Imported	June 14, 2010
7.	Cranes 20 tons	2	1.94	Imported	March 8, 2010
8.	Miscellaneous expenditure towards installation and operationalization of the additional machinery and related infrastructure		74.00		
	Total		**480.87**		

C. <u>Development of our Information Technology division:</u>

Our information technology assets are key to our business and operations, we propose to further enhance our information technology infrastructure by utilizing Rs. 62.31 million from the Net Proceeds of the Issue for investment towards developing our information technology infrastructure.

The details of the proposed capital expenditure is as follows:

(Rs. In million)

S. No.	Equipment	Total fund requirement	Estimated amount to be utilized from the Net Proceeds	Funds Deployed as on June 15, 2010	Balance Amount to be utilized in the Fiscal 2011	Balance Amount to be utilized in the Fiscal 2012	Total
1	Expenditure for procurement of equipments for Information Technology	72.45	72.45	10.14	38.21	24.10	62.31
	Total	**72.45**	**72.45**	**10.14**	**38.21**	**24.10**	**62.31**

Details of expenditure and quotations obtained is as follows:

(Rs. In million)

S. No.	Equipment	Quantity	Total Cost	Imported or Indigenous	Quotation Dated
1.	AO – 380 DTV –Dell Optiplex	200	7.45	Indigenous	May 31,

					2010
2.	Payment for EA and, True Up Window Server, True Up Desk Top Standard EA	-	13.72	Indigenous	June 4, 2010
3.	ERP LN Software License	1	1.53	Indigenous	June 2, 2010
4.	M 4000 – Server	1	7.57	Indigenous	June 3, 2010
5.	Net Back up – Symantec NBU	1	1.72	Indigenous	June 2, 2010
6.	AD server – AS PER 510(X4)	1	0.18	Indigenous	June 7, 2010
7.	Desktops – AO – 380DTV	60	2.23	Indigenous	June 9, 2010
8.	Oracle data enterprise edition CPU based license and ATS software and product update	2	6.23	Indigenous	June 30, 2010
9.	Windows Upgrade SA, 2010 SA, Core Cal SA	565	4.93	Indigenous	June 11, 2010
10.	Microsoft Softwares	Various	1.10	Indigenous	June 2, 2010
11.	Networking System	1	0.73	Indigenous	June 9, 2010
12.	UPS 30 KVA and 40 KVA APC and Battery plus Rack For UPS	Various	0.96	Indigenous	June 9, 2010
13.	VEL Phase III network system	1	0.26	Indigenous	June 29, 2010
14.	Server Colocation Services	-	0.89	Indigenous	June 9, 2010
15.	PEX for Data Centre	1	1.14	Indigenous	June 29, 2010
16.	Scanner	1	0.14	Indigenous	June 19, 2010
17.	Net App Disk Shelf	Various	1.38	Imported	June 18, 2010
18.	Miscellaneous expenditure including towards installation and operationalization		10.15		
	Grand Total		**62.31**		

D. Repayment of Loans

The Company has entered into various financing arrangements with banks and financial institutions. Arrangements entered into by the Company includes borrowings in the form of working capital and term loans. The fund based amount outstanding as on June 15, 2010, other than vehicle loans, was Rs. 805.46 million.

S No.	Name of the Bank/Financial Institutions	Amount Outstanding as on June 15, 2010	Purpose of Loan
	Term Loan		
1.	Hong Kong and Shanghai Banking Corporation Limited	179.71	Term Loan for Capital Expenditure
2.	Kotak Mahindra Bank Limited	64.65	Term Loan for Capital Expenditure
	Working Capital		
3.	Hong Kong and Shanghai Banking Corporation Limited	60.00	Working Capital requirements
4.	Kotak Mahindra Bank Limited	129.60	Working Capital requirements
5.	State Bank of India	33.00	Working Capital requirements
6.	Canara Bank	237.50	Working Capital requirements
7.	Union Bank of India	101.00	Working Capital requirements
	Total	**805.46**	

For more information, see "Financial Indebtedness" on page 252.

In order to reduce the leverage and allow flexibility in financial management of our operations, the Company intends to repay outstanding loans to the extent of Rs. 805.46 million. The repayment of loan through equity infusion will reduce interest outflow on the loans and improve financials of the Company. The Company intends to utilize the proceeds of the Issue up to Rs. 805.46 million towards repayment of its outstanding of debt as given above.

The following is the repayment schedule for the borrowings of the Company:

(Rs. In million)

S No.	Name of the Bank/Financial Institutions	Amount Outstanding as on June 15, 2010	Utilization of the net proceeds for the repayment of Borrowings		
			Fiscal 2011	Fiscal 2012	Fiscal 2013
	Term Loan				
1.	The Hong Kong and Shanghai Banking Corporation Limited	179.71	62.00	70.28	47.43
2.	Kotak Mahindra Bank Limited	64.65	49.74	14.91	Nil
	Working Capital				
3.	The Hong Kong and Shanghai Banking Corporation Limited	60.00	60.00	-	-
4.	Kotak Mahindra Bank Limited	129.60	129.60	-	-
5.	Canara Bank	33.00	33.00	-	-
6.	State Bank of India	237.50	237.50	-	-
7.	Union Bank of India	101.00	101.00	-	-
	Total	**805.46**	**672.84**	**85.19**	**47.43**

We have obtained a certificate dated July 6, 2010 from Ramesh Ramu, independent practicing Chartered Accountant, membership number 40983 certifying that the aforesaid loans have been deployed only for the purposes for which the loans had originally been sanctioned.

The amounts raised through this Issue would be used to repay the instalments on their respective due dates and we do not intend to prepay any of our borrowings. In case of any delay in receipt of Issue proceeds, we would meet our debt obligations from internal accruals and/ or fresh debts and Issue proceeds would be utilised to repay such fresh debts.

The exact amount of repayment to each lender will be determined based on the respective outstanding amount at the time of availability of issue proceeds.

E. <u>General Corporate Purposes</u>

In accordance with the policies set up by our Board, we have flexibility in applying the remaining Net Proceeds, for general corporate purposes towards including but not limited to acquisition of land, construction of projects, strategic initiatives and acquisitions, brand building exercises and the strengthening of our business development and marketing capabilities.

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

Issue Expenses

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are set forth in the table below:

Activity	**Expense*** *(Rs. in million)*	**Expense** *(% of total expenses)*	**Expense** *(% of Issue Size)*
Lead Management, Underwriting and Selling Commission, Brokerage	[●]	[●]	[●]
SCSB Commission	[●]	[●]	[●]

Activity	**Expense*** *(Rs. in million)*	**Expense** *(% of total expenses)*	**Expense** *(% of Issue Size)*
Bankers to the Issue			
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery (including courier, transportation charges)	[●]	[●]	[●]
Others (Registrar fees, legal fees, listing costs etc)	[●]	[●]	[●]
Fees paid to IPO Grading agency	[●]	[●]	[●]
Total	**[●]**	**[●]**	**[●]**

**Will be incorporated after finalisation of the Issue Price.*

All the expenses associated with the Issue will be borne by our Company and the Selling Shareholders in proportion to the Equity Shares being issued /offered in the Fresh Issue and Offer for Sale respectively except listing fees which would solely be borne by our Company.

Interim use of funds

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including money market mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue.

BASIS FOR ISSUE PRICE

The Issue Price will be determined by our Company and Selling Shareholder in consultation with the Book Running Lead Managers on the basis of assessment of demand for the Equity Shares offered by the Book Building Process. The face value of the Equity Shares is Rs. 10 per share and the Issue Price is [•] times the face value at the lower end of the Price Band and [•] times the face value at the higher end of the Price Band.

Qualitative Factors

Some of the qualitative factors which form the basis for computing the price are:

- our focus on quality and manufacturing strategy;
- our lean and cost efficient manufacturing processes;
- our qualified and experienced management team;
- our strategic control over critical manufacturing processes and selective outsourcing; and
- our strong customer relationships and robust international presence ensuring multiple points of interaction with our customers.

For details of qualitative factors which form the basis for computing the Issue Price, kindly refer the sections titled "Our Business" and "Risk Factors" on pages 88 and XI, respectively.

Quantitative Factors

Information presented in this section is derived from the Restated Financial Statements of our Company prepared in accordance with Indian GAAP. For more details on the financial information, kindly refer the section titled "Restated Financial Statements" on page 144.

1. Basic and Diluted Earnings per Share (EPS):

(Rs. per share)

Period	As per our Restated Consolidated Summary Statements			As per our Restated Unconsolidated Summary Statements		
	Basic EPS	Diluted EPS	Weights	Basic EPS	Diluted EPS	Weights
Fiscal year ended March 31, 2008	21.46	21.46	1	4.64	4.64	1
Fiscal year ended March 31, 2009	23.96	23.96	2	5.36	5.36	2
Fiscal year ended March 31, 2010	20.61	20.61	3	14.11	14.11	3
Weighted Average	**21.87**	**21.87**		**9.62**	**9.62**	

Note:

1. Earnings per share calculations are in accordance with Accounting Standard 20 "Earnings per Share" issued by the Institute of Chartered Accountants of India.
2. The face value of each Equity Share is Rs. 10 per share.

2. Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [•] per Equity Share of Rs. 10 each

Particulars	P/E at the lower end of the price band	P/E at the higher end of the price band
Based on EPS of Rs. 20.61 for Fiscal 2010 (as per restated consolidated summary statements)	[•]	[•]
Based on EPS of Rs. 14.11 for Fiscal 2010 (as per restated unconsolidated summary statements)	[•]	[•]
Based on Weighted average EPS of Rs. 21.87 (as per restated consolidated	[•]	[•]

summary statements)		
Based on Weighted average EPS of Rs. 9.62 (as per restated unconsolidated summary statements)	[●]	[●]

As there are no listed companies that are directly comparable to the business carried on by our Company, no comparison with industry peers is being offered.

3. Average Return on Net worth (RoNW%)

Period	As per our Restated Consolidated Summary Statements	Weight	As per our Restated Unconsolidated Summary Statements	Weight
Fiscal ended March 31, 2008	49.98%	1	30.39%	1
Fiscal ended March 31, 2009	35.71%	2	29.17%	2
Fiscal ended March 31, 2010	25.29%	3	28.47%	3
Weighted Average	**32.88%**		**29.02%**	

Return on Net Worth (%)	Net profit/(loss) after tax, as restated without considering extraordinary items, less dividend on preference shares Networth, as restated, at the end of the year/period

Networth means Equity Share Capital + Reserves and Surplus - Miscellaneous Expenditure not written off or adjusted.

4. Minimum Return on Total Net Worth after Issue needed to maintain Pre-Issue EPS for the Fiscal 2010:

A. At the Floor Price on basic EPS – [●]% based on unconsolidated financial statements.
B. At the Cap Price on basic EPS – [●]% based on unconsolidated financial statements.
C. At the Floor Price on diluted EPS – [●]% based on consolidated financial statements.
D. At the Cap Price on diluted EPS – [●]% based on consolidated financial statements.

5. Net Asset Value per Equity Share ("NAV")

	Amount
NAV as at March 31, 2010, (unconsolidated)	59.43
NAV as at March 31, 2010 (consolidated)	162.97
Issue Price	[●]
NAV after the Issue (unconsolidated)	[●]
NAV after the Issue (consolidated)	[●]

NAV per Share = Net worth, as restated, at the end of the year (excluding Preference share capital)
Number of equity share outstanding at the end of the year

6. Comparison with other listed companies

There are no comparable listed companies in India egaged in the same line of business as our Company, hence comparison with industry peers are not applicable. The face value of the Equity Shares is Rs. 10 each and the Issue Price is [●] times the face value of the Equity Shares. The Issue Price of Rs. [•] has been determined by our Company and Selling Shareholders, in consultation with the Book Running Lead Managers on the basis of the demand from investors for the Equity Shares through the Book Building Process and is justified based on the above accounting ratios. For further details, see the section titled "Risk Factors" on page xi and the financials of the Company including important profitability and return ratios, as set out in the section titled "Restated Financial Statements" on page 144.

ANNEXURE TO STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO VIRGO ENGINEERS LIMITED ('THE COMPANY') AND ITS SHAREHOLDERS

Special Benefits

(A) Benefits to the Company under Indirect Tax Laws

1. **Exemption of Excise Duty and Terminal Excise Duty:**

The company is supplying goods to projects financed by multilateral or bilateral agencies as notified by Department of Economic Affairs (DEA), MoF under International Competitive Bidding (ICB) and projects in respect of which the MoF, by a notification, has permitted import at zero customs duty. The supplies by the company in such cases would qualify for Deemed Exports as per the Foreign Trade Policy 2004 – 2009.

Accordingly, the company is eligible for Deemed Export Drawback or Exemption from Terminal Excise Duty where supplies are made under ICB. In other cases the company is eligible for refund of Terminal Excise Duty.

General Benefits

(B) Benefits to the Company under Income-tax Act, 1961 (the 'Act')

1. Depreciation

a) The Company is entitled to claim depreciation on specified tangible (being Buildings, Plant & Machinery, Computer and Vehicles) and intangible assets (being Knowhow, Copyrights, Patents, Trademarks, Licenses, Franchises or any other business or commercial rights of similar nature) owned by it and used for the purpose of its business under section 32 of the Act.

b) In case of any new plant and machinery that will be acquired and installed by the Company engaged in the business of manufacture or production of any article or thing, the Company will be entitled to a further sum equal to twenty per cent of the actual cost of such machinery or plant as additional depreciation in the first year subject to conditions specified in section 32 of the Act. If, however, the assets are put to use for less than 180 days in the year in which they are acquired, the rate of accelerated depreciation will be ten per cent.

c) Unabsorbed depreciation if any, for an Assessment Year (AY) can be carried forward and set off against any source of income in subsequent AYs as per section 32 (2) subject to the provisions of sub-section (2) of section 72 and sub-section (3) of section 73 of the Act as amended by the Finance Act, 2001 w.e.f. 1-4-2002.

2. Dividends exempt under section 10(34) and 10(35) of the Act

a) Dividend (whether interim or final) received by the Company from its investment in shares of another domestic company would be exempt as per the provisions of section 10(34) read with section 115O of the Act. Further, income received from units of a Mutual Fund specified under section 10(23D) of the Act would also be exempt as per the provisions of section 10(35) of the Act.

b) Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which not form part of the total income under the Act. Thus, any expenditure incurred in relation to earn the said income will not be a tax deductible expenditure.

3. Computation of capital gains

a) Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of Unit Trust of India ('UTI') or Mutual Fund units or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty-six months and short term capital assets if held for less than thirty–six months. Shares held in a Company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered as long-term capital assets if these are held for a period exceeding twelve months and short term capital assets if held for less than twelve months.

b) Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of

STATEMENT OF TAX BENEFITS

To,

Board of Directors,
Virgo Engineers Limited
277, Hinjewadi, PhaseII,
Maan – Mulshi
Pune – 411 057

We hereby report that the enclosed statement states the possible tax benefits available to the Company and to its shareholders under the Income-tax Act, 1961 (as amended upto Finance Act, 2010), and the Wealth Tax Act, 1957, presently in force in India. Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are not exhaustive and the preparation of the contents stated is the responsibility of the Company's management. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

No assurance is given that the revenue authorities/Courts will concur with the views expressed herein. Our views are based on existing provisions of the law and its interpretation, which are subject to change from time to time. We do not assume any responsibility to update the views consequent to such changes. We are not liable to any person other than the Company in respect of this statement.

This certificate is provided solely for the purpose of assisting the addressee Company in discharging its responsibilities under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009.

For S. R. Batliboi & Associates
Firm registration number: 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No.: 48966
Place: Mumbai
Date: June 30, 2010

cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains for resident shareholders, arising on transfer of capital assets, other than bonds and debentures excluding capital indexed bonds issued by Government, a taxpayer is permitted to substitute the cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of acquisition/improvement, adjusts the cost of acquisition/ improvement by a cost inflation index, as prescribed from time to time.

c) Income arising on transfer of equity shares or units of an equity oriented fund held by the Company will be exempt under section 10(38) of the IT Act if the said asset is a long-term capital asset and such transaction is chargeable to securities transaction tax. However, the said exemption will not be available to the Company while computing the book profit and income tax payable under section 115JB.

d) The long-term capital gains arising to the Company from the transfer of listed securities or units of an equity oriented fund, not covered under point (c) above shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition/ improvement or at the rate of 10% (plus applicable surcharge and education cess) of the capital gains computed before indexing the cost of acquisition/ improvement, whichever is lower.

e) The long-term capital gains not covered under points (c) and (d) above shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition / improvement.

f) Short-term capital gains arising on transfer of equity shares or units of an equity oriented fund held by the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if such transaction is chargeable to securities transaction tax.

g) In accordance with, and subject to the conditions, including the limit of investment of Rs. 50 lacs, and to the extent specified in section 54EC of the IT Act, capital gains arising on transfer of long-term capital assets of the Company not covered under point (c) above shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets.

h) As per section 71 read with section 74, Short-term capital loss arising during a year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, is entitled to be carried forward and set-off against short-term as well as long-term capital gains for subsequent 8 assessment years.

i) As per section 71 read with section 74, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, is entitled to be carried forward and set-off against subsequent year’s long-term capital gains for subsequent 8 assessment years

(C) Benefits to the Resident Shareholders

1. Dividends exempt under section 10(34) of the Act

a) Dividend (whether interim or final) received by a resident shareholder from investment in shares of a domestic company would be exempt in the hands of the resident shareholder as per the provisions of section 10(34) read with section 115O of the Act.

b) Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred in relation to earn the said income will not be a tax deductible expenditure.

2. Computation of capital gains

a) Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of Unit Trust of India ('UTI') or Mutual Fund units or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty-six months and short term capital assets if held for less than thirty–six months. Shares held in a Company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered as long-term capital assets if these are held for a period exceeding twelve months and short term capital assets if held for less than twelve months.

b) Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long-term capital gains for resident shareholders, arising on transfer of capital assets, other than bonds and debentures excluding capital indexed bonds issued by Government, a taxpayer is permitted to substitute the cost of acquisition/improvement with the indexed cost of acquisition/improvement. The indexed cost of acquisition/improvement, adjusts the cost of acquisition/ improvement by a cost inflation index, as prescribed from time to time.

c) Income arising on transfer of shares of the Company will be exempt under section 10(38) of the IT Act if the said shares are long-term capital assets and such transaction tax is chargeable to securities transaction tax. However, shareholders being companies will not be able to claim the above exemption while computing the book profit and income tax payable under section 115JB.

d) The long-term capital gains accruing to the shareholders of the Company from the transfer of the shares of the Company otherwise than as mentioned in point (c) above shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition/ improvement or at the rate of 10% (plus applicable surcharge and education cess) of the capital gains computed before indexing the cost of acquisition/ improvement, whichever is lower.

e) In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by long-term capital gains is below the basic exemption limit, the long-term capital gains will be reduced to the extent of the shortfall and only the balance long-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 112 of the IT Act.

f) Short-term capital gains arising on transfer of the shares of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if such transaction is chargeable to securities transaction tax. In case of an individual or Hindu Undivided Family, where the total taxable income as reduced by short-term capital gains is below the basic exemption limit, the short-term capital gains will be reduced to the extent of the shortfall and only the balance short-term capital gains will be subjected to such tax in accordance with the proviso to sub-section (1) of section 111A of the IT Act.

g) In accordance with, and subject to the conditions, including the limit of investment of Rs. 50 lacs, and to the extent specified in section 54EC of the IT Act, long-term capital gains arising on transfer of the shares of the Company not covered under point (c) above shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets. In case the whole of the gains are not so invested, the exemption shall be allowed on a pro rata basis.

h) In accordance with, and subject to the conditions including ownership of not more than one residential house on the date of transfer (other than the new residential house referred hereinafter) and to the extent specified in section 54F of the IT Act, long-term capital gains arising on transfer of the shares of the Company not covered under point (c) above held by an individual or Hindu Undivided Family shall be exempt from capital gains tax if the net sales consideration is utilised, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilised for construction of a new residential house within three years. If the whole of the net sales consideration is not so utilised, the exemption shall be allowed on a pro rata basis.

i) If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as long-term capital gains in the year in which the additional residential house is acquired.

j) Where the transfer of shares of the company constitutes business income of an assessee assessable under the head profits and gains of business and on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the IT Act.

k) As per section 71 read with section 74, Short-term capital loss arising during a year is allowed to be set-off against short-term as well as long-term capital gains of the said year. Balance loss, if any, is entitled to be carried forward and set-off against short-term as well as long-term capital gains for subsequent 8 assessment years.

l) As per section 71 read with section 74, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss, if any, is entitled to be carried forward and set-off against subsequent year's long-term capital gains for subsequent 8 assessment years.

(D) Benefits to the Non-Resident Indians/ Non-Resident Shareholders

1. Dividends exempt under section 10(34) of the Act

a) Dividend (whether interim or final) received by a non-resident shareholder from its investment in shares of a domestic company would be exempt in the hands of the non-resident shareholder as per the provisions of section 10(34) read with section 115O of the Act.

b) Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred in relation to earn the said income will not be tax deductible expenditure.

2. Computation of capital gains

a) Capital assets are to be categorized into short-term capital assets and long-term capital assets based on the period of holding. All capital assets (except shares held in a Company or any other listed securities or units of Unit Trust of India ('UTI') or Mutual Fund units or Zero Coupon Bonds) are considered to be long-term capital assets if they are held for a period exceeding thirty-six months and short term capital assets if held for less than thirty–six months. Shares held in a Company, any other listed securities, units of UTI, units of Mutual Fund and Zero Coupon Bonds are considered as long-term capital assets if these are held for a period exceeding twelve months and short term capital assets if held for less than twelve months.

b) Income arising on transfer of shares of the Company will be exempt under section 10(38) of the IT Act if the said shares are long-term capital assets and such transfer is chargeable to securities transaction tax However, shareholders being companies will not be able to claim the above exemption while computing the book profit and income tax payable under section 115JB of the IT Act.

c) In accordance with, and subject to section 48 of the IT Act, capital gains arising on transfer of shares of the Company which are acquired in convertible foreign exchange and not covered under point (b) above shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing / arising from every reinvestment thereafter. Based on certain judicial precedents it is arguable that gain so computed is chargeable @ 10% (plus applicable surcharge).

d) The long-term capital gains accruing to the shareholders of the Company from the transfer of the shares of the Company otherwise than as mentioned in points (b) and (c) above shall be chargeable to tax at the rate of 20% (plus applicable surcharge and education cess) of the capital gains computed after indexing the cost of acquisition/ improvement or at the rate of 10% (plus applicable surcharge and education cess) of the capital gains computed before indexing the cost of acquisition, whichever is lower.

e) Short-term capital gains arising on transfer of the shares of the Company will be chargeable to tax at the rate of 15% (plus applicable surcharge and education cess) as per the provisions of section 111A of the IT Act if such transaction is chargeable to securities transaction tax.

f) In accordance with, and subject to the conditions, including the limit of investment of Rs. 50 lacs, and to the extent specified in section 54EC of the IT Act, long-term capital gains arising on transfer of the shares of the Company not covered under point (b) above shall be exempt from capital gains tax if the gains are invested within six months from the date of transfer in the purchase of long-term specified assets. In case the whole of the gains are not so invested, the exemption shall be allowed on a pro rata basis.

g) In accordance with, and subject to the conditions including ownership of not more than one residential house on the date of transfer (other than the new residential house referred hereinafter) and to the extent specified in section 54F of the IT Act, long-term capital gains arising on transfer of the shares of the Company not covered under point (b) above held by an individual or Hindu Undivided Family shall be exempt from capital gains tax if the net sales consideration is utilised, within a period of one year before, or two years after the date of transfer, for the purchase of a new residential house, or is utilised for construction of a new residential house within three years. If the whole of the net sales consideration is not so utilised, the exemption shall be allowed on a pro rata basis.

h) If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such residential house is transferred. Similarly, if the shareholder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house, then the original exemption will be taxed as long-term capital gains in the year in which the additional residential house is acquired.

i) Where the transfer of shares of the company constitutes business income of an assessee assessable under the head profits and gains of business and arising from transactions on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the IT Act.

3. Special provisions relating to certain incomes of Non-Resident Indians [are these 'special' in nature]

a) As per the provisions of section 115I of the Act, a Non-resident Indian ('NRI') as defined therein has the option to be governed by the normal provisions of the Act (as applicable to non-resident shareholders as per para 'D' above) or the provisions of Chapter XII-A of the Act through appropriate declaration in the return of income. The said Chapter *inter alia* entitles an NRI to the benefits stated hereunder in respect of income from shares of an Indian company acquired, purchased or subscribed in convertible foreign exchange.

b) As per the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, taxable long-term capital gains arising on transfer of an Indian company's shares, will be subject to tax at the rate of 10% (plus applicable surcharge and education cess).

c) As per the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long-term capital asset being shares in an Indian company would not be chargeable to tax. To avail this benefit the entire net consideration received on such transfer needs to be invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act.

d) If whole or part of such net consideration is invested within the prescribed period of six months in any specified asset or savings certificates referred to in section 10(4B) of the Act then such gains would not be chargeable to tax on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

e) The specified asset or savings certificates in which the investment has been made are restricted from being transferred within a period of three years from the date of investment. In the event of such a transfer the amount of capital gains tax exempted earlier would become chargeable to tax as long-term capital gains in the year in which such specified asset or savings certificates are transferred.

f) As per section 115G, if the income of a NRI taxable in India consists only of income/ LTCG from such shares and tax has been properly deducted at source in respect of such income in accordance with the Act, it is not necessary for the NRI to file return of income under section 139.

g) As per section 115H of the Act, when a non-resident Indian become assessable as a resident in India, he/she is entitled to furnish a declaration in writing to the Assessing Officer along with the return of income to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to such investment income derived from the specified assets for that year and subsequent assessment years until such assets are transferred or otherwise converted into money.

4. Tax Treaty Benefits

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the non-resident. Thus, a non-resident (including NRIs) can opt to be governed by the beneficial provisions of an applicable tax treaty.

(E) Benefits to the Foreign Institutional Investor ('FII')

1. Dividends exempt under section 10(34) of the Act

a) Dividend income: Dividend (whether interim or final) received by the FII from its investment in shares of a domestic company would be exempt in the hands of the FII as per the provisions of section 10(34) read with section 115O of the Act.

b) Section 14A of the Act restricts claim for deduction of expenses incurred in relation to income which does not form part of the total income under the Act. Thus, any expenditure incurred in relation to earn the said income will not be a tax deductible expenditure.

2. Capital gains

a) As per the provisions of section 115AD of the Act, FIIs are taxed on the capital gains income at the following rates:

Nature of Income	**Rate of tax (%) ***
Long-term capital gains	10
Short-term capital gains	30

* Plus applicable surcharge and education cess

b) Under Section 115AD, income (other than income by way of dividends referred in Section 115-O) received in respect of securities (other than units referred to in Section 115AB) shall be taxable at the rate of 20% (plus applicable SC & EC). No deduction in respect of any expenditure /allowance shall be allowed from such income

c) The benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not available to a FII.

d) From October 1, 2004 long-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are exempt from tax under section 10(38) of the Act on being subject to Securities Transaction Tax as levied under Chapter VII of the Finance (No. 2) Act of 2004.

e) Effective October 1, 2004, as per the provisions of section 111A of the Act, short-term capital gains arising on sale of equity shares and units of equity oriented mutual fund (as defined under section 10(23D)) are subject to tax at the rate of 15 per cent (plus applicable surcharge and education cess), provided the transaction is chargeable to Securities Transaction Tax being levied under Chapter VII of the Finance (No. 2) Act of 2004.

f) Where the transfer of shares of the company constitutes business income of an assessee assessable under the head profits and gains of business and on which securities transaction tax has been charged, such securities transaction tax shall be a deductible expense from business income as per the provisions of section 36(1)(xv) of the IT Act.

g) As per section 196D, no tax is to be deducted from any income, by way of capital gains arising from the transfer of shares payable to Foreign Institutional Investor. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the Tax Treaty, if any, between India and the country in which the FII has Fiscal domicile. As per the provisions of section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the Tax Treaty to the extent they are more beneficial to the FII.

3. Tax Treaty Benefits

As per section 90(2) of the Act, the provisions of the Act would prevail over the provisions of the tax treaty to the extent they are more beneficial to the FII. Thus, an FII can opt to be governed by the beneficial provisions of an applicable tax treaty.

(F) Benefits to Mutual Funds

Under section 10(23D) of the IT Act, any income earned by a Mutual Fund registered under the Securities and Exchange Board of India Act, 1992, or a Mutual Fund set up by a public sector bank or a public financial institution, or a Mutual Fund authorised by the Reserve Bank of India would be exempt from income-tax, subject to such conditions as the Central Government may by notification in the Official Gazette specify in this behalf.

(G) Benefits to Venture Capital Companies / Funds

1. Dividends exempt under section 10(34) of the Act

Dividend (whether interim or final) received from investment in shares of another domestic company would be exempt in the hands of the Venture Capital Company/ Fund as per the provisions of section 10 (34) read with section 115O of the Act.

(H) Benefits available under the Wealth-tax Act, 1957 (Common to all)

Asset as defined under section 2(ea) of the Wealth Tax Act, 1957 does not include shares in companies and hence, shares are not liable to wealth tax.

(I) Benefits available under the Gift-tax Act (Common to all)

a) Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift tax.

b) However, as per section 56 (vii)(c) of the Income-tax Act, 1961 if any property other than immovable property which is received without consideration it shall be chargeable to income tax subject to the exceptions, conditions and limits laid down in that section.

Notes:

1. All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case the shares are held by joint holders.

2. The above Statement of possible tax benefits sets out the provisions of law in a summary manner only and is not a complete analysis or list of all potential tax consequences.

3. In respect of non-residents, the tax rates and the consequent taxation mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any, entered into between India and the country in which the non-resident has fiscal domicile.

4. In view of the individual nature of tax consequences, each investor is advised to consult his/ her own tax advisor with respect to specific tax consequences of his/ her participation in the scheme.

SECTION IV: ABOUT THE COMPANY

INDUSTRY OVERVIEW

The information in this section has been extracted from publicly available information, and industry websites and publications, including reports that have been prepared by McIlvaine Company and International Energy Agency. The data may have been re-classified by us for the purpose of presentation. Our Company accepts responsibility for accurately reproducing such data, information and statistics. Neither we nor any other person connected with the Issue has verified the information provided in this section. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based on such information.

Overview

Valves are used to control or divert the flow of liquids, gases, slurries, dry material or steam in all kinds of industries. They may also control or isolate the rate of flow volume, pressure, direction or a combination of these parameters. There are only two known ways of controlling the flow of liquids and gases, and all valves are based on one of the two principles. Consider an overhead tank with water flowing out from an outlet pipe near the bottom. One way to stop/control the flow is to put a block against the flowing medium and the second way is to squeeze the outlet pipe shut if the pipe is flexible.

Modern Industrial valves have come a long way from the simple cock used to control the flow of water in older times and are now available in sophisticated configurations and can even be operated by remote signals from satellites. Modern process plants use valves to control various parameters including flow, volume, pressure and temperature and can also be used for mixing different flow media.

Types of Valves

Valves can be classified by type, design variations, and function as well as material, end connections and pressure-temperature. The types as defined by Mcllvaine are as described below:

6. **Multi-Turn or Linear Motion Valves,** where opening / closing the valve requires rotating the handwheel a number of times, are divided into five different types: gate, globe, pinch, diaphragm, and needle.

   Gate valves are used in general service for on and off of non throttling service. A flat face, vertical disc or gate that slides down through the valve are the methods the gate valve used to block the flow.

   A plug with a flat or convex bottom lowered onto a matching horizontal seat located in the center of the valve is how the *globe valve* works. The valve opens by raising the plug to start the fluid flowing.

   Slurries or liquids with large amounts of suspended solids use *pinch valves*. This type of valve seals by means of one or more flexible elements, such as a rubber tube, that can be pinched to shut off flow.

   A *diaphragm valve* closes with a flexible diaphragm attached to a compressor. When the compressor is closed, the diaphragm seals and cuts off the flow. This type of valve handles corrosive, erosive, and dirty jobs.

   The *needle valve* controls volume by restricting flow in small lines. The fluid going through the valve turns 90 degrees and passes through an orifice that is the seat for a rod with a cone-shaped tip. The size of the orifice is changed by positioning the cone in relation to the seat.

7. **Quarter Turn or Rotary Valves,** where a 90 degree rotation of handle opens or closes the valve, come in three types: plug valve, ball valve, and butterfly valve. All three types of valves are used for on-off service and throttling service.

   The *plug valve* controls flow by means of a cylindrical or tapered plug with an opening in the center that lines up with the flow path to permit flow. A quarter turn in either direction blocks the flow path. Many types and styles of plug valves are used throughout the process industry: lubricated, nonlubricated, rotor, and eccentric.

The *ball valve* uses a rotating ball with a hole through it to allow straight-through flow in the open position and shuts off flow when the ball is rotated 90 degrees to block the flow passage.

A circular disc or vane with its pivot axis at right angles to the direction of flow in the pipe is a *butterfly valve*. Bi-directional shut-off is one of the hallmarks of butterfly valves. The butterfly disc provides the structural integrity to resist the typdrostatic shut-off loads and operating torque. Butterfly valves's light-weight, positive shut-off and ease of operation make them the valve of choice for applications that involve low-to medium-pressure and temperature.

8. **Self-Actuated Valves** are divided into two types: check and pressure relief valves.

   The *check valve* can provide directional or pressure control or both. It is designed to prevent backflow. Fluid flow in the desired direction opens the valve, while backflow forces the valve closed.

   The *pressure relief valve* is designed to provide protection from over-pressure in steam, gas, air and liquid lines. The valve "lets off steam" when safe pressures are exceeded, then closed again when pressure drops to a preset level.

9. **Controls Valves** are designed to ensure accurate proportioning control of flow. The rate of flow varies based on signals it receives from sensing devices in a continuous process. Some valves are specifically designed to be control valves. Additionally, most types of valves can be used as control valves with the additional of power actuators, positioners, and other accessories.

10. **Specialty Valves** are custom designed valves and actuators for specific applications. Valves come in a wide variety of materials and sizes.

Global Scenario

The world market for industrial valves is expected to grow steadily to $52 billion in 2012 up from $47 billion in 2008 (Table 1).

Table 1: Worldwide Valves Market ($ Million)

	2005	2006	2007	2008	2009	2010	2011	2012
Worldwide Totals	41,061	42,967	44,938	46,960	47,548	48,690	50,418	52,443
Growth rate		*4.6%*	*4.6%*	*4.5%*	*1.3%*	*2.4%*	*3.5%*	*4.0%*

(Source: McIlvaine Company)

Table 2: Industrial Valves World Market by Valve Type ($ Million)

Subject	2005	2006	2007	2008	2009	2010	2011	2012
Auto Reg & Control	9,897	10,380	10,873	11,366	11,534	11,859	12,289	12,826
Ball	9,159	9,554	9,961	10,389	10,465	10,708	11,087	11,507
Butterfly	4,200	4,396	4,598	4,801	4,871	4,972	5,138	5,338
Gates & Globe	7,147	7,480	7,827	8,183	8,292	8,476	8,764	9,099
Industrial Plug	3,623	3,778	3,936	4,103	4,132	4,239	4,394	4,566
Other	7,034	7,378	7,743	8,118	8,255	8,437	8,745	9,106
Total	**41,061**	**42,967**	**44,938**	**46,960**	**47,548**	**48,690**	**50,418**	**52,443**

(Source: McIlvaine Company)

Valve companies are finding many new opportunities for their products. Applications with double-digit growth include ethanol, LNG, desalination, and biotechnology. Alternative fuel sources including oil sands, oil shale and coal liquefaction also represent promising markets. *(Source: McIlvaine Company)*

The share of various industry sectors in the market for valves can be seen below (Table 3). As can be seen the biggest market of valves is the Oil and Gas Sector at 16% followed by refining sector at 13% and power sector at

13% of the total market.

Table 3: Industrial Valves World Market by Industry Usage ($ Million)

Industry	2005	2006	2007	2008	2009	2010	2011	2012
Chemical	4,946	5,206	5,419	5,639	5,697	5,946	6,224	6,537
Electronics	384	423	469	529	523	531	541	555
Food	919	955	995	1,036	1,059	1,043	1,070	1,098
Iron & Steel	1,712	1,792	1,877	1,968	1,942	1,984	2,028	2,073
Metals	729	747	766	785	771	791	813	836
Mining	816	848	885	924	902	919	965	1,016
Oil & Gas	6,882	7,119	7,375	7,650	7,650	7,834	8,151	8,495
Other Electronics	206	233	264	299	295	300	341	388
Other Industries	4,620	4,799	5,001	5,208	5,322	5,243	5,379	5,520
Pharmaceutical	1,150	1,223	1,302	1,387	1,395	1,448	1,503	1,563
Power	5,032	5,343	5,643	5,878	6,157	6,461	6,736	7,237
Pulp & Paper	2,533	2,644	2,760	2,883	2,850	2,894	2,942	2,991
Refining	5,471	5,689	5,917	6,160	6,212	6,366	6,523	6,685
Wastewater	3,140	3,345	3,575	3,833	3,925	4,014	4,126	4,261
Water	2,521	2,602	2,691	2,779	2,849	2,916	3,076	3,188
Total	**41,061**	**42,967**	**44,938**	**46,960**	**47,548**	**48,690**	**50,418**	**52,443**

(Source: McIlvaine Company)

Global Scenario

The global industrial valves market has seen a host of mergers and acquisitions over the last few years. The relatively flat growth of the market is one of the main underlying factors driving such acquisitions. This trend is set to continue as manufacturers face growing competition from global conglomerates and pressure to reduce costs. The valve industry in the Western world has changed a lot with conglomerates taking over independent family business, users changing the way they buy valves and famous brand names releasing their workers from production facilities in America, Europe and Japan and having their valves built in China, India, Korea etc to reduce manufacturing cost. (Source: Industrial Valves World Markets Report by McIlvaine Company).

Currently the valve industry remains fragmented despite the many acquisitions and position of many of the major acquirers. More than five thousand manufacturers around the world make valves. Large companies do not dominate the market. The top five companies of the world on a combined basis had only 15.5 percent market share in 2007. The second set of five companies only had a combined 6.7 percent market share. Companies in the eleventh through fifteenth slots, only have a combined market share of just 4.3 percent. So the top fifteen companies only control 26.50 percent of the market in 2007 (Source: Industrial Valves World Markets Report by McIlvaine Company).

The Market for Ball Valves

Ball valves form the second largest segment of the worldwide valve market after automatic regulation and control valves. They have a 22% share of the total worldwide market for valves in the year 2009. The market for ball valves is expected to grow to $11.5 billion in 2012 from $10.4 billion in 2009 (Table 4).

Table 4: Worldwide market for Ball Valves ($ Million)

	2005	2006	2007	2008	2009	2010	2011	2012
Worldwide Totals	9,159	9,554	9,961	10,389	10,465	10,708	11,087	11,507
Growth rate		*4.3%*	*4.3%*	*4.3%*	*0.7%*	*2.3%*	*3.5%*	*3.8%*

(Source: McIlvaine Company)

The Ball Valve market can be sub-divided on the basis of market in different industries. The table below gives industry wise break up for the market of ball valve globally from 2005 till fiscal 2012.

Table 5: Worldwide market for Ball valves by Industry Usage ($ Millions)

Industry	2005	2006	2007	2008	2009	2010	2011	2012
Chemical	1,375	1,447	1,507	1,568	1,584	1,653	1,730	1,817
Electronics	54	59	66	74	73	74	76	78
Food	173	179	187	195	199	196	201	206
Iron & Steel	303	317	332	348	344	351	359	367
Metals	102	105	107	110	108	111	114	117
Mining	144	149	156	163	159	162	170	179
Oil & Gas	2,897	2,997	3,105	3,221	3,221	3,298	3,432	3,576
Other Electronics	29	33	37	42	41	42	48	54
Other Industries	832	864	900	938	958	944	968	994
Pharmaceutical	161	171	182	194	195	203	210	219
Power	362	385	406	423	443	465	485	521
Pulp & Paper	651	679	709	741	732	744	756	769
Refining	1,335	1,388	1,444	1,503	1,516	1,553	1,592	1,631
Wastewater	440	468	501	537	549	562	578	597
Water	302	312	323	334	342	350	369	383
Total	**9,159**	**9,554**	**9,961**	**10,389**	**10,465**	**10,708**	**11,087**	**11,507**

(Source: McIlvaine Company)

The table below gives regional break-up for the worldwide market for ball valves used in Oil & Gas and Refining. As it can be seen, Middle East and NAFTA regions account for a large market share for this type of industry usage, followed by Africa, CIS and East Asia.

Table 6: Worldwide market for Ball Valves for Oil & Gas, Refining ($ Million)

World Region	2005	2006	2007	2008	2009	2010	2011	2012
Africa	464	493	523	557	559	587	625	666
CIS	554	565	577	589	595	599	609	619
East Asia	489	501	513	527	529	535	545	555
Eastern Europe	29	29	29	29	28	28	28	27
Middle East	924	949	975	1,003	1,007	1,020	1,047	1,074
NAFTA	870	908	948	992	991	1,022	1,067	1,117
South & Central America	436	457	480	503	507	524	547	572
West Asia	69	71	74	76	76	78	80	82
Western Europe	396	412	429	448	443	457	476	497
Total	**4,232**	**4,385**	**4,548**	**4,724**	**4,737**	**4,851**	**5,023**	**5,208**

(Source: McIlvaine Company)

The below table shows estimates of industrial ball valves market in 2012 in various countries of the world. United States and China, followed by Russia are the largest markets for ball valves globally. Indian market for ball valves is expected to be relatively small at $225 million by 2012.

Table 7: Worldwide market for Ball Valves by Key Countries ($ Million)

Country	2012
United States	1,837
China	1,267
Russia	599
Japan	522
Brazil	480
Saudi Arabia	477

Country	2012
Mexico	422
Canada	401
Germany	364
United Kingdom	262
Nigeria	257
Iran	250
France	245
Venezuela	227
Other Africa	226
India	225
Other Middle East	222
Italy	212
South Korea	211
Norway	210
Indonesia	141
Spain	138
Australia	117
United Arab Emirates	114
Netherlands	110
Others	1972
Total	**11,507**

(Source: McIlvaine Company)

Global Valves Companies

World valve companies number in the hundreds, all of various sizes. In general the valve industry will become more international and consolidated in the next two decades. Presently there are only three companies with over $1 billion in valve sales (2007 data). More than 40,000 companies participate in the valve market around the world. Over the next two decades this number will shrink as global players expand their role.

Sales figures for some valve companies are given for the year 2007 in table below:

Table 8: Top 20 world valve companies (2007 revenues in $ Million)

Company	2007 Valve and Actuator Sales ($ millions)	Company Rank
Tyco International	2,711	1
Emerson	1,228	2
Flowserve	1,163	3
Kitz	999	4
Crane Company	852	5
Cameron	846	6
IMI plc	723	7
Circor	541	8
AVK Group	490	9
KSB	418	10
Dresser, Inc.	410	11
Rotork	407	12
Velan	390	13
Metso	360	14
Curtiss-Wright	352	15
Burkert	310	16
Valvitalia	295	16

Company	2007 Valve and Actuator Sales ($ millions)	Company Rank
Alfa Laval	270	17
American Flow Control	253	18
Samson Controls	250	19
SPX	250	20

(Source: McIlvaine Company)

Indian Scenario

Indian valve industry has come a long way from making simple valves to producing a wide range of sophisticated precision valves. But the Indian valve space is as fragmented as the Global Valve Industry. Most of the industry is dominated by small and medium scale players with heavy dependence on sub contractors and a large part of the market consists of the unorganized sector.

The competition within the industry can be broadly classified by usage -- domestic usage or industrial usage. In the domestic valves segment, the products are easily manufactured by industries in the unorganized sector and valves from China and other countries are abundantly available in the market. The industrial valves segment buyer is an informed buyer who specifies product and quality needs which are met by a few major valve manufacturers. These manufacturers have successfully produced quality goods and built a brand image over the years.

The Indian valve industry at over $1 billion in 2009 is expected to grow at a higher pace than the global valve industry. The table below shows the estimated market for valves in India. The average growth in Indian valve industry is expected at 12% compounded per annum from 2009 to 2012.

Table 9: India Market for Valves ($ Million)

	2005	2006	2007	2008	2009	2010	2011	2012
India Total	**847**	**878**	**915**	**970**	**1,011**	**1,092**	**1,225**	**1,413**
Growth rate		*3.7%*	*4.3%*	*5.9%*	*4.3%*	*7.9%*	*12.2%*	*15.3%*

(Source: McIlvaine Company)

Also as seen in the table below Indian valve industry is widely spread among several user segments starting with Power, Water, Oil & Gas and Refining.

Table 10: India Market for Valves by Industry Usage ($ Million)

Industry	2005	2006	2007	2008	2009	2010	2011	2012
Chemical	68	70	72	74	74	77	79	82
Electronics	5	6	6	6	6	6	6	5
Food	16	17	19	20	22	23	25	28
Iron & Steel	61	62	64	66	65	66	68	69
Metals	20	21	22	23	23	24	25	27
Mining	46	47	48	49	47	47	48	49
Oil & Gas	100	103	106	109	109	111	114	118
Other Electronics	3	3	4	5	5	5	6	6
Other Industries	80	86	94	103	111	118	128	139
Pharmaceutical	21	23	26	29	31	34	37	40
Power	152	154	160	180	206	261	353	500
Pulp & Paper	0	0	0	0	0	0	0	0
Refining	80	84	87	91	92	93	96	98
Wastewater	2	2	2	2	2	2	2	1
Water	194	200	206	213	220	226	239	251
Total	**847**	**878**	**915**	**970**	**1,011**	**1,092**	**1,225**	**1,413**

(Source: McIlvaine Company)

Revenue Segmentation for New Projects, Repair Parts, and Replacements

The split between repair parts and new sales varies with the economy. In boom times sales of new valves are higher in comparison to repairs, and the opposite is true in bad times.

On the average, sales of new valves and repairs/replacements are equal when the expansion rate for the industry equals the repair/replacement percentage for a new valve.

The repair/replacement rate is defined as the annual expenditures over the lifetime of the valve as a percentage of the new valve purchase price. So if a new valve costs $ 100 and lasts 20 years, the depreciation is $ 5/yr. If $30 dollars will also be spent on repair parts with the OEM over the 20 years, then another $ 1.50 per year is spent on repair parts. In this case, the repair/replacement rate is 6.5 percent. If the industry is expanding at 3.25 percent (not compounded), then the repair/ replacement sales will be twice the sales of valves for new plants.

These ratios are based on total production and not specifically on capital spending, replacement spending, and maintenance spending. It would be better to treat the forecasts separately. The reality is that not even the companies selling the valves can segment sales between replacements and sales for new plants.

Another complication is that a net increase in capacity in a country equals additions minus retirements. A replacement valve therefore can be either literally replacing an old valve with a new one or valves in a new plant which replaces those that are being shut down.

Another problem is that capital spending has many peaks and valleys whereas production capacity has less deviation from the mean trend. Forecasting based on industry growth will be accurate on the average but will not be accurate on a year by year basis.

In the 2001-2003 period the valve revenues in many industries shrank. Capital spending dropped to a small fraction of the comparable 1998-2000 period. Repair expenditures dropped only slightly, but the replacements dropped as companies tried to put off expenditures.

In countries such as China with high growth rates, the ratio of new plant valve expenditures to replacement and repair is much higher than in low growth countries such as Germany.

(Source: McIlvaine Company)

The split between green-field, replacement and repair demand for three industries worldwide as per McIlvaine company is as provided in the table:

Industry	Greenfield New Valve	Replacement	Repair Parts
Oil & Gas	23.4%	58.9%	17.7%
Refining	40.6%	45.7%	13.7%
Power	40.4%	45.8%	13.8%
Pharmaceuticals	58.1%	32.3%	9.6%

(Source: McIlvaine Company)

Growth Prospects for Industrial Valves

Valves are used in almost all Industries though the largest use of valves is found in the process Industry. Typically oil and gas, pharmaceutical, infrastructure, food industry, power, pulp and paper, chemical industry, refineries, wastewater, and water are process industries where valves are regularly used. Valves are also finding use in newer industries like LNG, ethanol, tar sands as also in nanotechnology, and biotechnology.

As per the Industrial Valves World Markets Report by McIlvaine Company, the demand for industrial valves will expand from its present level of just under $50 billion/yr to over $100 billion/yr by 2030. The main driver will be the energy needs of the developing countries. Energy already accounts for over 40 percent of valve demand. Power, refining, and oil and gas are all going to expand at a rate faster than average GDP during the next two decades.

Some of the expanding sectors will require disproportionately large expenditures for valves. In nuclear power the valves are among the most critical and expensive components in the plant. Protection against meltdown and explosions is based on quick and reliable functioning of the valve systems.

World nuclear capacity is projected to grow by over 130,000 MW in the next 20 years. This expansion will require 390,000 nuclear grade valves plus additional valves for the steam and cooling cycle which bring the total to over 1.2 million. Life extension and replacement will require another 3.6 million valves bringing the total to over 4.8 million valves in 20 years or 240,000 valves per year.

Prices of valves utilized in the critical areas range from $20,000 for a small globe valve to over $1 million for a 38 inch main steam isolation valve. The forecasted revenues for valves for this industry are $1.3 billion/yr.

Coal-fired power is projected by McIlvaine to increase from 1.8 million MW to 2.4 million MW by 2020 and then to slow down with 400,000 MW addition in the 2020-30 period. This will result in a total installed coal base of 2.8 million MW in 2030. The valve demand will be substantially increased because of the life extension efforts of coal-fired plants in the U.S. It will be further increased by the requirements to install pollution control equipment and even CO_2 capture systems. The market for combined cycle gas turbines will grow at a rate faster than coal but represents a smaller market for valves.

Valve expenditures for oil and gas production will increase as subsea and other challenging environments are increasing the locations for new extraction. Refining represents the third largest single market. The trend toward utilization of less desirable fuel stock will result in continuing upgrading and increased valve requirement in this sector.

Climate change regulations are likely to affect the long-term market but will not have much impact prior to 2030. One reason is that renewable technologies will not capture a significant market share before 2030. A second reason is that hydropower, biomass, and geothermal require substantial valve investment. In the solar segment the large solar-steam power plants use more valves than a combined cycle gas-fired plant. A third reason is that it takes more renewable capacity to generate equivalent electricity due to the intermittent operation. A fourth reason is that the switch to cellulosic ethanol will require very substantial valve investments. A fifth reason is the use of valves in carbon capture and sequestration projects.

There will be steady growth in the sanitary valve segment. The pharmaceutical and biotechnology sectors will grow faster than GDP. Steady growth in food processing will also contribute to the valve market expansion. The fine and basic chemical sectors are also slated for steady growth.

The electronics sector will remain volatile but with average growth rates in excess of GDP. Semiconductor plants require large numbers of critical valves for etching chemicals, chip washing, ultrapure water systems and other applications.

(Source: McIlvaine Company)

World Energy Trends to 2030

Primary energy mix

Global primary energy demand in the Reference Scenario (which provides a baseline picture of how global energy markets would evolve if governments make no change to their existing policies and measures) is projected to increase by 1.5% per year between 2007 and 2030, reaching 16.8 billion tonnes of oil equivalent (toe) an overall increase of 40%. This increase is, nonetheless, significantly smaller than projected in WEO-2008 *Outlook*, mainly because of the impact of the financial and economic crisis on demand growth in the early years of the projection period. On average, demand actually declines by 0.2% per year in 2007-2010, as a result of a pronounced drop in 2009: preliminary data point to a fall of up to 2%. This would be the first fall in global energy use since 1981. Demand growth rebounds after 2010, averaging 2.5% per year in 2010-2015. The pace of demand growth slackens progressively after 2015, averaging 1.5% per year in the period to 2030.

Fossil fuels remain the dominant sources of primary energy worldwide, accounting for almost 77% of the overall increase in energy demand between 2007 and 2030. Their share of world demand, nonetheless, falls marginally, from 81% to 80%. In volume terms, coal sees by far the biggest increase in demand over the projection period, followed by gas and oil. Yet oil is still the single largest fuel in the primary fuel mix in 2030, even though its share drops, from 34% now to 30%. Coal remains the second-largest fuel, its share increasing by two percentage points to 29%. Non-hydro modern renewable energy technologies (including wind, solar, geothermal, tide and wave energy) see the fastest rate of increase in demand, but their share of total energy use still only nudges above 2% in 2030 up from less than 1% today. The shares of all the other primary energy sources remain almost constant over the *Outlook* period.

Table 11: World Primary Energy Demand by Fuel in the Reference scenario (Mtoe)

	1980	2000	2007	2015	2030	2007-2030

						CAGR
Coal	1,792	2,292	3,184	3,828	4,887	1.90%
Oil	3,107	3,655	4,093	4,234	5,009	0.90%
Gas	1,234	2,085	2,512	2,801	3,561	1.50%
Nuclear	186	676	709	810	956	1.30%
Hydro	148	225	265	317	402	1.80%
Biomass and Waste	749	1,031	1,176	1,338	1,604	1.40%
Other renewables	12	55	74	160	370	7.30%
Total	**7,228**	**10,019**	**12,013**	**13,488**	**16,789**	**1.50%**

Source: *World Energy Outlook (WEO) © OECD/IEA 2009*

Energy Investment

The Reference Scenario projections in WEO-2009 *Outlook* call for cumulative investment in energy-supply infrastructure of $25.6 trillion (in year-2008 dollars) for the period 2008-2030.

Table 12: Cumulative investment in energy-supply by region in the Reference Scenario ($billion in a year-2008 dollar)

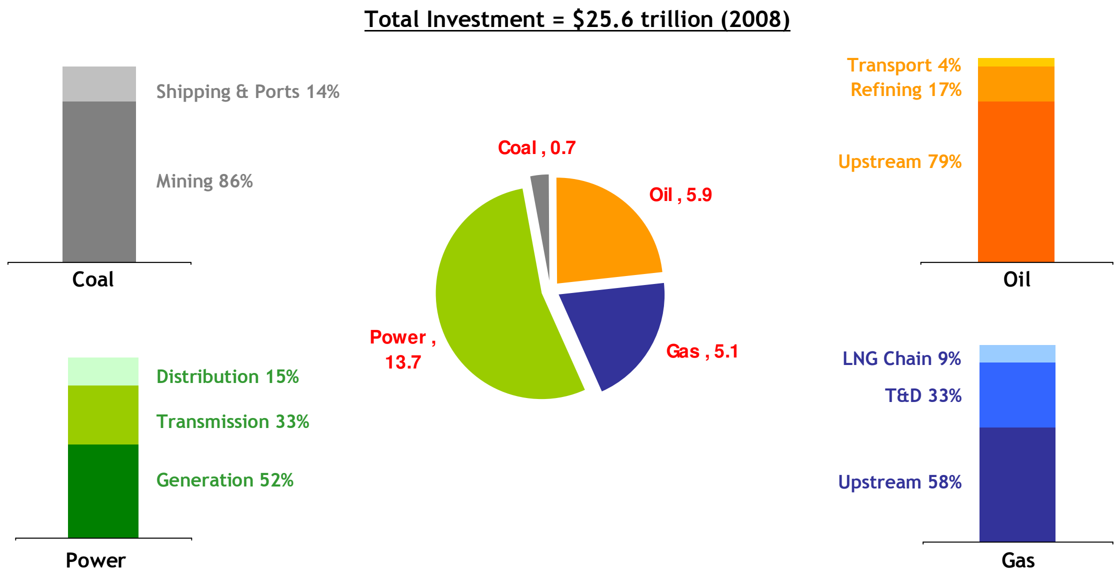
	Coal	Oil	Gas	Power	Total
OECD	**133**	**1,262**	**2,262**	**5,695**	**9,460**
North America	72	882	1,389	2,435	4,857
Europe	24	293	611	2,435	3,391
Pacific	37	88	262	825	1,212
Non-OECD	**465**	**4,444**	**2,825**	**7,968**	**15,748**
E. Europe/Eurasia	43	1,001	870	962	2,878
Russia	25	521	592	487	1,626
Asia	384	872	769	5,494	7,547
China	280	482	233	3,119	4,132
India	58	170	165	1,347	1,745
ASEAN	38	206	263	635	1,146
Middle East	1	903	577	479	1,960
Africa	22	1,018	361	454	1,855
Latin America	15	650	248	579	1,508
Inter-regional transport	64	213	63	n.a.	346
World	**661**	**5,919**	**5,149**	**13,664**	**25,555**

Source: *World Energy Outlook (WEO) © OECD/IEA 2009*

Projected investment will be needed to expand supply capacity, and to replace existing and future supply facilities that will be closed during the projection period as they become obsolete or resources are exhausted.

Energy investment requirements to 2030 are slightly lower than projected in *WEO-2008*. In addition to the period being one year shorter, the reduction is due to the downward revision in projected total primary energy demand, which has slightly reduced the need to bring on additional supply capacity and the recent wave of cost deflation, resulting in a modest reduction in assumed unit costs particularly in the upstream oil and gas industry. These factors have been offset to some extent by a slight rise in projected power-sector investment, due to marginally higher electricity demand in 2030 and a shift in the generating mix towards more capital-intensive options, such as nuclear, wind and solar.

Table 13: Cumulative investment in energy-supply by region in the Reference Scenario ($billion in a year-2008 dollar)



Source: *World Energy Outlook (WEO) © OECD/IEA 2009*

The power sector requires around $13.7 trillion of capital expenditure over the *Outlook* period, accounting for more than half of total energy-supply investments The share is closer to about 70% if investment in the oil, gas and coal supply chains to meet the fuel needs for power generation is included. Almost half of the investment in the electricity industry is needed for transmission and distribution networks, and the rest for power plants.

Investment in the oil sector, mostly for upstream developments and mainly to replace capacity that will become obsolete over the projection period, amounts to $5.9 trillion. Of this, investment in oil refining amounts to almost $1.0 trillion. Investment in bio-refineries is projected to total $163 billion, most of which occurs in the United States, the European Union and China. Investment totals $5.1 trillion in the gas sector and $660 billion in the coal industry. As world primary energy production continues to shift toward non-OECD regions, 50% of the total energy investment is required in developing countries, and another 11% in Russia and other countries in Eastern Europe/Eurasia. China alone needs to invest $4.1 trillion (16% of the world total) while India needs to invest $1.7 trillion. The Middle East requires about $2 trillion, of which half is for upstream oil and gas projects. ASEAN countries need $1.1 trillion in investments in the energy sector to 2030. OECD countries account for 37% of global investment, with OECD North America requiring a higher level of investment in dollar terms than any other region or country.

OUR BUSINESS

Overview

We are one of the leading manufacturers of valves, by revenue, in India. We manufacture and supply various types of ball, triple offset, gate and check valves as well as steam products and have a significant customer base in the oil and gas (including refining and petro-chemical) industry. We also supply our products to customers in the infrastructure (including pipelines and storage terminals) and process industries (including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers).

We commenced manufacturing operations in Pune in 1990, Milan in Italy in 2006, Coimbatore in 2008, and Houston in the United States in 2009. In addition, we acquired manufacturing facilities for steam products in Bremen, Germany in 2009.

Our manufacturing plants span an area of approximately 606,600 sq. ft. and are equipped with robotic, CNC and manual machines. We have robotic facilities for metalizing valve components with specialized coatings and special purpose equipment for creating a metallic overlay on valve components.

We currently have the capability to manufacture a wide range of ball valves and triple offset valves as well as specialty valves such as three-way valves, jacketed valves, valves with extended stems, cryogenic valves, valves in exotic materials of construction such as Hastelloy, duplex stainless steel, Inconel and valves for severe service applications. We also automate our portfolio of valves when they are required to be operated, monitored or controlled from remote locations. We manufacture and sell specialized emergency shutdown valves and fire proof valve automation systems.

We have received numerous industry and client specific accreditations and certifications which allow us to deliver and supply our products to a wide range of customers. After receiving our first ISO-9001 certificate in the year 1997, we have worked to acquire several international quality accreditations for our products and processes around the world, such as American Petroleum's API Q1, EU's Pressure Equipment Directive (PED), and Safety Integrity Level (SIL) certified products for functional safety. In addition, we have obtained OHSAS 18001 (2007) certification for adhering to global standards in occupational health and safety management from Det Norske Veritas and have also obtained an ISO 9001-2008 certification from our quality management system issued by TUV Sud Management Service GmbH. Our Company has been awarded the designation or "all-India star performer" in the category of large enterprises for the years 2005-2006 as well as 2008-09 by Engineering Export Promotion Council. Our Company and our subsidiary, Virgo Valves & Controls Limited has been given a Star One Export House Status. We have also been awarded an Award of Honour by the Instrumentation, Systems and Automation Society in 2005.

Our Company has been approved as an "Approved Manufacturer", "Approved Supplier" or "Approved Vendor" by several leading oil and gas companies, and engineering consultants. Further, several of our product lines and products have been tested by leading companies and approved for supply to them.

As of June 15, 2010, we were executing 746 orders for 232 customers. As on the same date, the total value of our order book was Rs. 4,345.70 million. These 746 orders come from 234 customers, of which 684 orders are from our repeat customers. Today, we have a customer base of approximately 2300 customers.

We have six sales offices in India located at Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune. Internationally, we have sales offices in Houston, Oklahoma, Milan, Kuala Lumpur, Dubai; Abu Dhabi and Shanghai. In addition to our regular sales and distribution mechanisms, our Subsidiary Vintrol Inc. offers our products to customers in the U.S on a 'stock and sale' basis. It stocks our products in its warehouses situated in Oklahoma which enables it to meet demands of some of its customers promptly.

We were founded in 1987 by our Promoters Mahesh Desai and V. Balasubramanian who collectively have over 65 years of experience in the valve industry. In 2006, Tano Mauritius India FVCI, a financial investor, invested in our Company and continues to be a shareholder of our Company. For further details of the shareholders agreement with

Tano Mauritius India FVCI, please refer to the section titled "History and Corporate Structure" on page 112.

As of June 15, 2010, in India we employed 743 employees (excluding probationers, trainees and temporary employees) and our Foreign Subsidiaries employed 70 persons (excluding probationers, trainees and temporary employees).

Our restated consolidated total income was Rs. 6,818.86 million for Fiscal 2010 as compared to Rs. 7,260.78 million for Fiscal 2009 and Rs. 6,037.31 million in Fiscal 2008.

Restated consolidated revenue (excluding other income) on the basis of client industries for the past three years:

(*Rs. in million*)

Sector	Fiscal 2010		Fiscal 2009		Fiscal 2008	
	Amount	Percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)
Oil and Gas Sector	6,425.35	95.43	6,416.04	93.27	4850.67	94.35
Infrastructure Sector	165.08	2.45	298.99	4.35	232.28	4.52
Other Process*	142.58	2.12	163.88	2.38	58.46	1.14
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

**including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers*

The following is the breakdown of restated consolidated revenue (excluding other income) on the basis of location in the past three years:

(*Rs. in million*)

Geography	Fiscal 2010		Fiscal 2009		Fiscal 2008	
	Amount	Percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)
Domestic	1,741.54	25.87	1,288.16	18.73	1,038.37	20.20
USA	2,117.99	31.46	2,323.45	33.78	2,227.89	43.33
Europe	1,007.41	14.96	1,030.40	14.98	512.46	9.97
Middle East	1,257.94	18.68	1,929.01	28.04	1,109.34	21.58
Far East	608.12	9.03	307.89	4.48	253.34	4.93
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

Our Competitive Strengths

Our Product and Quality focus

We have followed a manufacturing strategy, aimed at quality conscious customers with stringent product requirements. We place significant emphasis on maintaining the quality of our flow control products. Our quality control departments are managed by a team of competent engineers and our extensive testing facilities permit us to check our products at every stage of manufacture.

We have developed quality systems and invested in testing facilities including high pressure gas testing, low and high temperature testing as well as fugitive emission testing facilities. This allows us to develop, test, manufacture and supply products for applications ranging from routine to severe service applications.

The quality standards adhered to at every stage in the manufacture of our products have resulted in our products receiving numerous global certifications. Our products have also been evaluated and approved by leading customers in the industries we serve, in accordance with their respective product approval standards. For instance, our Company has been approved as an "Approved Manufacturer", "Approved Supplier" or "Approved Vendor" by several of the leading oil and gas companies, and engineering consultants in the world. Further, several of our product lines and products have been tested by leading companies and approved for supply to them.

We believe that our above approach of working closely with end-users of valves has helped us grow our business and operations.

Strong relationships with our customers

A significant portion of our total revenues were derived from repeat orders, i.e. orders received from former customers.

We support our customers at both pre-order and post order stages and regularly interact with our customers to understand their requirements. For instance, we have a dedicated team of application engineers who respond to customer enquiries including budgetary quotations. We often develop or modify our products to meet their requirements and are sometimes even called upon to assist customers with flow control issues that they may face in their applications.

We believe that our above initiatives have helped increase repeat orders from customers and enabled us to broaden our relationships with our existing customers.

Cost-efficient and 'lean' manufacturing

We follow several production processes to manufacture our products in a lean and cost efficient manner. We believe in the philosophy of lean manufacturing and have successfully implemented lean manufacturing techniques by using cellular shop floor layouts and visual management tracks and change management processes including Kaizan and Value Stream Mapping to improve the efficiency of our operations.

We follow modern and efficient production processes in our plants. We use CNC machining systems, robotic metalizing equipment extensive testing facilities and specialized production processes to improve the efficiency of our manufacturing and testing processes. Our centralized planning and manufacturing processes are controlled using a BAAN – LN ERP system which enables us to track production and inventory across our operations in India and Houston. This provides our management with real time information and allows us to centralize our forecasting functions.

Strategic control over critical manufacturing processes and selective outsourcing.

We execute critical aspects of our manufacturing processes including design, final machining, metallic coating, assembly and testing in-house.

We have a strong in house design function with 67 qualified engineers and experienced draughtsmen and design software packages like Pro E -3, Finite Element Analysis ("FEA") and modelling versions. We have also integrated our design packages through Product Life Management ("PLM") with BAAN LN-ERP. In order to increase development of products and have a clear focus on the research and development aspects on designing, we have a dedicated Research and Development Cell for carrying out development of new products. This R&D cell has its own manufacturing lab where prototypes are validated before being made available to our customers.

We subject our products to a variety of testing processes to ensure their compliance with different standards, code requirements and additional customer specifications such as high pressure hydro shell and seat testing, pneumatic testing, high pressure nitrogen gas testing, fugitive testing, vacuum testing, cryogenic testing, steam testing, fire safe testing and non destructive testing.

Our emphasis on quality has enabled us to maintain control over production operations, ensure product quality and satisfy the requirements of our customers.

All of our critical manufacturing processes are conducted in-house. We however outsource generic / low value manufacturing processes like casting, rough and repetitive machining, electro-plating. Adequate controls are established to ensure that the outsourced work is carried out according to our designs and meets our quality standards and specifications. We use prudent vendor rating and vendor assessment policies to maintain quality standards for our outsourced work.

This selective outsourcing has allowed us to focus our resources on those aspects ofmanufacturing which are critical to maintaining product quality, while optimizing cost and capital expenditure.

Robust international presence ensuring multiple points of interaction with our customers.

We interact directly with our customers through our sales offices in Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune and our international sales offices in Houston, Oklahoma, Milan, Kuala Lumpur, Dubai, Abu Dhabi and Shanghai. In addition to our regular sales and distribution mechanisms, our Subsidiary Vintrol Inc. offers our products to customers in the U.S on a 'stock and sale' basis. It stocks our products in its warehouses situated in Oklahoma which enables it to meet demands of some of its customers promptly. These locations also house experienced application engineers to support local customers. In addition, we maintain warehouses in Houston and Dubai to satisfy immediate demands of some of our customers. We also have distributors in Mumbai and Chennai.

Our sales and marketing offices interact with our customers (existing and potential) on an ongoing basis. At the pre-sales stage, they determine upcoming customer requirements and projects and ensure that we are suitably pre - qualified for them. Our sales and marketing teams explore newer markets and customers for our products, obtain more registrations and product approvals, develop new strategies for product placement, project tracking and global information sharing across our Company and our Subsidiaries. After receipt of an enquiry, they co-ordinate the preparation of suitable bids for these projects and work to convert bids or customer enquiries into orders for our products. Post-sale, they provide first level support to our customers and develop our customer relationships on an ongoing basis.

In areas which are not directly represented by us we sell through our agents and representatives.

We believe that our combination of a direct sales network as well as alternative sales channels allows us to obtain higher margins and lower sales costs. We further believe that our multiple points of contact with our customers enable us to market and sell our product more comprehensively.

Qualified and experienced management team

Virgo was founded by Mahesh Desai and V. Balasubramanian, both engineers with over six decades of collective experience. Our Promoters and our management team of experienced professionals have been responsible for making Virgo one of the leading valve manufacturing company's by revenue in India.

In growing our international presence, we have identified and recruited professionals who are technically qualified and highly experienced in their respective geographies to operate our international subsidiaries. They operate our subsidiaries in an independent manner. Our Company is managed by a seven member management council which includes the three business heads of our International Subsidiaries in Europe and the United States.

We believe that the above management framework allows us to maintain the flexibility to address local markets and needs in each of the geographies where we operate while availing of centralized support and inputs through our management council. This allows us to function in an agile and responsive manner.

We have six independent Directors on our Board, who further strengthen our management and bring significant business experience. Our technical teams bring with them extensive experience in design, engineering, assembly and marketing of valves. Our senior management team that is in charge of operations, finance, sales and marketing, business development and strategic planning has extensive experience in the industry. We believe the strength and quality of our management team and our unique organizational structure has been instrumental in implementing our business and growth strategies.

We have also initiated three ESOP schemes namely ESOP 2006, ESOP 2007 and ESOP 2009 to reward our employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of our Company.

Our Strategy

Continue to expand our product range

As on March 31, 2010, we derived 95.43% of our income from sales of products and services from companies that operate in the oil & gas and infrastructure industries. In Fiscal 2009, we introduced our new range of triple offset valves to broaden the market to which our products can be supplied. We have also started manufacturing severe service valves which will cater to our existing customers as well as new customers in the mining and power industries.

In addition to our existing portfolio of valves, we propose to expand our range of cryogenic valves which function at extremely low temperatures and sub-sea valves.

Obtaining new customer accreditations and expanding sales to customers who have accredited us.

Most of our customers and potential customers source their valve requirements only from vendors who have been approved by them or their clients. Such customers evaluate prospective vendors on numerous parameters and determine the adequacy of the quality of the products. Our marketing department aggressively endeavours to expand our customer base, by approaching new customers and ensuring that we form part of their approved vendor list.

We propose to expand our sales to customers with whom we have completed accreditation of certain of our products and also propose to expand the number of customers and potential customers with whom we are accredited.

Create a steam engineering division

In addition to broadening our valve range we have also acquired RIFOX with the objective of providing fluid control solutions in the steam handling and processing space.

RIFOX has manufactured steam products for over 60 years. RIFOX's steam handling products including steam traps, dryers and sight glasses. Through RIFOX we aim to service a larger portion of the process industry by starting a steam engineering division to develop, manufacture and supply steam handling and processing solutions including pressure and temperature controls, manifolds, strainers and condensate recovery systems.

Strengthen capabilities through inorganic expansion or investments

In 2009, we expanded our operations inorganically by acquiring RIFOX in order to be able to offer its portfolio of steam products.

We are continuously examining strategic acquisition or investment opportunities that have complementary capabilities and will help us expand into new geographies or acquire new technologies or customers. In particular, we plan to acquire companies manufacturing related products in valves, flow control and steam products. This will help us to diversify our product range and expand our customer base.

Expand our geographical reach

We have recently expanded our geographical reach by converting our branch office in the UAE to a Subsidiary Virgo Valves and Controls (ME) FZE ("**Virgo FZE**") which includes a valve automation center in order to better service the Middle East markets. In addition to acting as sales and marketing offices for us, certain of our local offices also allow us to source components locally.

We are proposing to an offices in Seoul, South Korea and are also involved in expanding our operations within India by setting up a manufacturing facility in the special economic zone in Chennai, India.

We plan to further expand our geographical coverage by expanding our offices and operations to strategic locations across the globe where our customers or potential customers are located. We believe that this will enable us to better service our existing customers in these geographies as well as acquire new customers.

Our Products

We manufacture various types of valves which regulate the flow of fluids for use in the oil and gas, infrastructure and certain process industries. Our primary products include ball, gate and check valves.

In addition to the valves themselves we also manufacture actuator packages which enable these valves to be controlled from a remote location and assemble automated valves which consist of valves fitted with actuator packages.

We have recently expanded our product lines to include Triple Offset Valves, valves for Severe Service Applications and steam products,

Ball Valves (Automated and Manual)

A ball valve is a straight-through flow valve which is typically used to turn on or shut off the flow of fluid with minimal pressure drop and flow turbulence. The barrier to the flow of fluids is typically a ball which is rotated at 90 degrees to the direction of flow. It is opened by turning a handle or gear attached to a ball inside the valve. The ball has a hole, or port, through the middle so that when the port is in line with both ends of the valve, flow will occur. When the valve is closed, the hole is perpendicular to the ends of the valve, and flow is blocked. The advantages of the ball valves include high flow rates, comparatively low operating torque, quick opening and closing, ease of maintenance, protected sealing areas when in the open and closed position and the ability to operate in the presence of solids and other contamination. Ball valves also typically require less space to operate when compared with other types of other on-off valves like gate valves.

We manufacture three types of ball valves:

Floating Design: In floating design ball valves, the ball has some freedom to move along the axis of the valve while having no freedom to rotate against the stem. When line pressure is applied to the closed ball, it moves slightly (or floats) downstream to maintain contact with the downstream seat where primary sealing occurs. We currently manufacture these valves in sizes ranging from ½" to 12" and pressure ratings varying from 150# to 2500#.

- Trunnion Mouted: A trunnion ball valve has a mechanical means of anchoring the ball at the top and the bottom. This design though usually applied on larger and higher pressure valves also covers lower sizes and pressure ratings for critical applications. We manufacture these valves from 11/2" to 56" and for pressure ratings varying from 150# to 2500#.

- Metal Seated: A metal seated ball valve has sealing between the metallic surfaces of the ball and the metallic seat. The metallic surfaces are permanently hardened to ensure consistent performance. These are available in both floating and trunnion mounted designs.

Typically, some of the customers that purchase ball valves are companies in the oil & gas sector (including refineries and oil platforms), petrochemical plants, pharmaceutical units, fertilizer plants, paint and chemical industries.

Our ball valves are designed to meet certain special testing requirements including fire safety. As a result of customer requirements, we ensure that our ball valves meet most national and international standards adopted in the United States of America, United Kingdom, Germany, Russia and Japan.

Triple Offset Valves

In 2009, we expanded our existing Product line by offering our Tritork range of triple offset valves.

Triple Offset Valves are rotary, butterfly-style valves.

Triple Offset Valves are compact, quarter turn valves which give bi-directional, zero leakage performance. These are a fast growing segment of the value business and find applications in power, municipal water, refining, chemical, petrochemical, pulp and paper and pharma industries.

Our Triple Offset Valve product line includes:

1. Valves for Process Application ranging from 3’’ to 48’’ in Pressure Rating ASME 150 to 900.
2. Cryogenic Valves which are suited to cryogenic usage down to-196 degree C
3. Valve for High temperature up to 815 degree C

By design, Triple Offset Valves are more versatile and can be used for a broader range of applications as compared to other type of valves. Since they are metal to metal seated and Compact in design they are also more economical as compared to other types of valves with the same capability.

We currently manufacture our Triple Offset valves in our manufacturing facilities in Pune, India and Milan, Italy and market them under the brand name Tritork. As of June 15, 2010 our total Order Book for triple offset valves amounted to Rs. 60.26 million.

We intend to expand our line of triple offset valves by adding top entry valves as well as double disc triple offset valves to our product range.

Severe Service Ball Valves

We manufacture and sell our line of severe service valves through our subsidiary EVS Valves Inc. that designs, manufactures and builds the severe service ball valves. EVS Valves Inc. manufactures a full range of metal seated ball valves for severe service applications. They range in size from 15mm to 1 meter and pressure class from PN 20 to PN 420 and higher such as ASME 4500 and API 15,000 classes. We use various materials ranging from carbon steel to stainless steel to exotic alloys such as Inconel for the manufacture of severe service valves.

Severe services valves are designed for use in operating conditions or requirements above normal design ranges and in demanding applications which may include extremes of temperature or pressure, presence of impure fluids or abrasives in the pipeline and in excessively high cyclic conditions or other requirements where standard valves will not perform adequately and efficiently. In such extreme situations, metal to metal seals are required which have very tight shutoffs for controlling fluid flows.

Typical valves are designed for clean process media having limited service temperature thereby utilizing “soft seats” to seal. Our severe service valves are specifically designed for dirty, viscous, hot, high pressure services and utilize “metal seats” to seal. Their operating temperatures can reach 1500 Fahrenheit (815 degree Celsius). The use of a metal seat provides tight and repeatable shut-offs where isolation or blocking is critical. Floating and trunnion mounted designs are offered in various sizes and pressure classes.

Our severe service valves are typically used in power generation applications such as main steam block, attemperator spray isolation, soot blower isolation, feedwater heater isolation, drain and vent applications on critical boiler and turbine lines. They are also used in the hydrocarbon process industry applications, chemical and petro-chemical industry for corrosive or erosive slurries and toxic or lethal services. Small cryogenic valves are used in the Oil and Gas Industry applications. The use of severe service ball valves also occurs in specialized industries such as Mining, Pulp and Paper, Aerospace and Synfuels which require metal seated valve technology for severe service applications.

Well head Equipment

The well head equipment that we offer includes gate valves, check valves, chokes and crosses. Gate valves are linear motion valves where the closing membrane is a gate which moves up and down to start/stop the flow. We manufacture high pressure gate valves which are used in oil fields. Check valves are unidirectional valves which permit flow in one direction and which seal, if flow is reversed. The closing membrane is a plate which lifts when the flow is in the right direction and closes when there is back pressure. Chokes are an orifice through which an initial flow takes place and are used to measure and control the flow at the well head. Crosses are connecting components in well head equipment.

Typically customers in the oil exploration industry purchase well head components from us.

Our Steam Engineering Division

In 2009, we purchased our subsidiary RIFOX which is based in Bremen, Germany and is known for manufacturing high quality steam engineering products such as: steam traps, vent valves, sight glasses, fine dryers etc.

The primary products manufactured by RIFOX are various categories of Steam Traps, Steam traps are automatic valves which close to trap steam and open to discharge condensate, air and non condensable gases. Steam traps are installed in systems through which steam flows to minimize steam losses and ensure the efficient transfer of heat by ensuring that the steam is optimally utilizable.

We manufacture three types of steam traps:

Thermodynamic Steam Traps

Thermodynamic steam traps work by using the difference in dynamic pressures of condensate and impurities (which flow at lower pressures) and flash steam (which flows at higher pressure) inside steam traps. We manufacture these traps from ½", ¾"and 1" in pressure class of 150# thru 1500#

Float Controlled Steam Traps

Float Controlled steam traps work by using the difference in density between condensate and flash steam. We manufacture these traps from ½" to 4"in pressure class of 150# thru 900#

Thermostatic Steam Traps

These traps work on the temperature difference between steam and condensate. We manufacture balanced pressure capsule thermostatic steam traps & bi-metallic thermostatic steam traps. We manufacture these traps from¼" to 2" in pressure classes 150# to 900#.

Our steam traps find applications in various process industries such as: chemicals, dairy, fertilizers, hotels, hospitals, paper, petrochemicals, pharmaceuticals, refineries, sugar, ship building, synthetic fibre, solvent extraction and textiles.

Our steam engineering products are designed to meet certain standards such as the Pressure Equipment Directive 97/23/EC and the Indian Boiler Regulations as a result of which our steam products comply with several national and international standards for steam products.

We market and sell our steam products through a dedicated sales team operating from Germany and India. Our sales team includes application engineers who advise prospective customers on their selection of products for their specific applications.

Further, in the coming years we intend to widen our product offering by developing auto drainers, vent valves, isolation valves, flash steam & condensate recovery systems, steam pressure and temperature controls, steam flow metering, boiler blowdown & heat recovery systems and combustion monitoring & controls.

Plant, Machinery and Equipment for our Valve Division

We commenced manufacturing operations in Pune in 1990, Milan in Italy in 2006, Coimbatore in 2008, and Houston in the United States in 2009. In addition, we acquired manufacturing facilities for steam products in Bremen, Germany in 2009.

Our manufacturing plants span an area of approximately 606,600 sq. ft. and are equipped with CNC and manual machines, and have modern assembly and testing facilities. Today, we have the capability to sell almost the entire range of ball valves as well as specialty valves such as 3-way valves, jacketed valves, valves with extended stem, cryogenic valves, valves in exotic materials of construction such as Hastelloy, duplex stainless steel and Inconel. In addition, we manufacture specialized automation valves which include emergency shut down valves and fire proof actuator systems.

For details of our manufacturing plants refer to ”Our Business” on page 88.

Our installed capacities in respect of valves cannot be determined as these are variable and subject to changes in our product mix and utilization of manufacturing facilities, given the nature of our operations.

Electricity, Air and Water:

We use electricity supplied by public utilities as well as power from back up stand by generators for our manufacturing facilities. Electricity is used by us to run our machines and equipments, lighting, ventilators, air circulators, air conditioners, paint booths, testing equipments. We use energy saving lighting fittings for all our needs and they give an overall reduction in the total consumption.

We use natural and pneumatic air for dome ventilators, air circulators, operating pneumatic equipments, paint woods, testing rigs, machine tool clamping and general cleaning purposes.

Our plants use both water – bore well and local water supplies and are equipped with water storage facilities. We also use water softening plants to provide softened water where needed. We also use reverse osmosis plant to meet our drinking water needs where required.

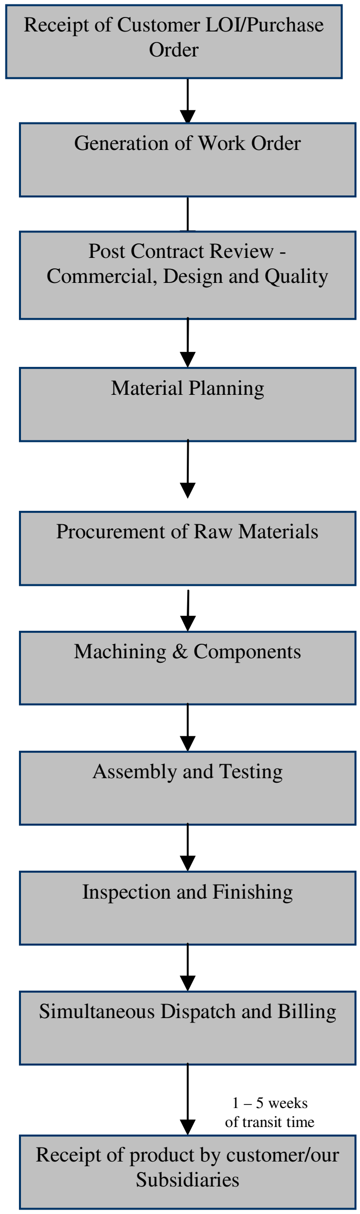
Equipment and Fixed Assets:

We believe that our strategic investment in equipment and fixed assets is an advantage that enables us to commit quicker deliveries to our customer. Our equipment is managed, maintained and operated by our plant and machinery departments at each of our manufacturing locations.

Some substantial equipment owned by us and our Subsidiaries includes CNC lathes, reamers, turning centers, weld overlay machines, robotic metal coating facilities, inlay equipment and boring and drilling machine.

Our Manufacturing Process

A diagrammatic representation is as under:



Typically, in order to obtain an order from a prospective customer, we respond to their enquiry, discuss product specifications with them and make an offer to them. In the event the prospective customer wishes to accept the offer, it sends us a letter of intent or purchase order. Such letter of intent/purchase order specifies the quantity and quality of product ordered, the delivery schedule, pricing and other commercial and technical conditions. Our Company and our manufacturing Subsidiaries generate an internal work order upon receipt of the letter of intent/purchase order from the customer. This work order is the trigger for execution of every order obtained by our Company. Though the execution of the work order varies depending of the type and category of the purchase order issued by our customers, typically the time from the receipt of the intent /purchase order to dispatch/delivery takes between14 and 32 weeks.

Post Contract Review for Commercial, Design and Quality

Upon generation of a work order by our planning department, our contract review, design and quality teams study the specifications of the work order. The contract review, design and quality teams are responsible for establishing the process to be adopted to manufacture the product, in terms of material used, testing, assembly, and painting.

Our design team evaluates the suitability and availability of materials agreed to be given, and design the product, in the event it's a different product required by the customer than those previously manufactured by us. Sometimes customers specify unique requirements for the valves and the design team ensures that the product is designed in a manner that it would meet such requirements of the customer. The design team prepares a design of the product and sometimes the same is approved by the customer. Upon completion of review and receipt of customer approval, the design team generates a Bill of Material, through our ERP System which lists the raw materials, finished goods and bought out items required for manufacturing the product. In addition, the design team prepares a technical datasheet, raw material specifications and work instructions which are needed to execute a particular work order in accordance with the Bill of Material.

The quality team evaluates the work order to determine testing, third party inspections and technical delivery conditions based on customer requirements. Thereafter, they prepare a post contract review document, which specifies the details of material used, testing, assembly, and painting. In the event the customer has specified an inspection requirement, the quality team prepares an Inspection and Test Plan to specify the details of the inspection that will be carried out by the customer or the third party. This Inspection and Test Plan is approved by the customer.

Our contract review, design and quality departments work in conjunction with each other for defining the customer requirements. This ensures that adequate checks and balances are identified and set in place to manufacture the product in accordance with the customer requirements.

Procurement of Raw Materials and Finished Components

We believe that suitable raw material procurement by obtaining material of an appropriate quality at competitive prices within the requisite time is critical to ensuring our continued profitability and success.

We accordingly have a materials purchase department which manages procurement for each of our orders. Our primary raw materials for an order are castings and forgings. The materials department develops a pattern/die to meet the dimensional requirements for the cast and forge components. This pattern/die is then issued to a selected foundry/forge shop which makes the castings/forgings in accordance with our specifications. We select the foundry/forge shop based on its technical capabilities, capacity, delivery position and commercial competitiveness. Our castings and forgings are sourced from foundries/forge shops situated in India, Italy and China. We have set up a branch office in China to effectively source castings and forgings from China at competitive prices.

Over the years, we have developed an extensive foundry and forge shop database for various materials and developed relationships with certain vendors for key materials and services. We believe that our relationships with these foundries/forge shops, which have been built on the basis of a long association and prompt payments, ensure that we receive favourable prices and payment terms from these vendors.

In addition to the castings and forgings, we procure other components such as fasteners, seats, actuators, seals, springs and certain machined components from local and international suppliers. Typically, fasteners, seats, seals, springs, levers, handles are bought from local manufacturers. Other items like actuators, o-rings, seats, seals and springs are imported from China, Italy, Germany, United Kingdom and United States of America against specific order requirements. Usually, products are only imported in the event they are not available locally or specifically required by the customer and the transportation cost of the raw materials is borne by us. We obtain transit insurance to insure ourselves from any risk of loss or damage to the goods during transit. Some components and accessories like actuators, limit switch boxes, gear operators required for our products are made by us.

Based on the above inputs, our materials purchase department ensures that the raw material requirements for each order are fulfilled in a timely and cost effective manner. While we ordinarily conduct procurements on the basis of prevailing market prices, we have in certain cases bought materials in advance to minimize the impact of market fluctuations on the price.

On receipt of material at our premises, we conduct quality checks to ensure that the material meets the requirements specified by us at the time of placing the order with the foundry.

Material Planning

Design makes the Bills of Material which is booked in ERP. Subsequently, the Enterprise Engine generates the requirement for materials to be procured after accommodating inventory on hand. The Planning Engineer does backward planning based on the routing to each process. The outer limit of delivery for each component is determined based on valve customer delivery date.

Machining (In-house or outsourced)

Our production department is responsible for carrying out the machining. Once the castings are brought to our manufacturing plants, we conduct certain checks to ensure that they are in accordance with the requirements specified by us. Upon completion of these checks, we machine these raw materials to the measurements specified in the drawings. Depending on the existing machining tasks in our manufacturing plant, we outsource machining to a sub-vendor, who machines the castings/forgings in accordance with our specifications. We select the sub-vendor based on its technical capabilities, capacity and delivery position. In order to meet our delivery commitments, we usually outsource our machining orders only to sub-vendors located in proximity of about 15- 20 kilometres from our manufacturing plants.

We conduct an inspection before these components are sent for assembly and testing.

Assembly and Testing

Upon completion of the machining and where needed, we treat the machined components either by way of buffing, phosphating or plating. Thereafter, we moved them to the stores. Once all the components that are required to build the valve have been collected in the stores, skilled workmen employed by us assemble the valves as per specified drawings and procedures. After assembly, the valves are pressure tested (water, air or gas) as per standards and procedures written down by our quality and design teams. These tests could include fugitive emission testing, cryogenic testing, high pressure gas testing and vacuum testing. These tests ensure that our product is fit for use. In the event we discover the valve does not qualify on the tests performed, we analyze and take corrective measures.

In the event the customer has ordered an automated valve, then the actuator is assembled and mounted on the valve. The selection of the actuator is based on the valve size and the customer specifications and it could be pneumatic/hydraulic/electric/solar power or gas operated. Upon completion of this automated system, we test the same to ensure its operating performance.

Inspection, Finishing and Packing

After testing, the valves are finished to get the desired surface texture. We conduct a visual inspection to ensure adequacy of the tagging, name plate fitting, end protection and general aesthetics. Technical checks may also be carried out for testing specific surface preparations and paint specifications. Often, customers require an additional inspection to be conducted either by themselves or appoint a third party to inspect the products.

Upon completion of all these inspections in a satisfactory manner, the product is packed in a manner which is sea worthy with proper fumigation of the wood material being used. Shipping marks, country of origin, contents, net and gross weight and consignee address are prepared and labelled on the crates.

Simultaneous Dispatch and Billing

Once our products are ready and packed, our Commercial Department prepares a packing list and an excise invoice which is dispatched with the products to our customers. In addition, we send a copy of the packing list, insurance papers and testing certificates and operation and maintenance manuals, if needed, to our customer directly. Our commercial department is a centralized department servicing our Company as well as our Subsidiaries.

Our products are usually shipped either on a Free on Board (FOB)/Free on Rail (FOR) basis, wherein we bear all the risk and costs until the products are put on the ship or on Ex-Works Pune basis, which means that the customer bears all risk and costs from the time the goods leave our premises

Post order final documents are prepared such as approved drawings, procedures, inspection test plan, material test certificates, inspection release note etc and are sent to customer.

We usually follow a policy of payment on delivery, except for certain customers who we provide clean credit, in light of our past relationship with them.

Our Order Book on a consolidated basis

Our Order Book position consists of unbilled orders wherein we have either commenced production or are yet to commence production. For the purposes of this section, the term “Order Book” shall include orders booked with us as well as all our Subsidiaries. Some products manufactured by our Company are sold to our Subsidiaries which thereafter sell these products on a ‘stock and sell’ or on a specific order basis. Order inflow represents the value of the orders received during a particular Fiscal.

While our Order Book is indicative of the projects that we will execute in the future and is also indicative of the revenues that may be generated from such orders, the orders in our Order Book may not fructify as they are subject to cancellation and modification by our customers. For risks associated with treating our Order Book as being indicative of our future growth and revenues, refer to “Risk Factors” on page xi.

Typically the time from the receipt of the intent /purchase order to dispatch/delivery takes between14 and 32 weeks.

As of June 15, 2010, our Order Book position is Rs. 4,345.70 million. The following table sets forth the value of our Order Book as of June 15, 2010:

Sector	Rs. (in million)	Percentage (%)
Oil and Gas Sector	3,733.81	85.92
Infrastructure Sector	527.79	12.15
Process	84.09	1.94
Total	**4,345.70**	**100**

Composition of Order Book based on our Products

The following table sets forth the distribution of the Order Book based on products as on June 15, 2010:

Products	Rs. (In Million)	Percentage (%)
Ball Valves (Automated and Manual)	4,261.09	98.05
Well Head Equipment	-	-
Triple Offset Valves	60.26	1.39
Others	24.35	0.56
Total	**4,345.70**	**100**

Geographical Composition of Order Book

The following table sets forth the geographical distribution of the Order Book as on June 15, 2010:

Geography	Rs. (in million)	Percentage (%)
Domestic	1,325.16	30.49
USA	217.88	5.01
Europe	881.17	20.28
Middle East	1,629.22	37.49
Far East	292.24	6.72
Total	**4,345.70**	**100**

Repeat orders

Repeat orders represent the order inflow from customers for whom we have executed orders in the past. The table below sets forth the order inflow from customers from whom we have executed projects in the past for the respective fiscal years:

Business category	Fiscal 2010		Fiscal 2009		Fiscal 2008	
	Number of Orders	Order inflow (Rs. million)	Number of Orders	Order inflow (Rs. million)	Number of Orders	Order inflow (Rs. million)
New customers	79	1,509.43	159	672.12	134	597.92
Repeat customers	3,364	1,629.06	4,218	3,098.65	2,580	2,168.83
Total	**3,443**	**3,138.49**	**4,377**	**3,770.77**	**2,714**	**2,766.75**

Sales and Marketing

Our sales operations are decentralized and placed at various worldwide locations. We sell a majority of our products through our offices or our Subsidiaries.

We have six sales offices in India located at Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune. Internationally, we have sales offices in Houston, Oklahoma, Milan, Kuala Lumpur, Dubai; Abu Dhabi and Shanghai.

As a result of our network of our domestic offices and our Subsidiaries, we are able to sell directly to customers. We believe that direct sales help us achieve higher margins as compared to agent based sales adopted by some of our competitors. To further expand our sales network, our Subsidiary, VVCL has strategic alliances in place with sales channel partners in about 25 countries.

In addition to our regular sales and distribution mechanisms, our Subsidiary Vintrol Inc. offers our products to customers in the U.S on a ‘stock and sale’ basis whereby it stocks our products in its warehouses situated in the U.S.A. which enables it to meet demands of some of its customers promptly.

We have a dedicated marketing department, whose primary responsibility is to expand our customer base and achieve customer satisfaction by providing prompt and good quality services to our existing customers. Our marketing department continuously strives to explore newer markets and customers for our products, obtain more registrations and product approvals, develop new strategies for product placement, project tracking and global information sharing across our Company and our Subsidiaries. Most major valve-purchasers source their valve requirements only from vendors who have been approved by them. Such customers evaluate prospective vendors on numerous parameters and determine the adequacy of the quality of the products. Our marketing department aggressively endeavours to expand our customer base, by approaching new customers and ensuring that we form part of their approved vendor list.

Quality Control and Certifications

We continuously strive to improve quality of products, processes and safety requirements. We have received number of important certifications and other achievements in the last 20 years.

After receiving our first ISO-9001 certificate in the year 1996, we have worked to acquire several international quality accreditations for our products and processes around the world, such as American Petroleum's API Q1, EU's Pressure Equipment Directive (PED), and Safety Integrity Level (SIL) certified products for functional safety. In addition, we have obtained OHSAS 18001 (2007) certification for adhering to global standards in occupational health and safety management from Det Norske Veritas and have also obtained an ISO 9001-2008 certification from our quality management system issued by TUV Sud Management Service GmbH. In 2007, our Company has been awarded the all-India star performer designation in the category of large enterprises for the years 2005-2006 as well as 2008-2009 by Engineering Export Promotion Council. the year 2008-09 by Engineering Export Promotion Council. Our Company and our subsidiary, Virgo Valves & Controls Limited has been given a Star One Export House Status. We have also been awarded an Award of Honour for instrumentation, system and automation society in 2005.

Some of our certifications are:

(i) ISO 9001-2008 certifying our quality management system issued by TUV Sud Management Service GmbH;
(ii) OHSAS 18001:2007 certifying our occupational health and safety management systems issued by Det Norske Veritas Certifications Services;
(iii) Our ball valve facilities are authorized by American Petroleum Institute (API) for using the API monogram for the API 6D Ball Valves manufactured by us;

Further, certain of our products have been approved by various organizations for specific applications.

Certain flame proof equipment manufactured by us to monitor our valves, has been approved by the Petroleum and Explosives Safety Organization, Ministry of Commerce and Industry, Government of India, for use in Zone 1 of Gas, Group IIC hazardous areas which fall under the purview of Petroleum Rules, 2002.

The Directorate General Factory Advice Service and Labour Institutes, Ministry of Labour and Employment, Government of India has certified our flame proof products as being suitable for use in gas group IIA and IIB atmospheres, Zone I and Zone II.

Actuators and valves manufactured our Company have been tested for random and systemic integrity as per the requirements of IEC 61508 Parts 1 and 2 and certified as being Type A and SIL 3 capable.

Our Company has been approved as an “Approved Manufacturer”, “Approved Supplier” or “Approved Vendor” by several of the leading oil and gas companies, and engineering consultants in the world. Further, leading several of our product lines and products of the Company have been tested by several leading companies and approved for supply to them.

Design and Development

Improving valve design to incorporate new customer specification demands or features is an on-going process at our Company and our Subsidiaries. We have a full-fledged centralized design and development department comprising of 67 employees. Most of the personnel in the design team are engineers or managers and they continuously work to innovate, refine and prove our products. Our engineers utilze modern software & design aids such as AutoCAD, I-Deas and Ansys, where product design generation and verification is possible through Finite Element Analysis (FEA). AutoCAD is used for 2 D drawings; advanced tools like Pro-E, Solid Edge, and Ideas are used for solid modelling. We periodically update our software and regularly enter into annual maintenance contract for them. Once a final prototype of a new product is developed, it is checked through physical testing and field trials before being launched.

Information Technology

We have established a dedicated information technology department to cater to our business needs. We architect, implement, and manage the entire IT lifecycle to help business growth and continuity. Our focus remains delivering creative and affordable technology solutions to meet the companies' goals.

To automate business processes, manage resources, getting faster information, we have set up an ERP (Enterprise Resource Planning) system called BAAN LN ERP across all our manufacturing units. Business processes in areas like design, sales, purchase, inventory, manufacturing and finance are suitably mapped and tightly integrated using BAAN LN ERP. We believe it has enabled easy transaction flow, access to information for faster decision making and a very effective MIS (Management Information System). In addition, we also develop applications to automate certain processes that are not covered by the ERP system. Payroll processing, insurance journal, export invoicing, e-TDS, Quotation Management System, Management information system and Contract Review are all done with software specifically developed to meet our needs. Our design and R & D department uses latest engineering software such as AutoCad, Ansys, Ideas and Solid-edge.

Our Employees

We believe that we have a qualified and experienced employee base, managed by middle and senior management personnel.

As of June 15, 2010, we had 743 permanent employees at our plants and offices in India. Employees that are confirmed by us are our permanent employees which include personnel engaged in our management, administration, marketing, finance, sales and legal functions at our offices. The permanent employees at our plants include personnel engaged in manufacturing activities such as machine operations, assembling and testing of products, quality assurance, and receipt and dispatch of materials. The following is our employee strength as on June 15, 2010:

Sl. No	Qualifications	Number of Employees
1.	Senior Management	24
2.	Managers	73
3.	Engineers	226
4.	Executive	66
5.	Staff – Technical and Clerical	101
6.	Workers/Technical Assistants	253
	Total	**743***

**This figure does not include 70 employees of our foreign subsidiaries, 51 probationers, 180 trainees and 88 temporary employees.*

The following is a department-wise break-up of our employees as on June 15, 2010:

Sl. No	Departments	Number of Employees
1.	Sales and Marketing	72
2.	Finance	38
3.	Operations	405
4.	Quality	44
5.	Design	54
6.	Information Technology	15
7.	Human Resources	40
8.	Purchase	65
9.	Commercials – Export	10
	Total	**743***

** This figure does not include 70. employees of Foreign Subsidiaries51 probationers, 180 trainees and 88 temporary employees.*

In addition we have 344 employees on contract basis at our plants and offices in India. The contract employees include personnel engaged in providing security services, catering services, and material services, forwarding and material movement. We have entered into contracts with independent contractors for transport services and professional consultancy services providing assistance in the facilities of computer software/hardware and maintaining standard operating systems of maintenance of accounts and inventories.

We provide retirement benefits to our employees by way of provident fund, gratuity and superannuation in conformity with statutory requirements. Our employees are covered under various insurance schemes such as group medical insurance, personal accident insurance and term life insurance schemes. We believe that we have stable and harmonious relations with our employees.

We encourage our employees to pursue further studies or attend trainings since we believe this would enable them to sharpen their skills and motivate them to be competitive and it contributes to their overall employee satisfaction.

Except at our Pune plants, our workmen are not represented by trade unions and they do not have any collective bargaining agreements. We have entered into a memorandum of settlement on May 28, 2010 with the Virgo Kamghar Sanghatana in relation to their demands pertaining to wage scales, designations and classifications, dearness allowance, shift allowance etc for workmen at our Pune plants. This settlement came into effect on April 1, 2010, and shall be applicable to all permanent employees whose names appear on the muster roll of the Company on April 1, 2010 an also to those who have been conferred with the status of permanency during the subsistence of the memorandum or thereafter. The memorandum shall remain in force and operational up to March 31, 2013 and shall continue to be binding and operative even thereafter unless and until terminated by either party after giving two months notice.
The trade union has agreed that it will not raise any further demands which would result in additional financial burden or otherwise during the subsistence of this memorandum of settlement. However, if any statutory benefits are accrued due to enactment of law or amendment therein, the Company shall comply with the same. The union has agreed amongst other terms that they will maintain high standard of discipline and will provide full co-operation in achieving reasonable flexibility of deployment in various areas of operation. For details “History and Corporate Structure” on page 112.

Our Properties

Our registered office and corporate office is located at Hinjewadi, Pune. This property has been leased by us for a period of 15 years commencing from the date of the lease agreement.

We have six sales offices in India located at Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune.

Internationally, we have sales offices in Houston, Oklahoma in Texas USA, Milan in Italy, Kuala Lumpur in Malaysia, Dubai, Abu Dhabi in the United Arab Emirates and Shanghai in China.

In addition to our offices, we have leased two properties in Pune and Coimbatore that we are currently using as guesthouses. We have also leased a property in Pune situated at Survey Number 26/2, A/P- Tathawade, Tal-Mulshi, Pune for the purpose of using the premises for storing and warehouse of our products.

We have entered into a memorandum of understanding dated March 25, 2010, with M/s. New Chennai Township Private Limited (the “Developer”) for property in the special economic zone in Chennai. As per the memorandum of understanding, we have agreed to pay a consideration of Rs. 60 million for allotment of the plot of land to our Company and agreed to enter into a lease deed with the Developer for a period of 99 years for a consideration of Rs. 1 per year after the Developer obtains a letter of approval for the said special economic zone at Chennai.

We have obtained a Letter of Permission dated May 24, 2010 from the Development Commissioner, MEPZ Special Economic Zone for the establishment of a unit for manufacture of soft seated ball valves, trunnion mounted ball valves and valve automation systems at the New Chennai Township Limited – Light Engineering Services Unit – Special Economic Zone at Cheyyur Taluk, Chennai.

(i) Manufacturing Plants owned by our Company:

Plant	Location	Plant Area (in sq. ft.)	Date of Agreement and Term	Details of Items being Manufactured
Coimbatore	S. Mettupalayam Village, Pollachi Taluk, Coimbatore District	85,000	Sale deed dated June 14, 2007	Soft seated ball valves, trunnion mounted ball valves
			Sale deed dated June 14, 2007	
			Sale deed dated June 14, 2007	
			Sale deed dated June 14,	

		2007	
		Sale deed dated September 6, 2008	
		Sale deed dated November 12, 2008	
Total	**85,000**		

(ii) Manufacturing Plants leased/licensed by our Company:

Plant	Location	Area (in sq. ft.)	Date of Agreement and Term	Details of items Manufactured
Hinjewadi, Pune	Plot bearing S. No. 277, Village Maan, Taluka Mulshi	276,606.00	Lease deed dated March 31, 2006 and is valid until March 31, 2021	Ball valves comprising soft seated ball valves, trunnion mounted ball valves, cryogenic ball valves, automated valves
	Plot bearing S. No. 278, Village Maan, Taluka Mulshi	129,382.00	Lease deed dated February 1, 2008 and is valid until August 31, 2021	Metal seated ball valves, welded body ball valves, actuators
Bhosari, Pune	Plot No. J-160, Pimpri Industrial Area	10,764.00	Deed of assignment of lease dated September 12, 1997 and is valid until July 31, 2077	Well head products, triple offset valves, steam traps and strainers, severe service valves
	Plot No. J-525, Pimpri Industrial Area	22,604.21	Lease deed dated February 25, 1994 and is valid until August 31, 2087	Well head products, triple offset valves, steam traps and strainers, severe service valves
Germany	Bertha –Von- Suttnerstr.9, 28207 Bremen, Germany	11,215.99	Addendum dated January 1, 2007 to the lease deed dated October 1957	Steam straps, strainer, dryers and other steam handling and control products
U.S.	Stafford Distribution Center, at 10225 Mula Road, Suite 130, Stafford Texas 77477	34,000	Lease Deed dated October 6, 2008	Severe Service Ball Valves
Italy	Vanzaghello	32,292	Lease deed dated June 6, 2008	Ball valves comprising soft seated ball valves, trunnion mounted ball valves, cryogenic ball valves, automated valves
	Parabiago	4,736	Lease deed dated March 31, 2010	Ball valves comprising soft seated ball valves, trunnion mounted ball valves, cryogenic ball valves, automated valves
Total		**521,600**		

Intellectual Property

We have intellectual property rights that we seek to protect to the fullest extent practicable. We believe that we are not dependent on any of our intellectual property rights individually, although, they may collectively be of material significance to our business.

We have received certificate of registration of 'Virgo' as the trademark for goods or services bearing Trade Mark number 1444132 in Class-06 under the Trade Marks Act, 1999 and also received certificate of registration of the logo of our Company bearing Trade Mark number 1630268 and 1630269 in Class-06 under the Trade Marks Act, 1999 issued by the Registrar of Trade Marks, Government of India with respect to valves of metal, water-pipe valves of metal and industrial valves of metal and accessories.

Further, Marvin E. Beasley ("**First Inventor**") filed an application dated December 11, 2009 in the U.S Patent and Trademark office bearing application number 12/636,617 for registration of Bi-Directional Sealing Ball Valves. Pursuant to an assignment deed executed on April 14, 2009 the First Inventor has assigned the entire ownership of the said applications and Letters Patent when granted, to be owned by Virgo Engineers Inc. and thereby has transferred to Virgo Engineers Inc. the entire right, title and interest worldwide in and to the invention made by him in relation to the Bi-Directional Sealing Ball Valves.

Although we believe that our intellectual property rights do not infringe on the intellectual property rights of any other party, infringement claims may be asserted against us in the future. For more information, see ”Risk Factors” on page xi and Outstanding Litigation and Defaults on page 263 of this Draft Red Herring Prospectus.

Insurance

Our operations are subject to hazards inherent in the manufacturing business, such as risk of fire, earthquake, flood and other force majeure events, terrorist and hostile acts, including hazards that may cause injury and loss of life to our employees and consumers, severe damage to and the destruction of property, equipment and environmental damage. We may consequently be subject to claims resulting from the above losses and additionally may become liable to our customers.

We have obtained a standard fire and special perils policy for some of our plants at Hinjewadi and Bhosari in Maharashtra. In addition, we have obtained commercial general (public and product) liability insurance for our Company and some of our Subsidiaries. We also maintain insurance against damages incurred during export and import of finished goods, damages to containers during export and import, defective products and loss of money.
Additionally, we maintain group mediclaim insurance policies and group personal accident policies for all the permanent employees of our Company. Additionally, we maintain life insurance policies for them. Our employees are covered under the employee state insurance scheme and also maintain workmen’s compensation policy for those contract personnel working for our Company who are not covered under the employee state insurance scheme.

We have also acquired a directors, officers and employees insurance for all the directors, officers and employees of the Company.

Competition

We operate in a competitive environment. The valve sector sees a variety of competitors ranging from small niche players with specific experience to large, well established entities. Currently, the valve industry remains fragmented despite the many acquisitions and positions of many of the major acquirers. Large companies do not dominate the market. The top five companies of the world on a combined basis have only 15.5 percent market share. The second set of five companies only has a combined 6.7 percent market share. Companies in the eleventh through fifteenth slots have a combined market share of just 4.3 percent. So the top fifteen companies only control 26.5 percent of the market (Source: Industrial Valves World Markets Report by McIlvaine Company). For further details, refer to “Industry Overview” on page 78.

Further, there are no Indian listed companies that operate in the same space as Virgo Engineers Limited, which can be taken as competitors.

The demands on companies operating in our sector are further enhanced by purchasers imposing certain requirements wherein manufacturers are required to be pre-approved before being able to obtain an enquiry. These requirements essentially ensure that only manufacturers who have significant experience will be entitled to obtain enquiries. For detail of other risks associated arising from our competitors, refer to “Risk Factors” on page xi.

Health, Safety and Environment

We believe that ensuring the health and safety of our employees is critical to the successful conduct of our business and operations. We are therefore committed to complying with applicable health, safety and environmental regulations and other requirements in our operations. To ensure the desired degree of compliance, we have documented an operational health and safety management system to identify and classify potential hazards and have implemented the requisite safety procedures and controls to minimize workplace accidents and hazards. We employ specialized safety personnel to ensure the implementation of our Health, Safety and Environment policies and to monitor, measure and analyze our operational health and safety process. We are committed to minimizing lost time due to accidents and prevent injury during pressure testing, cryogenic testing and fire safe testing. We continually improve our applicable health safety and environment practices by training all employees. In 2009, we have received a certification of OHSAS 18001 (2007) for adhering to global standards in occupational health and safety management from Det Norske Veritas.

Corporate Social Responsibility

As a socially responsible company, we believe that emphasis should be placed on social and community service. We have made significant efforts to preserve the environment in and around our manufacturing facilities. In furtherance to our commitment to corporate social responsibility, we have contributed to various social causes during the course of our operations and we support DMH paediatric department in association with Lata Mangeshkar Medical Foundation's Deenanath Mangeshkar Hospital and Research Center.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The information detailed in this chapter has been obtained from the various legislations that are available in the public domain.

In India, the following Central legislations govern our Company:

Labour Legislations

The Contract Labour (Regulation and Abolition) Act, 1970

In the event that any aspect of the activities of the Company is outsourced and carried on by labourers hired on contractual basis, then compliance with the Contract Labour (Regulation and Abolition) Act, 1970 ("**CLRA**") becomes necessary. The CLRA regulates the employment of contract labour in establishments in which twenty or more workmen are employed or were employed on any day of the preceding 12 months as contract labour. It governs their conditions and terms of service and provides for abolition of contract labour in certain circumstances.

The CLRA requires the principal employer of the concerned establishment to make an application to the registered officer for registration of the establishment, failing which, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labour, except under and in accordance with such license. Further, the CLRA ensures the health and welfare of the contract labourers, by imposing certain obligations on the contractor in relation to establishment of canteens, restrooms, drinking water, washing facilities, first aid, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be levied for contravention of the provisions of the CLRA.

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 ("**EPFA**") aims to institute provident funds and pension funds for the benefit of employees in establishments which employ more than twenty persons and factories specified in Schedule I of the EPFA. Our Company has a provident fund for all our permanent employees.

The Employees' State Insurance Act, 1948

The Employees' State Insurance Act, 1948 ("**ESI Act**") applies to all factories unless seasonal in nature which employ 10 or more employees and carry on a manufacturing process with the aid of power (20 employees where manufacturing process is carried out without the aid of power). The ESI Act puts the onus of registering the factory with the employer. All employees including casual, temporary or contract employees drawing wages less than Rs 6500 per month are covered under the provisions of the ESI Act. The workers covered under the scheme have to pay a monthly contribution. The ESI Act provides for the provision of benefits to employees in case of sickness, maternity and employment injury. Under the ESI Act, employees receive medical relief, cash benefits, maternity benefits, pension to dependents of deceased workers and compensation for fatal or other injuries and diseases. Where a workman is covered under the ESI scheme, (a) compensation under the Workmen's Compensation Act cannot be claimed in respect of employment injury and (b) benefits under the Maternity Benefits Act cannot be claimed.

The Factories Act,1948

The Factories Act, 1948 is applicable to all 'factories' employing more than 10 people and working with the aid of power or employing 20 people and working without the aid of power. It covers workers employed in the factory premises or precincts directly or through an agency including a contractor, involved in any manufacture. The respective State Governments frame rules for its enforcement in order to ensure that local conditions are reflected. It provides for the health, safety, welfare, service conditions and other aspects of workers in factories.

The Industrial Employment (Standing Orders) Act, 1946

The Industrial Employment (Standing Orders) Act, 1946 applies to every industrial establishment where 100 or more workmen are/were employed on any day of the preceding 12 months. It applies to every worker employed in an industrial establishment but excludes workers employed in a managerial or administrative capacity and workers employed in a supervisory capacity and drawing wages more than Rs. 1,600 per month.

Under the Industrial Employment (Standing Orders) Act, 1946, standing orders are to be framed in order to standardize the service conditions of the workmen in industrial establishments. The standing orders are to be displayed prominently in the establishment in English and the language understood by the workmen near the entrance of the establishment and all departments.

The Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 ("**PBA**") provides for payment of bonus on the basis of profit or productivity to people employed in factories and establishments employing twenty or more persons on any day during an accounting year. The PBA ensures that a minimum annual bonus is payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Under the PBA every employer is bound to pay to every employee, in respect of the accounting year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or Rs. 100, whichever is higher.

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 ("**PGA**") provides for payment of gratuity, to an employee, at the time of termination of his services. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than 5 years: (a) on his/her superannuation; (b) on his/her retirement or resignation; (c) on his/her death or disablement due to accident or disease (in this case the minimum requirement of five years does not apply).

The PGA establishes a scheme for the payment of gratuity to employees engaged in establishments in which 10 or more persons are employed or were employed on any day of the preceding twelve months; and in such other establishments in which 10 or more persons are employed or were employed on any day of the preceding twelve months, as the Central Government may, by notification, specify. Our Company provides for payment of gratuity and superannuation to all our permanent employees.

The Payment of Wages Act, 1936

The Payment of Wages Act, 1936, aims at ensuring payment of wages in a particular form at regular intervals without unauthorized deductions. It regulates the payment of wages to certain classes of employed persons and provides for the imposition of fines and deductions and lays down wage periods and time and mode of payment of wages. Persons whose wages are Rs. 6,500 or more per month are outside the ambit of the Act.

The Trade Union Act, 1926

The Trade Union Act, 1926 provides for registration of trade unions (including association of employers) with a view to render lawful organization of labour to enable collective bargaining. The Trade Union Act, 1926 also confers certain protection and privileges on a registered trade union. It applies to all kinds of unions of workers and associations of employers which aim at regularizing labour-management relations.

Under the Trade Union Act, 1926 any group of seven or more workers of an institution have a right to come together and form a trade union. The trade union so formed has the right to act for the individual and/or for collective benefit of workers at different levels.

The Workmen's Compensation Act, 1923

The Workmen's Compensation Act, 1923, aims to provide workmen and their dependents, compensatory payment, in case of accidents arising out of and in course of employment and causing either death or disablement of workmen. It applies to factories, mines, docks, construction establishments, plantations, oilfields and other establishments listed in Schedule II and III of the Act but excludes establishments covered by the Employees' State Insurance Act. Every employee including those employed through a contractor except casual employees, who is engaged for the purposes of employer's business and who suffers an injury in any accident arising out of and in the course of his employment is entitled to compensation under the Workmen's Compensation Act, 1923.

Environmental Legislations

Our plants require approvals under the following environmental legislations. This is because the operation/construction of some of our plants might have an impact on the environment where they are situated in.

Air (Prevention and Control of Pollution) Act, 1981

The Air (Prevention and Control of Pollution) Act, 1981 ("**Air Act**") mandates that no person can, without the previous consent of the State Pollution Control Board, establish or operate any industrial plant in an air pollution control area. The Central and State Pollution Control Boards constituted under the Water Pollution Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution.

Water (Prevention and Control of Pollution) Act 1974

The Water (Prevention and Control of Pollution) Act 1974 (""**Water Act**"") provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The Water Act debars any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State and Central Pollution Control Boards.

Environment Protection Act, 1986

The Environment Protection Act, 1986 ("**EPA**") has been enacted for the protection and improvement of the environment. The EPA empowers the Central Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The Central Government may make rules for regulating environmental pollution.

In addition, the Ministry of Environment and Forests looks into Environment Impact Assessment ("**EIA**"). The Ministry receives proposals for expansion, modernization and setting up of projects and the impact which such projects would have on the environment is assessed by the Ministry before granting clearances for the proposed projects. The issue of management, storage and disposal of hazardous waste is regulated by the Hazardous Waste Management Rules, 1989 made under the Environment Protection Act. Under these rules, the Pollution Control Boards are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

The Central Excise Act, 1944

The Central Excise Act, 1944 provides that a person who is engaged in production or any process of production of any specified goods shall get himself registered with the proper officer as per the procedure/documentation laid down.

Foreign Investment Regime

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act, 1999, ("**FEMA**"), and the rules, regulations and notifications thereunder, as issued by the Reserve Bank of India from time to time, and the policy prescribed by the Department of Industrial Policy and Promotion, which provides for whether or not approval of the Foreign Investment Promotion Board ("**FIPB**") is required for activities to be carried out by foreigners in India.

The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("**FEMA Regulations**") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

Our Company will be making an application to the FIPB and the RBI for their approval for the Offer for Sale.

The Foreign Trade Policy, 2009

Export Oriented Units ("**EOU**") are governed by the Foreign Trade Policy 2009 ("**FTP**") and the Handbook of Procedures. The EOU scheme was introduced in the year 1980 by Ministry of Commerce pursuant to resolution dated December 31, 1980, to boost exports by creating additional production capacity. It was introduced as a complementary scheme to the free trade zones/export processing zone scheme. Under the FTP, an EOU is required to have positive net foreign exchange ("**NFE**") earning. An EOU may import and/or procure from Domestic Tariff Area ("**DTA**") or bonded warehouses in DTA/international exhibitions held in India without payment of duty all types of goods, including capital goods, required for its activities, provided they are not prohibited items of import under the ITC (HS) classification. Under the EOU scheme, the units are permitted to import goods including capital goods required for approved activity, free of cost or on loan/lease from clients. The goods shall be utilized for export production only.

EOU units shall be entitled to following:-

i. Reimbursement of Central Sales Tax ("**CST**") on goods manufactured in India. Furthermore, EOU units will be entitled to interest on delay in refund of CST. This will be paid in accordance with the notified interests by the appropriate authorities;
ii. Exemption from payment of Central Excise Duty on goods procured from DTA on goods manufactured in India;
iii. Reimbursement of duty paid on fuels procured from domestic oil companies as per Drawback rate notified by DGFT from time to time; and
iv. CENVAT Credit on service tax paid.

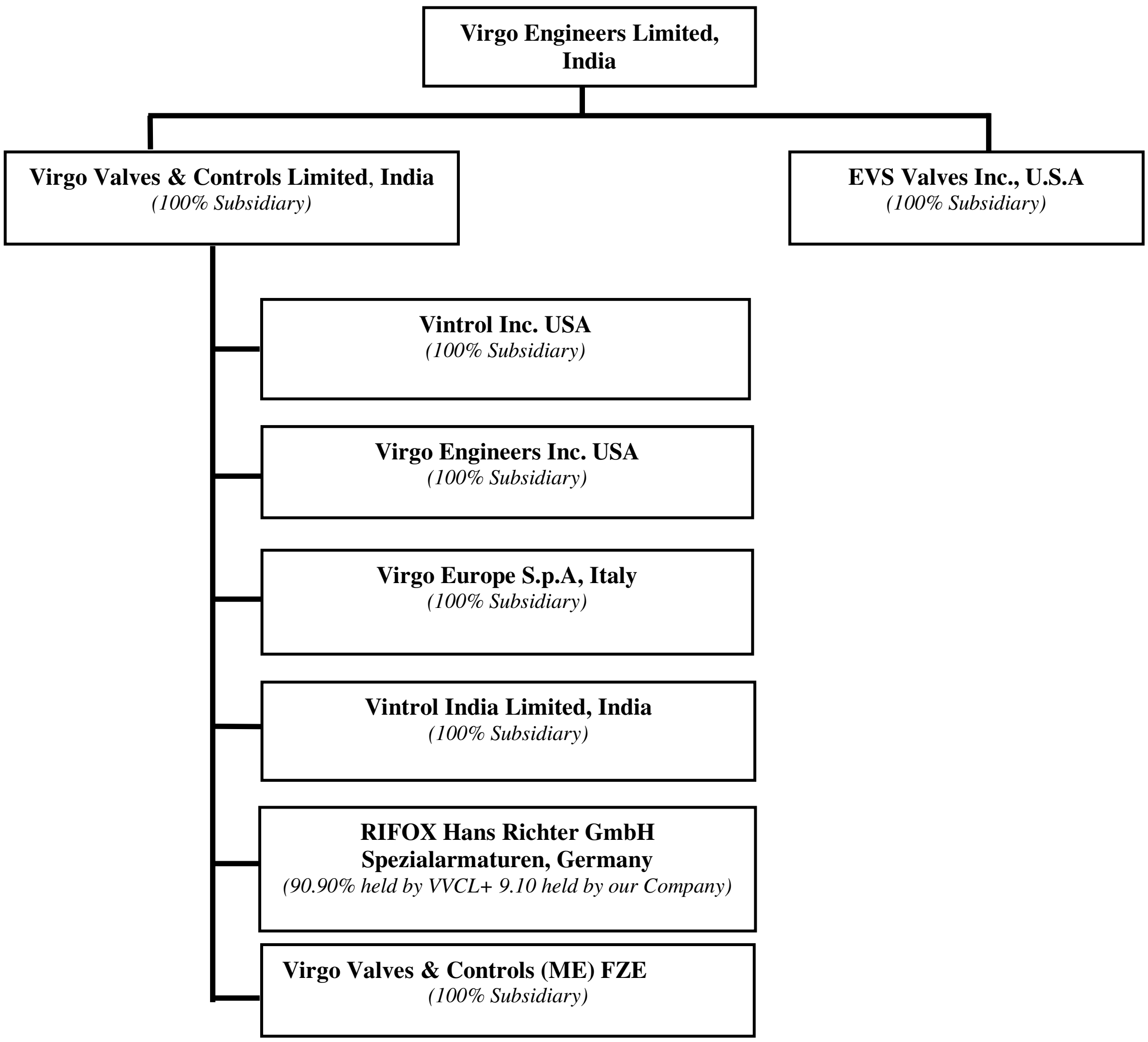
Apart from the abovementioned benefits, some of the entitlements of EOUs are as provided below:

a. Exemption from Income Tax as per Section 10A and 10B of Income Tax Act, 1961;
b. Exemption from industrial licensing for manufacture of items reserved for Small Scale Industries sector.
c. Export proceeds will be realized within 12 months;
d. Units will be allowed to retain 100% of its export earning in the exchange earners foreign currency account;
e. Units will not be required to furnish bank guarantee at the time of import or going for job work in DTA, where unit has
    i. a turnover of Rupees 50 million or above;
    ii. unit is in existence for at least three years; and
    iii. unit is having an unblemished track record.
f. 100% Foreign Direct Investment permitted through Automatic Route similar to SEZ units.

HISTORY AND CORPORATE STRUCTURE

Our Company was incorporated as Virgo Engineers Private Limited on June 8, 1987, by our Promoters, V. Balasubramanian and Mahesh Desai. For more information on our Promoters, see 'Our Promoters' on page 135. The status of our Company was changed to a public limited company by a special resolution of the members passed at the annual general meeting held on February 10, 1995. The fresh certificate of incorporation consequent on conversion was issued to our Company on March 31, 1995, by the Additional Registrar of Companies, Maharashtra at Mumbai.

The corporate structure of our Company is as follows:



Change of Registered Office

Following are the details regarding the change of our Registered Office:

From	To	Date of Board Resolution	Reasons for Change of Registered Office
125, Unique Industrial Estate, Off Veer Savarkar Marg, Bombay – 400 025	J-517, MIDC Industrial Area, Bhosari, Pune – 411 026	February 20, 1996	Adminsitrative convenience

From	To	Date of Board Resolution	Reasons for Change of Registered Office
J-517, MIDC Industrial Area, Bhosari, Pune – 411 026	277, Hinjewadi Phase II, Maan (Mulshi) Pune - 411 057	October 26, 2007	Adminsitrative convenience

Key Events and Milestones

Date	Event
June 1987	Incorporation of our Company
August 1991	First manufacturing facility started in Pune, India for supply of automation systems
March 1995	Our Company was converted to a public limited company from a private limited company
September 1998	Incorporation of VEI as a wholly owned Subsidiary
September 1998	Installation of BAAN ERP
May 1999	Started operation for manufacturing pneumatic actuators
March 2004	Establishment of branch office in Dubai, UAE
April 2004	Incorporation of Vintrol, a wholly owned Subsidiary
June 2004	Incorporation of VVCL, a wholly owned Subsidiary of our Company
November 2004	Incorporation of VIL, a 100% Subsidiary of Vintrol
February 2006	Commenced warehousing and automation facility in Dubai
May 2006	Incorporation of Virgo S.p.a. in Italy, a wholly owned Subsidiary of VVCL
August 2006	Our Company's new plant at Hinjewadi, Pune commenced operations
August 2006	Investment by Tano Mauritius FVCI India
February 2007	Vintrol became a 100% Subsidiary of our Company
April 2008	BAAN ERP upgraded to ERP LN
May 2008	HVOF facility commissioned and complete indigenization of metal seated ball valves
June 2008	Commissioned first manufacturing plant in Coimbatore
December 2008	Acquisition of RIFOX
August 2009	Incorporation of EVS
October 2009	Introduction of triple offset valves
November 2009	Incorporation of Virgo FZE in Dubai
March 2010	Entered into an MOU for the establishment of SEZ unit near Chennai.
April 2010	Filed a petition before the High Court of Judicature at Mumbai for amalgamation of VIL (a Subsidiary of VVCL), with our subsidiary VVCL.

Awards and Accreditations

Date	Award/Accreditation
August 1997	ISO 9001-1994 certification issued by TUV Management Services GmbH for Quality System for design. manufacturing, testing and marketing of ball valves
August 1998	Ball Valve Manufacturing facilities & Quality Systems of our Company got API 6D & API Q1 certification
May 2005	PED (CE) certification received for manufacturing facilities and quality systems issued by TUV NORD Systems GmbH
January 2006	Management system certificate accredited with OHSAS 18001 – 2007 issued by Det Norske Veritas.
January 2006	Certification from Det Norske Veritas as OHSAS 18001 for certifying that the Company is in conformity with the occupational health and safety management standard
February 2007	EC Type Examination Certificate issued by DNV for equipment or protected system intended for use in potentially explosives atmospheres directives.
March 2007	Our Company's Subsidiary, VVCL granted One Star Export House Status.
June 2007	Certificate of Registration as a Star Trading House issued by the Joint Director General of Foreign Trade, Ministry of Commerce and Industry.
June 2007	Awarded Star Performer (Large Enterprise) Award in the product group "Sanitary and Industrial Casting" for the year 2005-06 by EEPC.
June 2007	Certificate issued by Exida that N Series Trunnion Ball Valve, Series 21 Pneumatic Scotch Yoke Actuators and Series 20/22 Pneumatic Rack and Pinion Actuators manufactured by our Company meet the requirement of level of integrity to systematic integrity.
July 2007	Certificate of authority issued by the American Petroleum Institute, to use the official API monogram i.e., API Spec Q1 and API Spec 6D.

Date	Award/Accreditation
December 2007	Certification from Shell Global Solutions issued to VVCL that certain categories of valves have successfully completed the testing program and have been accorded 2 star rating.
July 2009	Certificate of membership from Mahratta Chamber of Commerce, Industries and Agriculture, Pune that our Company is an esteemed member of the chamber for the year 2009-2010.
October 2009	ISO 9001-2008 certification issued by TUV SUD Management Services GmbH, forestablishment of quality management system
September 2009	Fire Safe test certificate issued by DNV indicating that the fire safe testing is in accordance with the API 607-2005 (5^{th} Edition).

Our Main Objects

Our main object enables us to carry on our current business and also the business proposed to be carried on by us. Our main object as contained in our Memorandum of Association is as follows:

1. To carry on the business of manufacturers, buyers, sellers, agents, distributors, importers, exporters or otherwise dealers in all kinds of engineering goods and articles including all types of control equipment.

Amendments to the Memorandum of Association

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

Date of Shareholders' Approval	Amendment
May 31, 2010	The authorized capital of Rs. 250,000,000 (Rupees two hundred and fifty million) comprising of 25,000,000 equity shares of Rs. 10 each was increased to Rs. 600,000,000 (Rupees six hundred million) comprising of 60,000,000 equity shares of Rs. 10 each.
June 16, 2007	The authorized capital of Rs. 150,000,000 (Rupees one hundred and fifty million) comprising of 15,000,000 equity shares of Rs. 10 each was increased to Rs. 250,000,000 (Rupees two hundred and fifty million) comprising of 25,000,000 equity shares of Rs. 10 each.
June 16, 2007	The authorized capital of Rs. 150,000,000 (Rupees one hundred and fifty million) comprising of 12,000,000 equity shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each was reclassified to Rs. 150,000,000 (Rupees one hundred and fifty million) comprising of 15,000,000 equity shares of Rs. 10 each.
August 24, 2006	The authorized capital of Rs. 120,000,000 (Rupees one hundred and twenty million) comprising of 10,000,000 equity shares of Rs. 10 each and 2,000,000 preference shares of Rs. 10 each was increased to Rs. 150,000,000 (Rupees one hundred and fifty million) comprising of 12,000,000 equity shares of Rs. 10 each and 3,000,000 preference shares of Rs. 10 each.
March 20, 2006	The authorized capital of Rs. 65,000,000 (Rupees sixty five million) comprising of 4,500,000 equity shares of Rs. 10 each and 2,000,000 preference shares of Rs. 10 each was increased to Rs. 120,000,000 (Rupees one hundred and twenty million) comprising of 10,000,000 equity shares of Rs. 10 each and 2,000,000 preference shares of Rs. 10 each.
March 26, 2005	The authorized capital of Rs. 50,000,000 (Rupees fifty million) comprising of 3,000,000 equity shares of Rs. 10 each and 2,000,000 preference shares of Rs. 10 each was increased to Rs. 65,000,000 (Rupees sixty five million) comprising of 4,500,000 million equity shares of Rs. 10 each and 2,000,000 preference shares of Rs. 10 each.
August 31, 2000	The authorised capital of Rs. 50,000,000 (Rupees fifty million only) comprising of 5,000,000 equity shares of Rs. 10 each was reorganised and divided into 3,000,000 equity shares of Rs. 10 each and 2,000,000 preference shares of Rs. 10 each.
June 30, 1998	The authorized capital of Rs. 20,000,000 (Rupees twenty million) comprising of 2,000,000 equity shares of Rs. 10 each was increased to Rs. 50,000,000 (Rupees fifty million) and reclassified as 3,000,000 equity shares of Rs. 10 each and 2,000,000 unclassified shares of Rs. 10 each.
July 10, 1995	The authorized capital of Rs. 10,000,000 (Rupees ten million) comprising of 1,000,000 equity shares of Rs. 10 each was increased to Rs. 20,000,000 (Rupees twenty million) comprising of 2,000,000 equity shares of Rs. 10 each.
March 10, 1995	The authorised capital of Rs. 10,000,000 (Rupees ten million only) comprising of 100,000 equity shares of Rs. 100 each was reorganised and divided into 1,000,000 equity shares of Rs. 10 each.
February 10, 1995	The status of our Company was changed from a private limited company to a public company.
August 25, 1994	The initial authorized capital of Rs. 1,000,000 (Rupees one million) comprising of 10,000 equity

Date of Shareholders' Approval	Amendment
	shares of Rs. 100 each was increased to Rs. 10,000,000 (Rupees ten million) comprising of 100,000 equity shares of Rs. 100 each.

Details of our Subsidiaries

Indian Subsidiaries

Virgo Valves and Controls Limited

Virgo Valves and Controls Limited ("**VVCL**") was incorporated on June 11, 2004 as a wholly owned Subsidiary of our Company and commenced commercial operations on November 22, 2004. It has its registered office at 7B 3rd Floor Sambhava Chambers Sir P.M. Road, Fort Mumbai 400 001.

VVCL is engaged in the business as manufactuerers, buyers, sellers, agents, distributors, importers, exporters or dealers of engineering goods including control equipments such as pumps, valves and manufacturer/dealer in accessories for assemblies and to develop modern technologies for these equipments.

VVCL is a 100% Export Oriented Unit that primarily undertakes large project jobs for ball valves (manual and automated) for export markets. The core products offered by VVCL are manual and automated ball valves, which are manufactured at Hinjewadi, Pune. As a result of its 100% EOU status, VVCL enjoys numerous tax benefits which are due to expire in 2011. For further details in this regard, please refer to "Regulations and Policies" and "Risk Factors" on page 108 and xi.

As on July 3, 2010, the authorized share capital of VVCL consists of 100,000 equity shares of Rs. 100 each and 100,000 preference shares of Rs. 100 each. The issued and paid up share capital of VVCL consists of 100,000 equity shares of Rs. 100 each aggregating to Rs. 10,000,000.

The equity shares of VVCL are held entirely by our Company and certain individual nominees who hold shares on our behalf.

Vintrol India Limited

Vintrol India Limited ("**VIL**") was incorporated as a wholly owned Subsidiary company on November 3, 2004 under the laws of India. It has its registered office at 277, Hinjewadi Phase II, Maan (Mulshi), Pune 411 057.

VIL was engaged in the business as manufactuerers, buyers, sellers, agents, distributors, importers, exporters or dealers of engineering goods including control equipments such as oil field equipments, pumps, valves and manufacturer/dealer in accessories for assemblies and to develop modern technologies for these equipments.

As on July 3, 2010, the authorized share capital of VIL consists of 200,000 equity shares of Rs. 100 each and 300,000 preference shares of Rs. 100 each. The issued and paid up share capital of VIL consists of 355,617 equity shares of Rs. 100 each aggregating to Rs. 35,561,700.

The equity shares of VIL are held in entirety by VVCL and certain individual nominees who hold shares on its behalf. Upon approval of the Scheme of Amalgamation, the assets and liabilities of VIL will be amalgamated in entirety with those of VVCL.

Subsidiaries in the US

EVS Valves Inc.

EVS Valves Inc. ("**EVS**") was incorporated on August 21, 2009 under the laws of U.S.A. as our wholly owned Subsidiary company. It has its corporate office at Stafford Distribution Center, at 10225 Mula Road, Suite 130, Stafford Texas 77477.

EVS is engaged in the manufacture and sale of valves for severe service applications.

As on July 3, 2010, the authorized share capital of EVS consists of 3000 equity shares of USD 1.00 each and the issued share capital of EVS consists of 1000 equity shares of USD 1 each aggregating to USD 1000 and additional paid in capital amounting to USD 99,000.

The equity shares of EVS are held in entirety by our Company and certain individual nominees who hold shares on its behalf.

Vintrol Inc.

Vintrol Inc. (**"Vintrol"**) was incorporated on April 14, 2004. It has corporate office at 5325, S.W. 36th Street, Oklahoma City, OK 73179, U.S.A. It became wholly-owned Subsidiary of our Company pursuant to the resolution passed by our Board dated February 16, 2007. Pursuant to share exchange agreement dated August 17, 2006 our Company issued 177,338 Equity Shares to Mahesh Desai and Billy D. Neimann for swapping 667 shares held by them of our Subsidiary, Vintrol and pursuant to an agreement dated December 15, 2006 Virgo Engineers also transferred the balance 1000 shares of Vintrol for a consideration to our Company.

In addition to distributing well head equipment manufactured by VIL, Vintrol offers our products to customers in the U.S.A. Vintrol operates on a 'stock and sale' basis whereby it stocks our products in its warehouses situated in the U.S.A. which enables it to meet demands of some of its customers promptly. We believe that Vintrol's strategic location in the oil belt of the United States of America and strong management abilities enables us to capture a significant portion of U.S. customers in the oil and gas industry.

As on July 3, 2010, the authorized share capital of Vintrol consists of 3000 equity shares of no par value and the issued share capital of Vintrol consists of 1,667 equity shares of USD 1.00 each aggregating to USD 1,667 and additional paid in capital amounting to USD 998,333.

The equity shares of Vintrol are held in entirety by VVCL and certain individual nominees who hold shares on its behalf.

Virgo Engineers Inc.

Virgo Engineers Inc. (**"VEI"**) was incorporated on September 21, 1998 under the general corporation law of the state of Delaware in the USA and commenced operations on February 1, 1999. It has its corporate office at 2900, Wilcrest Drive, Suite 40, Houston, Texas 77024, USA.

VEI is engaged in the business of distributing products manufactured by our Company and through our Subsidiary, VVCL for project sales. VEI primarily identifies and develops customers to increase project based sales of products manufactured by our Company and our Subsidiary, VVCL. In addition, it stocks certain products of our Company in its warehouses situated in the U.S.A. which enables it to meet demands of some of its customers promptly.

As on July 3, 2010, the authorized share capital VEI consists of 10,000 equity shares of no par value and the issued share capital of VEI consists of 1,090 equity shares of USD 1,000 each fully paid up aggregating to USD 1,090,000.

The equity shares of VEI are held in entirety by VVCL and certain individual nominees who hold shares on its behalf.

Other Subsidiaries

Virgo Europe S.p.A.

Virgo Europe S.p.A. Italy ("**Virgo S.p.A**"), was incorporated on May 30, 2006. It has its corporate office at Via Delle Orchidee, N.7 20020, Vanzaghello, and Milano, Italy.

We believe that engaging in manufacturing operations through Virgo S.p.A. provides us access to quality raw materials and significant technical expertise available within the European region and also, enables us to enhance our brand value and that Virgo S.p.A. helps us complete the basket of products that we offer to our customers in terms of valve size and pressure ratings. It helps us increase the depth of our offerings to our existing customers and target newer customers with newer products. Virgo S.p.A., Italy also undertakes sales and marketing efforts in the European region for our products.

As on July 3, 2010, the authorized and issued share capital of Virgo S.p.A. consists of 4,100,000 equity shares of € 1 each aggregating to € 4,100,000.

The equity shares of Virgo S.p.A are held in entirety by VVCL and certain individual nominees who hold shares on its behalf.

RIFOX –Hans Richter GmbH Spezialarmaturen

RIFOX–Hans Richter GmbH Spezialarmaturen ("**RIFOX**") was incorporated on December 16, 1966. RIFOX has its corporate office at Bertha–Von- Suttnerstr 9, 28207 Bermen, Germany.

Pursuant to the RIFOX Agreement dated December 18, 2008 the Company and its Subsidiary VVCL have acquired the entire shareholding of Richter Verwaltungs GmbH & Co.KG in RIFOX.

For further details in relation to the RIFOX acquisition see History and Corporate Structure on page 112.

RIFOX is engaged in the business of development, manufacture of steam products including steam straps, site glasses, dirt strainers and distribution of valves for steam, water, oil, fuel, air and gases.

As on July 3, 2010, the authorized share capital of RIFOX is Euro 383,469 and the subscribed share capital of RIFOX amounts to Euro 383,469.

The equity shares of RIFOX are held by Company and its Subsidiary VVCL.

Virgo Valves and Controls Limited (ME) FZE.

Virgo Valves and Controls Limited (ME) FZE ("**Virgo FZE**") was incorporated on November 1, 2009 pursuant to a resolution of the board of directors of VVCL dated January 10, 2009 whereby a branch of VVCL located in the Jebel Ali Free Trade Zone was converted into a Free Zone Establishment. It has its corporate office at 18748, FZS1, AH07, Jebel Ali South One, Dubai, U.A.E.

Virgo FZE is engaged in the business of valces and spare parts trading, assembly facility, buying and selling of industrial valves and accessories.

As on July 3, 2010, the authorized share capital of Virgo FZE consists of one equity shares of One million each and the issued share capital consists of one equity shares of AED one million each.

The equity shares of Virgo FZE are held entirely by VVCL.

Striking off of Virgo Valves and Controls (UK) Limited

Virgo Valves and Controls (UK) Limited was incorporated on January 28, 2005 as a Subsidiary of our Company and was engaged in trading products of the Company in the UK. Pursuant to an application made by us the same, the name of Virgo Valves and Controls (UK) Limited has been struck off from the register of companies with effect from March 23, 2010.

Divestment of Stafford Controls Limited by Virgo Valves and Controls Limited

Pursuant to a resolution of our Board dated July 21, 2008 our Subsidiary Virgo VVCL (the **"Transferor"**) transferred its stake in Stafford Controls Limited ("**Stafford**"), our erstwhile Subsidiary engaged in manufacturing butterfly valves to R.Mohan, M.Sarangan, and R. Subbiah pursuant to a Memorandum of Understanding (**"MOU"**) dated July 31, 2008 for a consideration of Rs.30 million (**"Transfer"**). Pursuant to the transfer, the entire management and control of Stafford with all of its assets and liabilities was transferred to the transferees.

Shareholder and Share Purchase Agreements

Share Purchase, Share Subscription and Shareholders Agreement between our Company, our Promoters, certain members of our Promoter Group, some of our Subsidiaries and Tano Mauritius India FVCI

On August 24, 2006 a Share Purchase, Share Subscription and Shareholders' Agreement ("**Tano Shareholders Agreement**") was entered into between Mahesh Desai and V. Balasubramanian (the "**Promoters**") and their spouses, Jagdish Desai, Stafford Controls Limited, VVCL, VEI., Vintrol, VIL, Virgo Valves and Controls (UK) Limited, our Company and Tano Mauritius India FVCI (the "**Investor**") for subscription of 399,884 Equity Shares ("**Investor Subscription Shares**") for a consideration of Rs. 225 million approximately and purchase of 375,284 Equity Shares at a price of Rs. 562.66 per share held by the Promoters and their spouses and Jagdish Desai and his spouse for a consideration of Rs. 211.16 million approximately.

In addition, the Investor entered into agreements dated August 30, 2006 with V.R. Jayaraman, Paresh Rajda and the Company for purchase of 17,400 and 7,200 Equity Shares, respectively for a consideration of Rs. 9.79 million and Rs. 4.05 million.

A clarificatory letter dated November 17, 2007 has also been signed and attested by all the parties to the Tano Shareholders Agreement wherein it was agreed that the term 'Promoters' is defined as Mahesh Desai and V. Balasubramanian for the purposes of the Tano Shareholders Agreement.

Pursuant to an amendment agreement ("**Amended Agreement**") dated June 18, 2010 entered into between the Promoters, Investors and the Company, the Tano Shareholders Agreement has been terminated. The Amendment Agreement provides that in the event the Company is unable to undertake the proposed IPO, on terms acceptable to the Investors, before March 31, 2011 or any extended period as may be approved by the Investors, then the Tano Shareholders Agreements shall be reinstated with full force and effect, as if the agreements had not been terminated hereunder.

Other Material Agreements

Acquisition of RIFOX –Hans Richter GmbH Spezialarmaturen

Pursuant to an agreement ("**RIFOX Agreement**") dated December 18, 2008 our Company along with its Subsidiary, VVCL (collectively referred to as "**Buyer**"), acquired RIFOX, a company headquartered in Bremen, Germany from Sabine Richter, representing Richter Verwaltungs GmBH & Co. KG, the sole shareholder of RIFOX (the "**Seller**"). RIFOX is a provider of steam and steam control products. The acquisition was made for a consideration which included a cash consideration along with 20,218 Equity Shares of our Company which was issued in exchange for equity shares of RIFOX.

Scheme of Amalgamation between VIL (the "Transferor Company") with VVCL (the "Transferee Company")

Pursuant to the provisions of Section 391-394 of the Companies Act, 1956, a scheme of amalgamation ("**Scheme**") has been proposed for the amalgamation of the Transferor Company with the Transferee Company which would result in consolidation of the business. The Transferor Company is a 100% Subsidiary of the Transferee Company. Pursuant to an application petition bearing No. 259 of 2010 along with the Scheme, filed before the High Court of Judicature Bombay ("**High Court**") both the Transferor and the Transferee had claimed for dispensation of the meeting of the shareholders and creditors. The High Court vide order dated April 16, 2010 directed for the dispensation of the aforesaid meeting. Subsequently petition bearing number 289 of 2010 has been filed before the High Court for sanction of the Scheme and the same is pending.

The salient features of the Scheme are as follows:

(i) The appointed date of the scheme of amalgamation is April 1, 2009 ("**Appointed Date**").

(ii) With effect from the Appointed Date and the upon the scheme becoming effective the Transferor Company shall be transferred to and vested in the Transferee Company as a going concern together with all its properties, assets, rights, benefits and interest, licenses relating to trademarks, knowhow, trade name or other interest in intellectual property rights therein.

(iii) With effect from the Appointed Date and upon the Scheme becoming effective, all debts, liabilities, duties and obligations of the Transferor Company shall be transferred to the Transferee Company.

(iv) The Scheme of amalgamation provides that all legal, quasi judicial or other proceeding initiated by or against the Transferor Company shall be transferred in the name of the Transferee Company and shall be continued, prosecuted and enforced by or against the Transferee Company.

(v) With effect from the Appointed Date, all employees of the Transferor Company would become the employees of the Transferee Company without any breach or interruption of service and on terms and conditions not less favourable than those subsisting with reference to the Transferor Company.

(vi) In the scheme of amalgamation it has been clarified that no equity shares will be issued to the Transferee Company in its capacity as shareholder of the Transferor Company since the Transferee Company cannot issue shares to itself.

(vii) On the Scheme of amalgamation being sanctioned by the High Court of Judicature of Bombay and with effect from the Appointed Date, the Transferor Company would be dissolved without going through the process of winding up.

Memorandum for transfer of assets and liabilities as at October 31, 2009 between VVCL and Virgo FZE.

Our Subsidiaries, VVCL and Virgo FZE entered into a Memorandum of Understanding (the "**MOU**") with each other dated October 31, 2009. The MOU was entered into pursuant to the transfer of a licence number 6683 for operating at the Jabel Ali Free Zone, Dubai which was granted to VVCL for its branch office, to Virgo FZE. The MOU states that with effect from October 31, 2009, the Jabel Ali Free Zone Authority has transferred the trading license previously held by VVCL to Virgo FZE. As per the terms of the MOU, all the assets and liabilities as of October 31, 2009 shall be acquired by Virgo FZE at their book values as per their audited accounts and the head office current account shall also be transferred to Virgo FZE. Any liability as may arise in the future from transactions entered into by VVCL shall be borne by the Virgo FZE. All the existing contracts/agreement entered into by VVCL shall be transferred to Virgo FZE either automatically or by executing fresh agreements and Virgo FZE shall be solely responsible for their execution as if they were originally entered into by the Virgo FZE.

Memorandum of Understanding entered into with M/s New Chennai Township Private Limited

The Company ("**Allottee**") has entered into a Memorandum of Understanding ("**MOU**") dated March 25, 2010 with M/s New Chennai Township Private Limited ("**Developer**"). The said MOU provides that the Developer is engaged in developing and maintaining a Special Economic Zone ("**SEZ**") situated at Parammankeni, Vellur, Atchvilagam and Madayambakkam villages within Kancheepuram district in the state of Tamil Nadu. The Developer has decided to make available to enterprenuers the developed plot in the SEZ in whose favour letter of approval has been issued by the Development Commissioner and the Developer has agreed in-principle to allot plot number 6 and 7 admeasuring 10 acres in the SEZ to the Allottee pursuant to a lease deed for a period of 99 years at a total premium amounting to Rs. 60,000,000 payable by the Allottee in various instalments. The Developer and the Allottee has agreed that the allotment of the said plot in favour of the Allottee shall be effective only on obtaining the letter of approval from the Development Commissioner, obtaining in principle approval from the Environmental and Pollution Control Board Authorities, payment of lease premium and entering into a lease deed governing the terms of the lease.

Other Agreements

Memoramdum of Settlement with the trade union, Virgo Kamgar Sanghtana and the Company

Our Company had entered into an Agreement (the "**Settlement**") dated May 28, 2010 with a trade union named Virgo Kamgar Sanghtana, a registered body representing all the permanent associates working at our manufacturing unit situated at 277 and 278, Hinjewadi Phase-II, Mann (Mulshi), Pune, 411057 and at J-525, MIDC, Bhosari, Pune 411 026 as well as those of VVCL, situated at 277, Hinjewadi Phase-II, Mann (Mulshi), Pune, 411057 (the "**Union**").

The Settlement was entered into pursuant to a charter of demands dated February 12, 2010 sent to the Company by the Union demanding certain benefits. The Settlement is effective from April 1, 2010 upto March 31, 2013 and is applicable to all permanent associates whose names are borne on the master rolls of the Company on April 1, 2010 as well as those associates who have been conferred with the status of permanency during the subsistence of the Settlement or thereafter. The Settlement is not applicable to casual associates, temporary associates, trainees, part-time associates apprentices and associates employed by a contractor or contract labour. The Settlement may be terminated by either party by giving two month's notice in writing, expressing the intention to terminate the same as provided in the Industrial Disputes Act, 1947 and the Rules made there under.

Some of the benefits that the Company has agreed to provide as per the settlement are as follows:

- Variable dearness allowance
- Loan of Rs. 75,000 to a maximum of 20 associates for the purchase of a house with an interest of 5% per annum repayable in 48 monthly installments, during the tenure of the settlement.
- Loan of Rs. 50,000 to a maximum of 16 associates for house repair with an interest of 5% per annum repayable in 36 monthly installments during the tenure of the settlement.
- Loan of Rs. 50,000 for self marriage and marriage of son/daughter with an interest of 5% per annum repayable in 36 monthly installments.
- Education loan of Rs. 100,000 for the higher education of the children of 13 associates with an interest of 5% per annum repayable in 48 monthly installments. A scholarship scheme for the children of employees has also been implemented.
- The Settlement also provides for a death relief fund where in case of the death of a permanent associate all the permanent associates of the Company would contribute one day's gross salary and the company would contribute one and a half times the total gross salary to the kin of the deceased.
- A bonus and ex-gratia will also be paid at the rate of 8.33% and 11.67% respectively on actual Basic plus Fixed Dearness Allowance and Variable Dearness Allowance.

Strategic Partners and Financial Partners

As of the date of the Draft Red Herring Prospectus we have no strategic or financial partners.

Details of past performance

For details in relation to our financial performance in the previous five financial years, refer to "Restated Financial Statements" on page 144.

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have not less than 5 directors and not more than 12 directors, subject to Sections 252 and 259 of the Companies Act, 1956. We shall obtain prior permission of the Central Government in the event the number of our directors exceeds 12. We currently have 12 directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Draft Red Herring Prospectus:

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
Mahesh Desai S/o Shivanand Desai B-11/12, Chaitraban Residency Off ITI Road Aundh Pune 411 007 Non Executive Chairman *Business* Liable to retire by rotation	U.S Citizen	00335134	53	**Indian Companies** a. Virgo Control Systems Private Limited b. Virgo Valves and Controls Limited c. Vintrol India Limited **Foreign Companies** a. Virgo Engineers Inc., U.S.A b. Vintrol Inc., U.S.A c. Virgo Europe S.p.a. d. EVS Valves Inc., USA e. RIFOX Hans Richter GmbH Spezialarmaturen f. Virgo Valves & Control (ME) FZE
V. Balasubramanian S/o Vaidyanath Sathanur F-504, Fifth Floor, Ganga Estate, Ghatla Village Road, Near Acharya Garden, Mumbai 400 071 Non Executive Director *Business* Liable to retire by rotation	India	00335644	64	**Indian Companies** a. Virgo Control Systems Private Limited b. Virgo Valves and Controls Limited c. Vintrol India Limited d. Telentica Software Private Limited e. Oasis Technocrats Private Limited **Foreign Companies** a. Virgo Engineers Inc., U.S.A **Proprietorships/Hindu Undivided Family** a. V.Balasubramanian (HUF)
Jagdish Desai S/o Shivanand Desai F-2, Shanti Co-operative Housing Society, Mogul lane, Mahim, Mumbai - 400 016 Non Executive Director *Business*	Non Resident Indian	00335436	51	**Indian Companies** a. Virgo Control Systems Private Limited b. Virgo Valves and Controls Limited c. Vintrol India Limited **Foreign Companies** a. Virgo Engineers Inc., U.S.A b. Vintrol Inc., U.S.A c. EVS Valves Inc., USA

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
Liable to retire by rotation				d. Virgo Valves & Controls (ME) FZE
Paresh Jaisinh Rajda S/o Jaisinh Padamsinh Rajda F 6/1 Gera Emerald City Pan Card Club Road, Baner Pune 411045 Executive Director *Service* Period of 5 years with effect from September 23, 2009	Indian	00680340	53	Virgo Europe S.P.A
Rajaram Ajgaonkar S/o Moreshwar Ajgaonkar "Mandar", Opp Bharat Petrol Pump, Juhu Tara Road, Santacruz (W), Mumbai - 400 049 Non Executive Director *Professional* Liable to retire by rotation	Indian	00605034	52	**Indian Companies** a. D—Link (India) Limited **Partnerships** a. R.M. Ajgaonkar & Associates **Proprietorships** a. R.M. Ajgaonkar & Co
Kishore Kulkarni S/o Anant Kulkarni 33, ICICI Apartments, Spring Mills Compound, Mumbai - 400 014 Independent Director *Consultant* Liable to retire by rotation	Indian	01572451	55	**Indian Companies** a. Virgo Valves and Controls Limited **Proprietorship** a. Krupa Enterprises

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
Hetal Gandhi S/o Madhukant Gandhi Rosy House Premises Co-operative Housing Society, Flat No 61, North Avenue, Santacruz (W), Mumbai - 400 054 Nominee Director of Tano *Service* Not liable to retire by rotation	Indian	00106895	44	**Indian Companies** a. Tano India Advisors Private Limited b. Chalet Hotels Limited c. Bombay Swadeshi Stores Ltd d. ABG Motors Limited
N. Venkiteswaran S/o Late V. Narayana Iyer House. No. 415, IIM Campus, Indian Institute of Management, Vastrapur, Ahmedabad 380 015 Independent Director Non Executive Director *Professor* Liable to retire by rotation	Indian	00056000	60	**Indian Companies** a. Bharat Petroleum Corporation Limited b. Dalton Capital Advisors India Private Limited c. Asit C. Mehta Investment Intermediates Limited
Dr. Dhananjay Kelkar S/o Shrikrishna M. Kelkar 902, Tara Towers, Near Swapnashilpa, Kothrud, Pune – 411 029 Independent Director Non Executive Director *Professional* Liable to retire by rotation	Indian	01195954	49	**Indian Companies** a. Kelkar Agro Products Private Limited b. Kelkar Hotels Private Limited **Trusts** a. Jnana Prabodhini Medical Trust (Non profit) b. Deenanath Mangeshkar Hospital and Research Center c. Adishakti School for Adivasi (Tribal) Children
Abhay Nalawade S/o Mahadeo Nalawade AMAN, 53, National Housing Society, Baner Road, Aundh, Pune – 411 007. Independent Director Non Executive Director *Business* Liable to retire by rotation	Indian	00342055	61	**Indian Companies** a. EcoAxis Systems Private Limited b. KSK Energy Ventures Limited c. Suryaprasanna Speciality Surgery Center Private Limited

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	DIN No.	Age	Other Directorships
Manu Parpia S/o Mahmud R. Parpia 72, Tenerife, Little Gibbs Road #2, Malabar Hills, Mumbai – 400 001 Independent Director Non Executive Director *Business* Liable to retire by rotation	Indian	00118333	60	**Indian Companies** a. Geometric Limited b. 3D PLM Software Solutions Limited c. Inventurus Knowledge Solutions Private Limited d. Godrej Infotech Limited e. Alchemy Capital Management Private Limited f. Equirus Capital Private Limited g. Dassault Systems Indian Private Limited **Foreign Companies** a. Geometric Americas Inc., USA b. Geometric Technologies Inc., USA c. Geometric Asia Pacific Private Limited, Singapore d. Typhoon Acquisition Corp.
Dheerendra Joshi S/o Ramrao Madhavrao Joshi 4/14. Garden View, Amritvan, Goregaon (E) Mumbai 400 063 Independent Director Non Executive Director *Professional* Liable to retire by rotation	Indian	00077046	55	**Nil**

Brief Biographies of our Directors

Mahesh Desai is the Chairman of our Board of Directors. He co-founded our Company and has been associated with us since inception. He graduated with a mechanical engineering degree and a diploma in systems management from Bombay University. In 1997, he completed the advanced management program at the Wharton School, Philadelphia, United States of America. He has previously served as sales manager in Larsen & Toubro Limited. He also served as a piping design engineer with Tata Consulting for three years. He was appointed on our Board as the Chairman of the Board on March 20, 2006.

V. Balasubramanian is the mentor and non executive Director of our Company. He co-founded our Company and has been associated with us since inception. He graduated with a mechanical engineering degree and a diploma in management from Bombay University. He has previously served as regional sales manager with Larsen and Toubro Limited in Bombay, Chennai and Singapore regions. He was appointed on the Board of our Company on June 8, 1987.

Jagdish Desai is a non-executive Director of our Company. He graduated with a bachelor's degree in electrical engineering from Visveswaraya Regional College of Engineering, Nagpur and a postgraduate diploma in computer management from Jamnalal Bajaj Institute of Management Studies, Mumbai. He also completed a course in executive education in business management from University of Michigan, Ann Arbor, United States of America. He previously served in Crompton Greaves Limited handling sales of electrical equipments. He also served as regional manager in International Data Management, Bombay. He was appointed on the Board of our Company on September 6, 1991.

Paresh Rajda is an executive Director of our Company and heads our corporate finance, human resource and information technology function. A graduate in Mechanical engineering from M.S. University, Baroda, he has over 29 years of experience in industrial sales. He has previously worked as the sales manager at New Standard Engineering and served as senior manager at Fisher-Xomox (I) Limited. He joined our Company on November 24, 1994 to look after domestic sales and marketing. He has also worked in the capacity of head-automation division and then head of operations at our Company. Before heading corporate finance, he was in charge of our new projects. He was appointed on the Board of our Company on February 10, 2009.

Rajaram Ajgaonkar is a non-executive Director on the Board of our Company. He graduated with a commerce degree from Poddar College, Mumbai, and a degree in law from Government Law College, Mumbai. He is a qualified chartered accountant and founded his own firm of chartered accountants. Rajaram Ajgaonkar has been advising our Company since 1989 and was appointed on the Board of our Company on July 10, 1995**.**

Kishore Kulkarni is an independent Director on the Board of our Company. He has graduated with a mechanical engineering degree from the Indian Institute of Technology, Delhi, and a M.B.A. (marketing and finance) from Jamnalal Bajaj Institute of Management Studies, Bombay. After starting his career in consumer products marketing in Voltas, he joined ICICI Limited in 1980 where he held numerous positions in market research, venture capital, and mergers and acquisitions. He opted for voluntary retirement from ICICI Limited in 2000. Since then, he is running his own investment advisory business. He has been closely associated with our Company since 1995 and was first appointed on the Board of our Company on June 18, 2004, and reappointed on October 31, 2006.

Hetal Gandhi is a Director nominated by Tano Mauritius India FVCI on the Board of our Company. He is a certified member of the Institute of Chartered Accountants of India. He started his career in management consulting for three years with A.F. Ferguson and Company. He has served as chief executive officer for the financial services business of Infrastructure Leasing and Financial Services Limited. He has over eighteen years of experience in the financial services business spanning private equity, investment banking and asset financing. He is the co-founder and Managing Director of Tano India Advisors (P) Ltd, who are advisors to Tano Mauritius India FVCI. He was appointed on the Board of our Company on October 18, 2006.

N. Venkiteswaran is an independent Director on the Board of our Company. He graduated with a degree in economics from the Madurai University. He was in the all-India merit list for chartered accountancy and secured a gold medal in Part I of the Postgraduate Management Accountancy Examination of the Institute of Chartered Accountants of India. He is a professor at the Indian Institute of Management, Ahmedabad since 1988, and his expertise lies in strategic management, corporate finance, corporate restructuring, and corporate governance. He is currently serving as a member of the Central Direct Taxes Advisory Committee, Ministry of Finance, Government of India. He was appointed on the Board of our Company on October 26, 2007.

Dhananjay S. Kelkar is an independent Director on the Board of our Company. He has a degree in Bachelor of Medicine and Surgery from B. J. Medical College, Pune University and a Master of Surgery from Sassoon General Hospital, Pune University. He did four years of residency training in cancer surgery at Tata Memorial Hospital in Bombay. He founded Deenanath Mangeshkar Hospital, a hospital where 30 percent beds are free of charge for poor patients. He is also the founder and managing trustee of Jnana Prabodhini Medical Trust, a non-profit trust that runs Sanjeevan Hospital, Shirwal - Kamala Mehta Eye Hospital, Niramay Hospital Dabhol and a nursing school. He is also a trustee for Adishakti school for adivasi (tribal) children. He was appointed on the Board of our Company on October 26, 2007.

Abhay Nalawade is an independent Director on the Board of our Company. He is a Physics graduate from Pune University with a Masters in Business Administration in Marketing from Pune University, and additional senior management training from Harvard Business School, USA. He served with the Thermax Group for over 25 years. In Thermax Group, he served as a marketing executive and progressed to become the managing director, and later the chief executive officer of the company. Presently he is the managing director of EcoAxis Systems Private Limited, a joint venture with A.T.E. Enterprises. He was inducted into the Board of the Company on October 26, 2007.

Manu Parpia is an independent Director on the Board of our Company. His experience in the engineering industry spans over 30 years, including over 20 years in the software industry. He has a chemical engineering degree from McGill University, Canada, and a Masters in Business Administration from the Harvard Business School. Upon completion, he was selected as associate fellow writing cases in marketing. He set up the electronic business equipment division for Godrej Limited for design, development, manufacturing and distribution of various electronic office equipment and CAD/CAM software. He led Geometric Limited as its chief executive officer, the IT distribution and the Electronic Business Equipment division of Godrej Limited. He was appointed on the Board of our Company on October 26, 2007.

Dheerendra Joshi is an independent Director on the Board of our Company. He holds a Master degree in Technology (Mechanical) from Indian Institute of Technology, Madras and also qualified as a cost accountant from Institute of Cost and works Accountants. He also more than 33 years of experience in the fields of general management, marketing, project management and detailed engineering. He was the managing director of Aker Power gas Private Limited. He also was in the project management of polyethylene plant for Borealis Sweden, Sulfur recovery unit IOL, Cochin and other project for JCT Limited, Ceat Tyres. He also worked in engineering project management and construction supervision of industrial project for Swadeshi Polyester Limited, Modi Rubber Limited and Tata Consulting Engineers. He was appointed on the Board of our Company on April 27, 2010.

Borrowing powers of the Board

Our Articles, subject to the provisions of the Act authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our Members, have pursuant to a resolution passed at the Annual General Meeting dated September 15, 2008, authorised our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of the Company and its free reserves, not exceeding Rs. 5,000 million at any time.

Corporate Governance

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

We have complied with the Listing Agreement with respect to corporate governance especially with respect to broad basing of our Board, constituting committees such Audit Committee, Shareholders'/Investors' Grievance Committee and Remuneration/Compensation Committee. Further, the provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares on the Stock Exchanges. We have also adopted the Corporate Governance Code for our Directors in its Board meeting dated April 26, 2007 in accordance with Clause 49 of the Listing Agreements to be entered into with the Stock Exchanges prior to listing. Currently our Board has 12 Directors, of which the Chairman of the Board is a non - executive Director. In compliance with the requirements of Clause 49 of the listing agreement, we have one executive Director, and 11 non-executive Directors on our Board, of which, six are Independent Directors. Further, in compliance with Clause 49 of the Listing Agreement, the following Committees have been formed:

Audit Committee

The audit committee was constituted by our Directors at their Board meeting held on February 16, 2007, and reconstituted on April 26, 2007 and again on October 26, 2007. The audit committee consists of Kishore Kulkarni (Chairman), Dhananjay Kelkar, R. M. Ajgaonkar and Abhay Nalawade. The last meeting of the audit committee was conducted on June 12, 2010.

The terms of reference of the audit committee are as follows:

a) Overseeing the Company's financial reporting process and disclosure of its financial information;
b) Recommending to the Board the appointment, re-appointment, and replacement of the statutory auditors

and the fixation of audit fee;

c) Approval of payments to the statutory auditors for any other services rendered by them;
d) Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

    (i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956;
    (ii) Changes, if any, in accounting policies and practices and reasons for the same;
    (iii) Major accounting entries involving estimates based on the exercise of judgment by management;
    (iv) Significant adjustments made in the financial statements arising out of audit findings;
    (v) Compliance with listing and other legal requirements relating to financial statements; and
    (vi) Disclosure of any related party transactions.

e) Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;
f) Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;
g) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;
i) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;
j) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;
k) Review of management discussion and analysis of financial condition and results of operations, statements of significant related party transactions submitted by management, management letters/letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, and the appointment, removal and terms of remuneration of the chief internal auditor; and
l) Carrying out any other function as is mentioned in the terms of reference of the audit committee.

Pursuant to the amendments to the Listing Agreement dated December 27, 2007, the role of the audit committee has been expanded to include monitoring of utilisation of Issue proceeds and making appropriate recommendations to the Board of Directors of our Company in this regard.

IPO Committee

The IPO committee was constituted by our Directors at their Board meeting held on April 26, 2007 and reconstituted on October 26, 2007, April 24, 2008 and April 27, 2010. The IPO committee consist of Mahesh Desai (Chairman), Hetal Gandhi, Rajaram Ajgaonkar and Paresh Rajda. The last meeting of the IPO committee was held on April 12, 2010.

The IPO Committee shall be responsible for taking all decisions relating to the Issue, and to finalize along with the legal advisors and the book running lead managers, the draft red herring prospectus, prospectus and other related documents and do all requisite filings with SEBI, the Stock Exchanges, Registrar of Companies and other appropriate government and regulatory authorities, institutions or bodies. The committee shall also execute all documents and contracts for the Issue including the Memorandum of Understanding with the book running lead managers, Escrow Agreement, Syndicate Agreement, Registrar's Memorandum of Understanding and Underwriting Agreement, to determine and finalise the floor price/price band for the Issue, approve the basis for the allocation and confirm allocation of the equity shares to various categories of persons as disclosed in the draft red herring prospectus, the red herring prospectus and the prospectus, in consultation with the book running lead managers and do all such acts and things as may be necessary and expedient for, and incidental and ancillary to, the Issue.

Share Transfer Committee

The share transfer committee was constituted by our Directors at their Board meeting held on April 26, 2007 and reconstituted on October 26, 2007. The share transfer committee consists of V. Balasubramanian (Chairman), Mahesh Desai and Jagdish Desai. The last meeting of the share transfer committee was held in March 27, 2010

The terms of reference of the committee are as follows:

(a) Transfer of shares including transmission, splitting of shares into marketable lots, changing joint holding into single holding and vice versa; and
(b) Issuing duplicate share certificates in lieu of those torn, destroyed, lost or defaced or where the cases in the reverse for recording transfers have been duly utilized.

Compensation Committee

The compensation committee was constituted by our Directors at their Board meeting held on April 26, 2007 and reconstituted on October 26, 2007. The compensation committee presently consists of Abhay Nalawade (Chairman), Mahesh Desai, Manu Parpia, N. Venkiteswaran and Kishore Kulkarni. The last meeting of the compensation committee was held in October 27, 2009.

The terms of reference of the compensation committee are as follows:

(a) Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas;
(b) Determining on behalf of the Board and the shareholders the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment;
(c) To perform such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; and
(d) Such other matters as may be from time to time required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Investor Grievance Committee

The investor grievance committee was constituted by our Directors at their Board meeting held on April 26, 2007 and reconstituted on October 26, 2007. This committee is responsible for redressal of shareholder grievances. The investor grievance committee consists of Kishore Kulkarni (Chairman), V. Balasubramanian, and Dr. Dhananjay Kelkar.

The terms of reference of the investor grievance committee are as follows:

(a) Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non- receipt of balance sheet etc.; and
(b) Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Shareholding of our Directors in our Company

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage (%) Shareholding	Post-Issue Percentage Shareholding*
1.	Mahesh Desai	13,633,004	32.31	25.75
2.	V. Balasubramanian	11,744,064	27.83	22.18
3.	Jagdish Desai	2,327,200	5.52	4.39
4.	Rajaram Ajgaonkar	2,999,200	7.11	5.66
5.	Kishore Kulkarni	82,800	0.20	0.15
6.	Dr. Dhananjay S. Kelkar	10,000	0.02	0.01
7.	Manu Parpia	20,000	0.05	0.03
8.	Paresh Rajda	201,600	0.48	0.38
TOTAL		**31,017,868**	**73.52**	**58.55**

**assuming they do not participate in the Issue*

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board to the extent of Rs. 15,000, for a committee meeting, to the extent of Rs. 5,000 paid to each Director as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company. Our independent Directors are collectively entitled to commission aggregating Rs. 1 million or 1% of profit after tax, whichever is lesser.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other benefits arising out of the ownership of the said Equity Shares. Jagdish Desai is a member of the Promoter Group of our Company and is the brother of Mahesh Desai who is the Promoter of our Company. For details of the Promoter Group see section titled "Our Promoter" on Page 135.

Except as stated in the section titled "Related Party Transactions" on page 139, and as disclosed above, our Directors do not have any other interest in our business.

Our Directors and Promoters have no interest in any property acquired by our Company since incorporation.

Other service contracts entered into with the Directors

None of the Directors of the Company have entered into any service contract with the Company**.**

Remuneration of our Directors

Paresh Rajda

Paresh Rajda was appointed as a whole time executive Director of our Company for a period of 5 years, pursuant to a resolution of our shareholders dated September 23, 2009. The remuneration paid during Fiscal 2010 consisted of the following:

(Rs. In million)

Particulars	Remuneration
Basic Salary	2.19
Allowances and Leave encashment	0.19
Perquisites and other benefits	0.96
Total	**3.34**

For details of incentive plan payable refer to "Our Management" on page 121.

Details of the compensation paid to the Directors in Fiscal 2010

During the last financial year Paresh Rajda, executive Director of our Company has been paid a total compensation amounting to Rs. 3,833,707 comprising remuneration, other allowances, contribution to provident fund and other perquisites and incentives.

The following table sets the compensation paid to the Company's non-executive Directors during the financial year ended March 31, 2010:

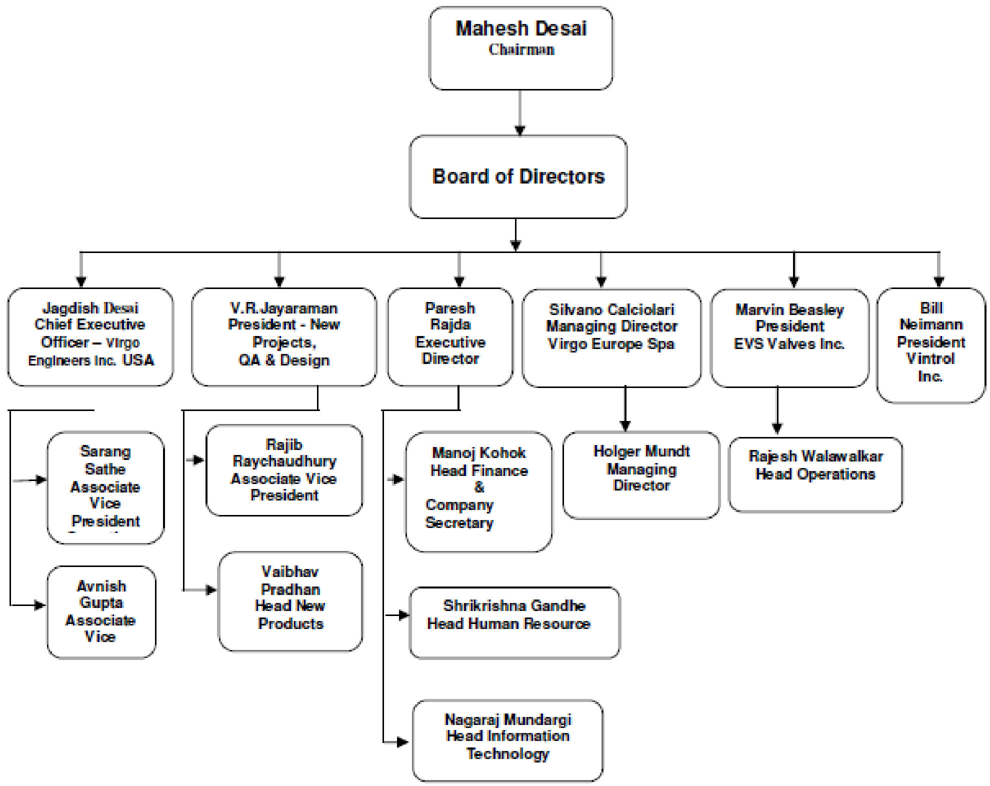
(Rs. in million)

Name of the Director	Sitting fees paid during Fiscal 2010	Commission paid during Fiscal 2010	Total
Rajaram Ajgaonkar	0.07	-	0.07
Kishore Kulkarni	0.08	0.20	0.28
Hetal Gandhi	0.06	-	0.06
N.Venkiteswaran	0.05	0.20	0.25
Dhananjay Kelkar	0.06	0.20	0.26
Abhay Nalawade	0.09	0.20	0.29
Manu Parpia	0.06	0.20	0.26
TOTAL	**0.47**	**1.00**	**1.47**

Changes in our Board of Directors during the last three years

Name	Date Of Appointment	Date of Cessation	Reason
Dheerendra Joshi	April 27, 2010		Appointed as an independent Director
Paresh Rajda	February 10, 2009	-	Appointed as an additional executive Director
Dr. Dhananjay S. Kelkar	October 26, 2007	-	Appointed as an independent Director
N. Venkiteswaran	October 26, 2007	-	Appointed as an independent Director
Abhay Nalawade	October 26, 2007	-	Appointed as an independent Director
Manu Parpia	October 26, 2007	-	Appointed as an independent Director

Consolidated Organization Structure of our Company



Key Management Personnel

In addition to the Whole Time Directors the details regarding our key management personnel are as follows:

V.R. Jayaraman is the President – Technology and Projects of our Company. He is a graduate in Mechanical Engineering from Osmania University with a Post Graduate Diploma in Business Administration from Annamalai University. He has also completed the advanced management program from the Indian School of Business, Hyderabad, and N.W. Kellogg, Chicago USA. He has 33 years of experience. He served as senior sales engineer in Larsen and Toubro Valves and as regional sales manager with British Petroleum India. Earlier, he served as resident sales engineer for Stump Scheule Somappa and Precision Fastners Limited. He joined our Company as head of marketing and sales on October 19, 1992. He played an important role in our launch of ball valves product in 1995 and was head of entire Indian operations (including finance and personnel) before taking charge of technology and new projects. The remuneration paid to him for Fiscal 2010 was Rs.3.28 million.

Sarang Sathe is Associate Vice President of the Company and heads the wellhead division of our Company. He holds Diploma in Mechanical Engineering from Board of Technical Examination, Maharashtra. He has over 28 years of work experience. He served as senior engineer – quality assurance at Pam-Pac Machines Limited and as an engineer - quality assurance at Sealol Hindustan Limited. He also served as a job inspector for Communication and Power Equipment Company Limited. He joined our Company on September 1, 1995 and is currently responsible for the wellhead division of our Company. The remuneration paid to him for Fiscal 2010 was Rs.2.78 million.

Manoj Kohok is the General Manager (Finance) and Company Secretary of our Company. He has completed his Bachelor's degree in Commerce from Pune University. He is also an associate member of the Institute of Cost and Works Accountants of India and the Institute of Company Secretaries of India since 1990 and 1996 respectively. Prior to joining our Company, he served as company secretary for Bilcare Limited, and as finance executive for the Indian Card Clothing Company Limited. In the past, he has also served as officer – costing for Rupee Cooperative

Bank. At our Company, he is responsible for activities of finance and secretarial department. The remuneration paid to him for Fiscal 2010 was Rs. 1.75 million.

Vaibhav Pradhan is the head of marketing of our new products including steam valves and accessories. He graduated with a B.E. Mechanical Degree from University of Pune in 1991. He has also completed Masters in Marketing Management in 1998 from University of Mumbai. He joined the Company in December 2008. Prior to his joining he served as general manager of Forbes Marshall Limited. The remuneration paid to him for Fiscal 2010 was Rs.1.96 million.

Nagaraj Mundargi is currently the head of the Information Technology department of the Company. He holds a degree of Doctor in Naturopathy from Mahatma Gandhi Nisargopchar Vidyapeeth and also holds software certifications from DSK Infotech, Pune in Oracle9i: SQL, PL/SQL and in Oracle 9i:DBA and diploma in computer management from Datapro. He has specialized in Baan Tools and ERP (Baan) installation and has undertaken various projects on the same. Prior to his joining the company he served as an EDP executive in Poonawala Group of Indutries, Manager Systems Adminstrations with Vertex Engineers Limited and also ERP project manager in Ivitesse Technologies. He joined the organization in 2007. The remuneration paid to him for Fiscal 2010 was Rs. 1.23 million.

Key Management Personnel of our Subsidiaries

Rajib Raychaudhury is the associate vice-president of our Subsidiary, VVCL. He graduated with a B.E. Mechanical degree from the University of North Bengal and has undergone the executive program for Senior Executive in the Ross School of Business under the University of Michigan, USA. He started his career in Patni Computer Systems Limited before joining Larsen & Turbo Ltd in their valves division as an executive. He joined the company in March 1997 as a branch manager, and moved on to head the Automation division of the company in 2002. In 2003, he was the head of the export-marketing group before moving on to head operations of Virgo Valves & Controls Limited in 2004. He then headed operations of our Subsidiary, VVCL. Currently he is responsible for the launch of our product line Triple Offset Valve. The remuneration paid to him for Fiscal 2010 was Rs. 2.91 million.

Rajesh Walawalkar is the head of operations of our Company's Subsidiary EVS. He graduated with B.E. Mechanical degree from Walchand College of Engineering, Shivaji University. He has 18 years of work experience. Before joining our Company on February 22, 2007, he served as a manager and head of product and engineering at Nestle India Limited. In addition, he was the general manager for operations at S2M Global LLC and the general manager for manufacturing at Whirlpool of India Limited. He also served as an officer at Cadbury India Limited. He resigned from the Company and joined as general manager for operations of EVS Valves Inc. The remuneration paid to him forFiscal 2010 was USD 0.12 million.

Avnish Gupta is currently associate vice president sales of VVCL and heads the global marketing team for ball valves. He graduated with B.E. Mechanical degree from the Pune University in 1992. Prior to his joining the Company, he served as Sales Engineer at Forbes Marshall. He joined our Company in 1995 as Senior Sales Engineer. He has served the company in various capacities such as Senior Sales Engineer at our Delhi branch, Assistant Manager – Exports, Senior Manager – Exports, General Manager– Exports, head of Middle East and Asia Pacific region. The remuneration paid to him for Fiscal 2010 was Rs. 2.01 million.

Shrikrishna Gandhe is the head of Human Resource department of our Subsidiary VVCL. He is a commerce graduate from the University of Pune. He holds Master degree in Personnel Management from Indian Institute of Cost & Management Studies & Research, Pune. He started his career with Kalyani Sharp Limited in 1987 and joined Kirloskar Brother Limited in 1990. He then moved to Finolex Industries Limited in 1999 and also served in McDowell and Company Limited till 2005. Prior to his joining the company as Head of Human Resource in November 2008, he worked with Suzlon Energy Limited. He is a visiting faculty and guest speaker at various management schools. The remuneration paid to him for Fiscal 2010 was Rs. 1.69 million.

Billy D. Neimann is the president of our Subsidiary, Vintrol. He graduated with a degree in technical writing and an associate degree from Okhlahama State University, USA. He has served as president for AOP Industries Inc. and as executive vice-president for Nutron Manufacturing. In addition, he worked for KF Industries Inc., and held many positions such as president, vice-president and executive vice president in that company. He has experience in sales and served as a sales representative for Prince Valve and Demco Inc.The remuneration paid to him for Fiscal 2010 was USD 0.30 million.

Silvano Calciolari is the managing director of our Subsidiary, Virgo S.p.a. He graduated with a diploma in accountancy from the High School of Accounting “Gino Zappa”, Milan, Italy. He has served as general manager for operations, sales, finance and engineering with Cooper Cameron Valves Italy S.r.l. He also served as general manager for operations and sales with Flowserve S.p.a, in addition to being managing director of the Board and legal representative of the Flowserve group of companies. He also served as administrative and financial manager of Iamcolor S.p.a and as an assistant to financial controller and general manager of Siade S.p.a. Prior to his joining the Company he was the senior auditor in Reconta Ernst and Young, Milan, Italy and also served as an analyst at Banca Intesa, Milan, Italy. The remuneration paid to him for Fiscal 2010 was €0.17 million.

Holger Mundt is the managing director of our Subsidiary Virgo S.p.A. He holds a Mechanical Engineering degree from Hochschule Bremen and a Certificate of Management from University of Leeds. Prior to his joining the company he was associated as a project manager in H.Dewers GmbH and Co. Bremen, general manager in F.X.Stohr GmbH Augsburg. He was also the general manager since 2006 in RIFOX, Bremen. He joined the company in January 1, 2009. The remuneration paid to him for Fiscal 2010 was Rs. €0.10 million.

Marvin Beasly is the president of our Subsidiary EVS. He holds a degree in Bachelor of Science in Electrical Engineering from Tulane University and Master degree in Mechanical Engineering from University of Houston. He is a registered professional engineer in Texas and member of American Society of Mechanical Engineers. He has more than 40 years of experience in the valve industry. He was associated with United States Navy and was also served as design and applications engineer in ABB-Gray Tools Company. He was the founder and owner of JDS Engineering and Valvtorn Inc. Prior to his joining the company in the year August 2008, he was acting as an independent consultant to the valve industry. The remuneration paid to him for Fiscal 2010 was USD 0.16 million.

All our key management personnel are permanent employees of our Company or our Subsidiaries (as disclosed above) and none of our Directors and our key management personnel are related to each other, except Mahesh Desai and Jagdish Desai who are brothers. Further, none of our key management personnel were appointed in their respective capacities pursuant to any arrangement or understanding with our shareholders, customers or others.

Shareholding of the Key Management Personnel

The following key management personnel hold Equity Shares in our Company:

S. No.	Name of the Key Management Personnel	Name of the Company/Subsidiaries of which they are employees	No. of Shares	Pre-Issue Percentage (%) Shareholding	Post-Issue Percentage Shareholding*
1.	Billy D. Neimann	Subsidiary -Vintrol	443,348	1.05	0.63
3.	Rajesh Walawalkar	Subsidiary – EVS Valves Inc.	12,000	0.03	0.02
4.	Sarang Sathe	Company	36,000	0.09	0.03
5.	V.R. Jayaraman	Company	5,83,200	1.38	0.89
	Total		**1,276,148**	**3.03**	**1.57**

**Assuming they do not participate in the Issue*

Bonus or profit sharing plan of the Key Management Personnel

Our Company does not have any bonus or profit sharing plan for our key management personnel.

Pursuant to the recommendation of the remuneration committee in its resolution dated September 30, 2009, our Company has put in place a performance linked incentive plan for certain management personnel based on individual performance, division performance and company performance up to a maximum of 30% of the basic salary.

Incentives under the scheme will be paid only if the PAT target of the group exceeds 75% or higher of the target.

In addition to the above payments to our Key Managerial Personnel, the said performance linked incentive scheme provides for the payment of an amount of up to a maximum of 3% of our Profit After Tax to our Promoters i.e. Mahesh Desai and Jagdish Desai in the ratio of 55% to 45% between them.

Other than as disclosed herein our Company does not have any bonus or profit sharing plan for our key management personnel.

Interest of Key Management Personnel

The key management personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them in the Company.

None of our key management personnel have been paid any consideration of any nature from the Company, other than their remuneration and profit sharing plans.

Changes in the Key Management Personnel

The changes in the key management personnel of our Company in the last three years are as follows:

Name of Key Management Personnel	Date Of Joining	Date of Leaving	Reason
Rajesh Walawalkar (i)	February 22, 2007		Appointed as General Manager (Operations)
Rajesh Walawalkar (i)	-	January 13, 2009	Resignation
Hrishikesh Vanarase	-	February 15, 2009	Resignation
Prahlad Purohit		January 21, 2009	Resignation
Vaibhav Pradhan	December 8, 2008	-	Appointment
Shrikrishna Gandhe	November 24, 2008	-	Appointment
Marvin Beasley(ii)	August 21, 2008	-	Appointment
Holger Mundt(iii)	January 1, 2009	-	Appointment

(i) Rajesh Walawalker was appointed as the General Manager (Operations) in our Company on February 22, 2007. He subsequently resigned on January 13, 2009 and joined as General Manager (Operations) in our wholly owned Subsidiary EVS.
(ii) Marvin Beasley was appointed as the President of our wholly owned Subsidiary, EVS.
(iii) Holger Mundt joined as a director of our Subsidiary RIFOX.

Other than the above changes, there have been no changes to the key management personnel of our Company that are not in the normal course of employment.

Employee Stock Option Scheme

For details of our ESOP Schemes, see "Capital Structure – Notes to Capital Structure" on page 26.

Payment or benefit to Directors/officers of our Company

Except as stated otherwise in Our Management on page 121 and Restated Financial Statements on page 144, no amount or benefit has been paid or given or is intended to be paid or given to any of the officers except the normal remuneration for services rendered as Directors, officers or employees.

OUR PROMOTERS

Our Promoters are Mahesh Desai and V. Balasubramanian.

The details of our Promoters are as follows:

Mahesh Desai, age 53 years, is the Chairman of our Company. For further details, see section titled "Our Management" on page 121.

His passport number is 422080548.

He does not have a voters id

His PAN number is AACPD8607J

V. Balasubramanian, age 64 years, is a Director in our Company. For further details, see section tilted "Our Management" on page 121.

His passport number is E1225901

His voters id is MT/07/046/0391/048

His driving license number is 83/E16946

His PAN number is AAFPB1249P

We confirm that the Permanent Account Numbers, Bank Account Numbers and Passport Numbers of our Promoters would be submitted to the BSE and NSE at the time of filing of this Draft Red Herring Prospectus with them.

Interest of our Promoters

Our Promoters are interested in our Company to the extent that they have promoted our Company, their shareholding in our Company and to extent of them being Directors of our Company and our Subsidiaries. Our Promoters may also be deemed to be interested to the extent of any dividend payable to them and incentives and other benefits arising out of the ownership of the said Equity Shares. For further interest of our Directors, see section "Our Management" on page 121.

Common Pursuits

Except as disclosed in the Draft Red Herring Prospectus, the Promoters do not have an interest in any venture that is involved in any activities similar to those conducted by our Company or any member of the Promoter Group.

Payment of benefits to our Promoters during the last two years

Except as stated in the sections titled "Our Management" and "Related Party Transactions" on pages 121 and 139, there has been no payment of benefits to our Promoters during the last two years from the date of filing of this Draft Red Herring Prospectus.

Related Party Transactions

For details of the related party transactions, see the section titled "Related Party Transactions" on page 139.

Disassociation by the Promoters in the last three years

Nil

Other Confirmations

Our Promoters have further confirmed that they have not been declared as wilful defaulters by the Reserve Bank of India or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them.

Further none of our Promoter or Promoter Group Entities have become sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and none of them is under winding up. In addition, except as disclosed in the Draft Red Herring Prospectus, none of our Group Entities have a negative net worth as the date of the respective last audited financial statements.

None of our Promoters was or is a promoter, director or person in control of any other company which is debarred from accessing the capital market under any order or directions made by the Board.

Promoter Group

In addition to the Promoters named above, the following natural persons, companies and HUF's form a part of the Promoter Group.

The natural persons who are part of the Promoter Group (being the immediate relatives of our Promoters), apart from the individual Promoters mentioned above, are as follows:

Promoter	Name of the Relative	Relationship
Mahesh Desai	Neeta Desai	Spouse
	Durga Desai	Mother
	Sanyukta Desai	Daughter
	Amod Desai	Son
	Jagdish Desai	Brother
	Anagha Kanade	Sister
	Digambar Devnally	Spouse's Father
	Vijaya Devnally	Spouse's Mother
	Geeta Kasbekar	Spouse's Sister
V. Balasubramanian	B. Sashikala	Spouse
	Praveena Ravishankar	Daughter
	B. Prasad	Son
	V. Anantharaman	Brother
	S.V. Rajamani	Brother
	V. Krishnamurthy	Brother
	V. Natarajan	Brother
	V. Nagrajan	Brother
	V. Venkatraman	Brother
	N. Preema	Sister
	G. Venkataramani	Spouse's Father
	Vasantha	Spouse's Sister
	Savithri	Spouse's Sister

GROUP ENTITIES

The entities that are promoted by our Promoters are as follows:

1. V. Balasubramanian (HUF)

V. Balasubramanian (HUF) was formed on April 29, 1978.V. Balasubramanian is the Karta of the V. Balasubramanian (HUF) and is authorized to make all decisions on behalf of the HUF.

V. Balasubramanian, B. Sashikala, B. Prasad Balasubramanian and Praveena Ravishankar are the members of the V. Balasubramanian (HUF).

Financial Performance *(Rs. in million)*

	Fiscal 2009	Fiscal 2008	Fiscal 2007
Total Income (including interest on deposits, bank interest, dividends from companies etc.)	0.35	0.24	0.13
Income claimed to be exempted from income tax	0.33	0.23	0.13

2. Virgo Control Systems Private Limited

The company was incorporated on September 4, 1991. It has its registered office at J-517, MIDC Bhosari, Pune – 411 026.

The main objects of the company include carry on the business as manufacturers, designers, processors, developers, assemblers, buyers, sellers, marketing agents, importers, exporters,dealers in all types of software systems for control and automation of various industrial and non-industrial processes including for all types of petrochemical, oil explorations and process plants.

Shareholding as of March 31, 2010

The shareholding pattern of equity shares of the company is as follows:

Sl. No	Shareholder	Number of shares	Percentage
1.	Mahesh Desai	500	33.33
2.	Jagdish Desai	500	33.33
3.	V. Balasubramanian	500	33.33
	TOTAL	**1,500**	**100**

Directors as of March 31, 2010

The board of directors comprise of Mahesh Desai, V. Balasubramanian and Jagdish Desai.

Financial Performance

Particulars	FY 2009	FY 2008	FY 2007
Sales & Other Income	2,000.00	1,800.00	1,800.00
Profit after tax	(62,328.00)	(62,528.00)	(62,611.00)
Earnings per share	(41.55)	(41.69)	(41.74)
Share Capital (of face value Rs. 100 each)	150,000.00	150,000.00	150,000.00
Reserves & Surplus	(912,273.00)	(849,945.00)	(787,417.00)
Book value per share	(508.18)	(466.63)	(424.94)

Confirmations

None of our Promoter, Group Entities or directors of Group Entities have been declared as willful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them. Additionally, none of the Promoter, Group Entities or directors of Group Entities or any companies in which the Promoter is or was associated as promoter, director or person in control have been debarred or prohibited from accessing the capital markets for any reasons by the SEBI or any other authorities.

Further none of our Group Entites have become sick companies within the meaning of Sick Industrial Companies (Special Provisions) Act, 1985 and none of them is under the process of winding up. None of the Group Entities have business interests in the Company.

None of our Group Entities remain defunct and no application has been made to the registrar of companies for striking off the name of any of our Group Entities, during the five years preceding the date of filing the Draft Red Herring Prospectus with SEBI.

None of our Group Entities has made any public or rights issue in the last three years preceding the date of filing the Draft Red Herring Prospectus

Litigation

There is no litigation involving our Promoters and Group Entity.

Common Pursuit

Our Group Entity has a common pursuit and is involved in dealing with systems for control and automation of various industrial and non-industrial processes. We shall adopt necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For, further details on the related party transactions, to the extent of which our Company is involved, see “Related Party Transactions” on page 139.

Payment of benefits to our Promoter

Except as stated in the section “Related Party Transactions” on page 139 of this Draft Red Herring Prospectus, there has been no payment of benefits to our Promoter during the two years prior to the filing of this Draft Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

(All amounts in Rupees Million, unless otherwise stated)

As per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below. This disclosure is based on audited consolidated financial statements as at and for the years ended March 31, 2006; March 31, 2007; March 31, 2008; March 31, 2009 and March 31, 2010.

As per Accounting Standard 18, notified by Companies Accounting Standards Rules, 2006, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below.

(I) List of related parties with whom transactions have taken place and Relations

	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Key Management Personnel ('KMP')	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director (upto April 27, 2010)
	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director
	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director
	Mr. V. R. Jayaraman Director & Chief Operating Officer	Mr. V. R. Jayaraman Director	Mr. V. R. Jayaraman Director (Upto 26-Apr-2007)		
		Mr. Paresh Rajda Director	Mr. Paresh Rajda Director (Up to 26-Apr-2007)	Mr. Paresh Rajda Whole-time Director (w.e.f. February 10, 2009)	Mr. Paresh Rajda Executive Director
Joint Venture	Deltech Controls LLC, USA-50% interest*				
	Stafford Controls Limited (formerly Deltech Controls Limited); Subsidiary of joint venture till October 28, 2005.				
Relatives of Key Management Personnel:	Ms. B. Praveena	Ms. B. Praveena	Ms. B. Praveena	Ms. B. Praveena	Ms. B. Praveena
	Ms. B Shashikala	Ms. B Shashikala	Ms. B Shashikala	Ms. B Shashikala	Ms. B Shashikala
	Mr. B. Prasad	Mr. B. Prasad	Mr. B. Prasad	Mr. B. Prasad	Mr. B. Prasad
	Mrs. Durga S. Desai	Mrs. Durga S. Desai	Mrs. Durga S. Desai	Mrs. Sujata J. Desai	Mrs. Sujata J. Desai
	Mrs. Sujata J. Desai	Mrs. Sujata J. Desai	Mrs. Sujata J. Desai	Mr. Amod M. Desai	Mr. Amod M. Desai
	Mr. Amod M.	Mr. Amod M.	Mr. Amod M.	Ms. Sanyukta	Ms. Sanyukta

	Desai	Desai	Desai	M.Desai	M.Desai
	Ms. Sanyukta M.Desai	Ms. Sanyukta M.Desai	Ms. Sanyukta M.Desai	Mrs. Neeta M. Desai	Mrs. Neeta M. Desai
	Mrs. Neeta M. Desai	Mrs. Neeta M. Desai	Mrs. Neeta M. Desai	Mrs. Anagha N. Kanade	Mrs. Anagha N. Kanade
	Mrs. Anagha N. Kanade	Mrs. Anagha N. Kanade	Mrs. Anagha N. Kanade	Mr. V. Anantharaman	Mr. V. Anantharaman
	Mr. Arjun V Jayaraman	Mr. Arjun V Jayaraman			
Enterprises owned or significantly influenced by key management personnel or their relatives	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)

* During the year, company sold its interest in Deltech Control LLC, USA on October 28, 2005 held by its subsidiary Virgo Engineers Inc., USA and Purchased controlling interest in Stafford Control Limited on October 28, 2005, whereby it became Company's subsidiary.

(II) Transactions during the year with related parties:

Nature of Transaction	Relation with related party	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Issue of Equity shares (incl. bonus shares)	Key Management Personnel (including parties with controlling interest)	51.72	0.67	72.76	-	-
	Relatives of Key Management Personnel	5.06	-	5.76	-	-
	Enterprises owned or significantly influenced by key management personnel or their relatives	0.20	-	0.30	-	-
Deposit Accepted	Relatives of Key Management Personnel	0.25	-	-	-	-
Deposits Repaid	Relatives of Key Management Personnel	0.15	-	-	-	-
Unsecured loan Payable	Key Management Personnel (including parties with controlling interest)	0.14	-	-	-	-
	Relatives of Key Management Personnel	3.22	-	-	-	-

Dividend Paid	Key Management Personnel (including parties with controlling interest)	4.83	27.45	50.93	72.76	73.27
	Relatives of Key Management Personnel	0.51	2.54	4.03	6.79	6.79
	Enterprises owned or significantly influenced by key management personnel or their relatives	0.20	0.11	0.21	0.30	0.30
Interest Paid	Key Management Personnel (including parties with controlling interest)	0.02	-	-	-	-
	Relatives of Key Management Personnel	0.35	0.13	-	-	-
Remuneration Paid	Key Management Personnel (including parties with controlling interest)	21.41	7.98	32.66	79.90	84.61

(III) Material Transactions during the year with related parties:

Name of Related Party	Relation with related party	Nature of transaction	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
V. Balasubramanian	Key Managerial Personnel	Issue of Equity Shares	19.99	-	29.36	-	-
		Dividend Payment	2.02	10.83	20.55	29.36	29.36
		Remuneration Paid	1.17	4.16	0.66	1.31	-
Mahesh Desai	Key Managerial Personnel	Issue of Equity Shares	21.53	0.67	36.08	-	-
		Dividend Payment	2.43	13.26	25.26	36.08	36.08
		Remuneration Paid	10.90	11.74	17.03	42.66	44.33

		Purchase of investments	-	27.45	-	-	-
B. Praveena	Relative of Key Managerial Personnel	Acceptance of Deposit	0.20	-	-	-	-
		Interest paid	0.24	0.10	-	-	-
Durga Shivanand Desai	Relative of Key Managerial Personnel	Acceptance of Deposit	0.05	-	-	-	-
		Repayment of Deposit	0.15	-	-	-	-
		Interest paid	0.05	0.01	-	-	-
V. Jayaraman	Key Managerial Personnel	Remuneration Paid	1.66	2.47	0.13	-	-
Jagdish Desai	Key Managerial Personnel	Remuneration Paid	7.00	9.42	14.73	35.53	36.94
Paresh Rajda	Key Managerial Personnel	Remuneration paid	-	1.31	0.12	0.40	3.34

All the above disclosure is based on restated consolidated financial statements.

DIVIDEND POLICY

The declaration and payment of dividends 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, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash to the shareholders of the Company. The following is a restated consolidated statement of the dividend paid by the Company in Fiscals 2010, 2009, 2008, 2007 and 2006.

(Rs. in million)

Financial Year Ended March 31, 2010	Face value (Rs.)	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007	March 31, 2006
Class of Shares						
Equity Share Capital	10	210.98	210.78	201.78	105.39	99.62
10% Cumulative Redeemable Preference Shares	10	-	-	-	-	-
12% Cumulative Redeemable Preference Shares	10	-	-	-	-	-
13.5% Cumulative Redeemable Preference Shares	10	-	-	-	-	-
Dividend on Equity Shares						
Interim Dividend						
- Rate		25%	25%	20%	30%	20%
- Amount		52.75	52.70	42.16	31.62	6.51
Final Dividend						
- Rate		30%	25%	25%	30%	20%
- Amount		63.29	52.70	52.70	31.62	6.55
Dividend on Cumulative Redeemable Preference Shares						
10% Cumulative Redeemable Preference Shares						
- Rate		-	-	-	-	10%
- Amount		-	-	-	-	1.63
12% Cumulative Redeemable Preference Shares						
- Rate		-	-	-	-	-
- Amount		-	-	-	-	-
13.5% Cumulative Redeemable Preference Shares						
- Rate		-	-	-	-	-
- Amount		-	-	-	-	-
Corporate Dividend Tax		19.52	18.52	17.03	10.85	2.06

The amounts paid as dividends in the past are not in any manner indicative of our dividend policy or dividends, if any, that may be declared or paid in the future.

SECTION V – FINANCIAL STATEMENTS

RESTATED CONSOLIDATED FINANCIAL INFORMATION OF VIRGO ENGINEERS LIMITED

Auditors' report

(as required by Part II of Schedule II to the Companies Act, 1956)

To,
The Board of Directors
Virgo Engineers Limited
277, Hinjewadi, Phase II
Mann (Mulshi)
Pune 411 057
Maharashtra
India

Dear Sirs,

1. We have examined, (read together with paragraph 2 below), the Restated Consolidated Balance Sheet, of Virgo Engineers Limited (the 'Company') and its subsidiaries consisting of Virgo Valves & Controls Limited ('VVCL'), Vintrol India Limited ('VIL'), Stafford Controls Limited ('SCL'), Vintrol Inc. ('VI'), Virgo Engineers Inc. ('VEI'), EVS Valves Inc. (EVS), Virgo Europe S.p.A. ('VES), Virgo Valves and Controls (UK) Limited ('VVUK'), Virgo Valves and Controls (ME) FZE (VVCME), Rifox Hans Ritcher GmbH Speczialarmaturen – Germany, (Rifox) (together referred to as the 'Group') as at March 31, 2010, 2009, 2008, 2007 and 2006 and the related Restated Consolidated Profit and Loss Account for the years ended March 31, 2010, 2009, 2008, 2007 and 2006, ('Restated Consolidated Summary Statements'). These Restated Consolidated Summary Statements have been prepared by the Company and approved by the Board of Directors, in accordance with the requirements of:

    a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

    b. the Securities Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations 2009 ('the SEBI Regulations') and the related amendments thereto issued by the Securities and Exchange Board Of India ('SEBI') pursuant to Section 30 7of the Securities and Exchange Board of India Act, 1992, as amended to date;

2. We have examined such restated financial information taking into consideration:

    a. the terms of reference dated April 26, 2010 received from the Company, requesting us to carry out the assignment, in connection with the offer document being issued by the Company for its proposed Public Offer; and

    b. The Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India.

This report is being issued for incorporating the same in the Offer Document to be issued by the Company, in connection with the proposed IPO of 13,430,346 equity shares (Offer of fresh issue of 10,744,276 equity shares and Offer for sale by existing shareholders of 2,686,070 equity shares), having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process (the 'Offer').

Restated Consolidated Summary Statements as per audited consolidated financial statements:

3. The Restated Consolidated Summary Statements have been extracted by Management from the consolidated financial statements of the Group for the years ended March 31, 2010, 2009, 2008, 2007, and 2006, which have been approved by the Board of Directors and audited by us. The Restated Consolidated Summary Statements have been arrived at after making such adjustments and regroupings as in the opinion of Management are appropriate and more fully described in the Significant Accounting Policies and Notes on Adjustments appearing in Annexure III to this report.

We did not audit the unconsolidated financial statements of SCL (formerly Deltech Controls Limited), whose financial statements reflect (i) total assets of Rs. Nil, Rs.67.77 million, Rs.49.46 million and Rs. 74.28 million as at March 31, 2009, 2008, 2007 and 2006, respectively and (ii) total revenues of Rs.60.05 million, Rs. 96.80 million, Rs. 147.79 million and Rs. 49.79 million for the years ended March 31, 2009, 2008, 2007, and for the period from October 29, 2005 to March 31, 2006, respectively. The unconsolidated financial statements for the years ended March 31, 2009, 2008 and 2007 were audited by other auditors on which we have placed reliance; the financial statements for the period from October 29, 2005 to March 31, 2006 are certified by management and hence our audit opinion on the consolidated financial statements of these years insofar as it relates to amounts included in respect of SCL, is based solely on the report of other auditors and management certified accounts.

We did not audit the unconsolidated financial statements of VES, whose financial statements reflect (i) total assets of Rs. 809.15 million, Rs. 840.02 million, Rs. 256.27 million and Rs. 75.01 million as at March 31, 2010, 2009, 2008 and 2007, respectively, and (ii) total revenues of Rs. 865. 15 million, Rs. 879.37 million, Rs. 496.36 million and Rs. 14.94 million for the years ended March 31, 2010, 2009, 2008 and 2007, respectively. These unconsolidated financial statements were audited by other auditors on which we have placed reliance and hence our audit opinion on the consolidated financial statements of these years insofar as it relates to amounts included in respect of VES, is based solely on the report of other auditors.

We did not audit the unconsolidated financial statements of VVUK, whose financial statements reflect (i) total assets of Rs. NIL, Rs. 3.42 million, Rs. 1.19 million, Rs. 6.57 million and Rs. 0.71 million as at March 31, 2010, 2009, 2008, 2007 and 2006, respectively and (ii) revenues of Rs. Nil, Rs. 3.20 million, Rs. 6.89 million, Rs. 6.33 million and Rs. 5.21 million for the years ended March 31, 2010, 2009, 2008, 2007 and 2006, respectively. These unconsolidated financial statements were audited by other auditors on which we have placed reliance and hence our audit opinion on the consolidated financial statements of these years insofar as it relates to amounts included in respect of VVUK, is based solely on the report of other auditors.

We did not audit the unconsolidated financial statements of Rifox, whose financial statements reflect (i) total assets of Rs. 115.85 million and Rs.135.64 million, as at March 31, 2010 and 2009, respectively, and (ii) revenue of Rs. 197.62 million and Rs.41.09 million for the years ended March 31, 2010 and 2009, respectively. These unconsolidated financial statements were audited by other auditors on which we have placed reliance and hence our audit opinion on the consolidated financial statements of these years insofar as it relates to amounts included in respect of Rifox, is based solely on the report of other auditors.

We did not audit the unconsolidated financial statements of VVCME, whose financial statements reflect total assets of Rs. 190.02 million as at March 31, 2010 and revenues of Rs. 57.64 million for the year ended March 31, 2010. These unconsolidated financial statements were audited by other auditors, on which we have placed reliance and hence our audit opinion on the consolidated financial statements of these years insofar as it relates to amounts included in respect of VVEME, is based solely on the report of other auditors.

The other auditors have confirmed that the restated consolidated financial information has been made after incorporating:

a) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.

b) Adjustments for the material amounts in the respective financial years to which they relate.

c) There are no extraordinary items that need to be disclosed separately in the accounts and qualifications requiring adjustments.

4. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations and terms of our engagement agreed with you, we further report that:

a) We have examined, (read together with paragraph 3 above), the Restated Consolidated Summary Statements (See Annexure I and II). These statements have been arrived at after making adjustments and regroupings, as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Adjustments appearing in Annexure III to this report.

b) Based on our examination of the Restated Consolidated Summary Statements we are of the opinion that the Restated Consolidated Summary Statements have been made after incorporating:

- adjustments for the changes in accounting policies retrospectively in respective financial years, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods;
- adjustments for the material amounts in the respective financial years to which they relate;
- the extraordinary items which need to be disclosed separately in the Restated Consolidated Summary Statements and;
- For the years ended March 31, 2010, 2009, 2008, 2007 and 2006 there are no qualifications in the consolidated auditors' reports, which require any adjustments to the Restated Consolidated Summary Statements.

Other Consolidated Financial Information:

5. At the Group's request, we have also examined the following other consolidated financial information, as restated, proposed to be included in the Offer Document prepared by Management and approved by the Board of Directors of the Company and annexed to this report relating to the Group for the years ended March 31, 2010, 2009, 2008, 2007 and 2006:

Sr. No:	**Particulars of Other Consolidated Financial Information**	**Annexure Reference**
1.	Statement of Consolidated Cash Flows, as Restated	IV-A
2.	Details of Consolidated Other Income and Other Income, including Extraordinary items	IV-B
3.	Details of Rates of Dividend	IV-C
4.	Consolidated Capitalisation Statement as at March 31, 2010	IV-D
5.	Details of Consolidated Loans	IV-E and IV-E1
6.	Details of Consolidated Investments	IV-F
7.	Details of Consolidated Sundry Debtors	IV-G
8.	Details of Consolidated Loans and Advances	IV-H
9.	Statement of Consolidated Accounting ratios	IV-I
10.	Statement of Consolidated Segment Information	IV-J
11.	Statement of Consolidated Related Party Disclosures	IV-K

6. In our opinion, the Other Consolidated Financial Information as disclosed in the annexures to this report, read with the respective significant accounting policies and notes and after making adjustments and re-groupings as considered appropriate and disclosed in Annexure III, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Regulations.

7. We have not audited any financial statements of the Group as of any date or for any period subsequent to March 31, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Group as of any date or for any period subsequent to March 31, 2010.

8. This report should not be in any way construed as a reissuance or re-dating of any of the previous audit reports issued by us or by other firm of Chartered Accountants, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO by the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. R. Batliboi & Associates
Firm Registration Number: 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966
Place: Mumbai
Date: June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE I : SUMMARY STATEMENT OF CONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009	Year Ended March 31, 2010
A. Fixed Assets:					
Gross Block	368.02	772.65	954.12	1,433.22	1,608.31
Less : Depreciation	130.91	238.56	315.49	411.07	523.80
Net Block	**237.11**	**534.09**	**638.63**	**1,022.15**	**1,084.51**
Capital Work-in-Progress	57.16	32.26	84.90	111.57	80.56
Total	**294.27**	**566.35**	**723.53**	**1,133.72**	**1,165.07**
B. Investments	**14.07**	**0.06**	**0.06**	**0.06**	**0.06**
C. Deferred Tax Assets	**2.33**	**5.40**	**8.12**	**3.62**	**19.17**
D. Current Assets, Loans and Advances:					
Inventories	543.28	1,053.68	2,049.26	2,598.07	2,514.17
Sundry Debtors	601.89	793.68	1,778.72	1,934.28	1,879.05
Cash and Bank Balances	32.29	73.53	139.38	243.66	307.03
Other Current Assets	42.79	126.84	222.05	205.90	198.01
Loans and Advances	71.09	188.55	343.99	531.92	562.18
Total	**1,291.34**	**2,236.28**	**4,533.40**	**5,513.83**	**5,460.44**
E. Liabilities and Provisions:					
Non-convertible Preference Shares of subsidiaries held by outsiders	27.94	27.94	-	-	-
Secured Loans	240.16	460.99	1,178.75	1,724.32	1,439.51
Unsecured Loans	12.21	-	94.38	40.50	35.58
Minority Interest	17.19	-	-	-	-
Deferred Tax Liability	14.29	23.63	23.74	40.90	44.72
Current Liabilities and Provisions	873.06	1,229.48	2,157.21	2,015.24	1,686.60
Total	**1,184.85**	**1,742.04**	**3,454.08**	**3,820.96**	**3,206.41**
F. Net Worth (A+B+C+D-E)	**417.16**	**1,066.05**	**1,811.03**	**2,830.27**	**3,438.33**
Net Worth represented by					
1.Equity Share Capital	99.62	105.39	210.78	210.78	210.98
2.Equity shares pending allotment	-	-	-	10.04	-
3.Employee Stock Option Outstanding	-	0.23	0.57	0.73	0.81
4.Reserves and Surplus	318.21	960.62	1,599.68	2,608.72	3,226.54
5.Miscellanous Expenditure to the extent not adjusted/ written off	0.67	0.19	-	-	-
Net Worth (1+2+3+4-5)	**417.16**	**1,066.05**	**1,811.03**	**2,830.27**	**3,438.33**

Notes:

The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure III, to this report.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE II : SUMMARY STATEMENT OF CONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
INCOME					
Sales					
Sale of Goods and Service Income	1,634.29	3,078.79	5,141.41	6,878.91	6,733.00
TOTAL	**1,634.29**	**3,078.79**	**5,141.41**	**6,878.91**	**6,733.00**
Other Income	11.86	26.70	56.69	60.10	80.00
(Increase)/Decrease in inventories	217.03	286.97	839.21	321.77	5.86
TOTAL INCOME (A)	**1,863.18**	**3,392.46**	**6,037.31**	**7,260.78**	**6,818.86**
EXPENDITURE					
Raw Material Consumed	1,024.42	1,866.78	3,570.65	3,968.65	3,534.66
Operating and other Expenses	266.17	499.10	712.27	1,035.85	981.14
Employees' Remuneration and Benefits	154.93	250.77	433.65	644.35	827.39
Financial Charges	49.30	72.08	158.28	236.51	229.97
Depreciation/Amortisation	29.89	71.12	86.80	120.37	151.63
TOTAL EXPENDITURE (B)	**1,524.71**	**2,759.85**	**4,961.65**	**6,005.73**	**5,724.79**
Sub-Total (A-B)	**338.47**	**632.61**	**1,075.66**	**1,255.05**	**1,094.07**
Less: Profit transferred to goodwill	-	13.93	-	-	-
Less: Share of profit transferred with subsidiary	-	-	-	2.49	-
Add: Share of loss of minority interest	0.42	-	-	-	-
Net Profit before tax and extraordinary items	**338.89**	**618.68**	**1,075.66**	**1,252.56**	**1,094.07**
Add:					
Exceptional items [Income/(Expense)]	-	-	-	-	-
Extraordinary items[Income/(Expense)]	-	-	-	-	-
Net Profit before Tax	**338.89**	**618.68**	**1,075.66**	**1,252.56**	**1,094.07**
Taxation [Charge/(Reversal)]					
- Current Tax	43.73	119.44	232.02	295.05	318.71
- MAT Credit Entitlement	-	-	(63.05)	(81.57)	(82.59)
- Fringe Benefit Tax	1.08	2.30	2.67	3.54	-
- Wealth Tax	1.25	0.02	0.04	0.05	0.04
- Deferred Tax [Charge/(Reversal]	(3.89)	6.27	(1.98)	21.66	(11.73)
Net Profit before adjustments	**296.72**	**490.65**	**905.96**	**1,013.83**	**869.64**
ADJUSTMENTS					
Impact of changes in accounting policies and estimates					
Transitional Adjustment [AS-15(New)]	-	-	(0.74)	-	-
(See Note No. I-1(a) of Annexure III)					
Other adjustments					
Prior Period Items	-	(2.24)	-	(4.54)	-
(See Note No. I-2 of Annexure III)					
Total Impact of Adjustments	**-**	**(2.24)**	**(0.74)**	**(4.54)**	**-**
Current Tax Impact of Adjustments	-	0.82	-	1.46	-
Total of Adjustments after Tax impact	**-**	**(1.42)**	**(0.74)**	**(3.08)**	**-**
Net Profit, as restated	**296.72**	**489.23**	**905.22**	**1,010.75**	**869.64**
Profit and loss account at the beginning of the year/period [See Note 2 below]	**44.66**	**293.27**	**683.60**	**1,320.37**	**2,097.20**
Balance available for appropriation, as restated	**341.38**	**782.50**	**1,588.82**	**2,331.12**	**2,966.84**

VIRGO ENGINEERS LIMITED

ANNEXURE II : SUMMARY STATEMENT OF CONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
Appropriations					
Interim Dividend on Equity Shares	6.51	31.62	42.16	52.70	52.75
Provision for Dividend on preference shares	3.06	3.07	1.56	-	-
Proposed Dividend on Equity Shares	6.55	31.62	52.70	52.70	63.29
Dividend on Preference Shares	1.63	-	-	-	-
Tax on Dividends	2.06	10.85	17.03	18.52	19.52
Transfer to Capital Redemption Reserve	18.80	-	-	-	-
Transfer to General Reserve	9.50	21.74	155.00	110.00	116.60
Surplus/(deficit) carried forward, as restated	**293.27**	**683.60**	**1,320.37**	**2,097.20**	**2,714.68**

Note:

1. The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure III, to the report.

2. The reconciliation between the audited and restated accumulated profit and loss balance as at April 1, 2005, is given in Annexure II-A.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE II-A : CONSOLIDATED PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 2005, AS RESTATED

(All amounts in Rs. Million)

Particulars	Amount
Profit and Loss Account as at April 1, 2005 (Audited)	38.46
Prior Period Items	1.20
(See Note No.I- 2 of Annexure III)	
Unclaimed liability restated	5.14
(See Note No.I- 2 of Annexure III)	
Wealth tax for previous period	(0.14)
(See Note No.I- 2 of Annexure III)	
Profit and Loss Account as at April 1, 2005 (Restated)	**44.66**

ANNEXURE III- NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED RESTATED FINANCIAL STATEMENTS

(I) NOTES ON ADJUSTMENTS

Listed below are the adjustments which have been made in the Consolidated Summary Financial Statements, as Restated, consisting of the Summary Statements of Consolidated Assets and Liabilities, as Restated and Summary Statements of Consolidated Profits and Losses, as Restated to the extent that they pertain to the parent Company, Virgo Engineers Limited and its subsidiaries, together referred to as the Group.

1. Changes in Accounting Policies

a) During the financial year 2008, with effect from April 1, 2007, the Company has adopted Accounting Standard-15 (Revised) on Employee Benefits. Till March 31, 2007, the Company had adopted the provisions of Accounting Standard-15, Retirement Benefits. Accordingly, the Company has provided for gratuity and leave encashment using the projected unit credit method, due to which an amount of approximately Rs 481,314 (Rupees Four lac eighty one thousand, three hundred and fourteen), net of tax, has been debited to General Reserves as at April 1, 2007 in case of Virgo Engineers Limited and Rs 739,166 (Rupees Seven lac thirty nine thousand, one hundred and sixty six), net of tax, has been debited to opening Profit and Loss Account as at April 1, 2007 in case of Virgo Valves & Controls Limited. No adjustment has been made for earlier periods, since in the opinion of the Company, the impact of the same on the Summary Statement of Consolidated Profits and Losses, is not material.

b) By virtue of Accounting Standard-11 (AS-11) being notified in the Companies Accounting Standard Rules, 2006, the provisions of AS-11 (revised) have become mandatory for accounting periods commencing on or after December 7, 2006. Accordingly, with effect from April 1, 2007, exchange losses on fixed assets imported from outside India and exchange losses on foreign currency loans taken for purchase of fixed assets are expensed to the profit and loss account, which in earlier years was capitalized. No adjustment has been made for earlier periods, since in the opinion of the Company, such type of transactions of assets being imported or assets being funded out of foreign currency borrowings are not material. Accordingly, the impact of foreign currency differences on the Summary Statement of consolidated Profits and Losses is not considered material.

2. Other Adjustments

Prior Period Items

- The consolidated financial statements for the year ended March 31, 2009 contain an impact on account of a prior period item aggregating Rs 1.20 million. For the purpose of this statement, this item has been adjusted in the opening profit and loss account balance as at April 1, 2005 and is reflected in Annexure II-A.

- The financial statements for the year ended March 31, 2006 contain an impact on account of wealth tax aggregating Rs 0.14 million. This item is pertaining to the financial year March 2005 and earlier periods. For the purpose of this statement, this item has been adjusted in the opening profit and loss account balance as at April 1, 2005 and is reflected in Annexure II-A.

- The consolidated financial statements for the year ended March 31, 2008 contain an impact on account of a prior period item being insurance expenses of year ended March 31, 2007 charged to the profit and loss account of year ended March 31, 2008. This amount aggregating Rs 2.88 million has been now accounted in the year ended March 31, 2007. Further, certain accrual for vacation pay aggregating Rs 0.64 million which was incorrectly accrued has been reversed during the year ended March 31, 2008. Since this item pertains to year ended March 31, 2007, the effect has been restated in the profit and loss account of the year ended March 31, 2007.

- The consolidated financial statements for the year ended March 31, 2010 contain an impact on account of a prior period item incurred on forward contracts outstanding as at March 31, 2009. This amount aggregating Rs 4.54 million has been now accounted in the year ended March 31, 2009 as a part of restatement.

- The financial statements for the year ended March 31, 2006, March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010 contain an unclaimed liability written back of Rs. 3.33 million, Rs. 0.18 million, Rs. 0.53 million, Rs. 5.10 million and Rs. 3.71 million respectively. Of the same Rs. 5.14 million pertaining to the financial year March 2005 and earlier periods. For the purpose of this statement, this item has been adjusted in the opening profit

- and loss account balance as at April 1, 2005 and is reflected in Annexure II-A. Balance Rs. 7.71 million have been adjusted in the respective years, in which they pertain.

3. Material Regroupings

- Expenses relating to cost of ERP package was incorrectly classified under the head miscellaneous expenditure to the extent not written off/adjusted. During the year ended March 31, 2008, the Company has reclassified the cost of ERP as an intangible asset. There is no change in the period over which the asset is amortized and hence there is no impact on the profits or losses.

- For the year ended March 31, 2006, 2007 and 2008 in one of subsidiary Finished Component inventory was incorrectly classified under the head Raw Material inventory. For above years, the subsidiary has reclassified Finished Component inventory as Work-In-Progress inventory. There is no change in consumption of raw material for the same period and hence there is no impact on the profits or losses.

4. Merger of Subsidiary

Virgo Valves and Controls Limited, a subsidiary of the Company, has filed an application dated March 7, 2010 with the Hon'ble High Court of Bombay for amalgamation of its wholly owned subsidiary Vintrol India Limited under Section 391 to Section 394 of the Companies Act, 1956 and consequently filed a petition dated April 19, 2010 for confirmation of amalgamation. The amalgamation has been proposed to enable optimum utilization of existing resources. All the shareholders have given their written consent before filing the petition. The matter is now posted for final hearing. Pending approval of the Hon'ble High Court, no adjustments have been made in the books of account.

(II) SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

1. Nature of Operations

Virgo Engineers Limited ('the Company') is primarily engaged in the manufacture of Industrial Valves and Accessories for Chemical, Petrochemical, Pharmaceutical, Oil and Gas Industries.

2. Principles of consolidation

The consolidated financial statements relate to Virgo Engineers Limited (hereinafter referred to as the 'Company') and its consolidating group Companies (hereinafter referred to as the 'Group'). In the preparation of these consolidated financial statements, investments in subsidiaries have been accounted for in accordance with AS-21, Consolidated Financial Statements notified by Companies Accounting Standards Rules, 2006. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all significant intra group balances and intra group transactions and unrealized profits or losses.

b) The difference of the cost to the Company of its investment in subsidiaries over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.

c) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the company's standalone financial statements.

d) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company.

The subsidiary companies considered in consolidated financial statements are:

	As at March 31, 2006	**As at March 31, 2007**	**As at March 31, 2008**	**As at March 31, 2009**	**As at March 31, 2010**
Subsidiaries					
Virgo Engineers Inc.	100.00%	100.00%	100.00%	100.00%	100.00%
Virgo Valves & Controls Ltd.	100.00%	100.00%	100.00%	100.00%	100.00%
Vintrol Inc.	60.00%	100.00%	100.00%	100.00%	100.00%
Vintrol India Limited	60.00%	100.00%	100.00%	100.00%	100.00%
Stafford Controls Limited *	100.00%	100.00%	100.00%	-	-
Virgo Europe S.p.A.	-	100.00%	100.00%	100.00%	100.00%
EVS Valves Inc.	-	-	-	100.00%	100.00%
VVCL (UK) Ltd.	100.00%	100.00%	100.00%	100.00%	-
VVC (ME) FZE.	-	-	-	-	100.00%
Rifox Hans Richter GbhH. Spezialarmaturen	-	-	-	100.00%	100.00%

* Deltech Controls Limited was a subsidiary of our joint venture - Deltech Controls LLC and was a joint venture upto November 4, 2005. Pursuant to an agreement with Deltech Controls LLC dated October 28, 2005, 100% share capital of Deltech Controls Limited was acquired from Deltech Controls LLC and its name was changed to Stafford Controls Limited on November 9, 2005.

As on March 31, 2006, the Company's - erstwhile joint venture – Deltech Controls LLC have ceased to be a subsidiary and joint venture respectively.

3. Significant Accounting Policies

(a) Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(b) Fixed Assets and Intangible Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase price, net of cenvat and all other attributable costs incurred for bringing the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalized upon the commencement of commercial production. Borrowing costs relating to construction or acquisition of qualifying fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of internally generated asset comprises all expenditure that can be directly attributed or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

The carrying amounts of assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date, to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the recoverable amount, of the CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Value in use is calculated based on the discounted estimated future cash flow. After impairment, depreciation is provided on the revised carrying amount of assets over the remaining useful life. Further assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

(c) Depreciation/Amortisation

Depreciation/Amortisation is provided on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher.
Technical know-how and is amortized over a period of five years using the straight line method.Goodwill, Enterprise Resource Package-Software, other software and other intangible assets are amortized over a period of five years using the straight line method.

Finance lease asset are depreciated over the period of lease term.

Additions to building which have been constructed over leasehold land and leasehold improvement thereof have been depreciated over shorter of the estimated useful life of the building and the lease term.

(d) Leases

Finance Lease

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

Operating Lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as expense in the Profit and Loss Account on a straight line basis over the lease term.

(e) Investments

Long Term Investments are carried at Cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long-term investments.

(f) Inventory Valuation

Raw materials, components and loose tools are valued at cost or net realizable value whichever is lower. However, raw 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 'First in First out' basis.

Semi-finished goods and finished goods are valued at cost or net realizable value, whichever is lower. Cost of semi-finished and finished goods includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion to make the sale.

(g) 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.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, in accordance with terms and conditions of the customer's orders. Sales are stated net of taxes and duties.

Interest Income

Interest income is recognized on the time proportion method taking into account the amount outstanding and the rate applicable.

Dividend Income

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Sale of Services

Revenue from sale of job work services is recognized as and when the services are rendered.
Export Benefit

Export incentive benefits are recognized as income on the basis of receipt of proof of export.

(h) Foreign currency transactions

i) 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.

ii) Conversion

At the period end, foreign currency monetary items are reported using the period end exchange 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.

iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on restatement of 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 those arising from investments in non-integral operations.

iv) 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 statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

v) Foreign Operations

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 statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

(i) Retirement and other employee benefits

Retirement benefits in the form of Employees Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the period when the contributions to the respective funds are due.

Gratuity liability is a defined benefit obligation and is provided for on the basis of contributions to Life Insurance Corporation of India ('LIC') and the actuarial valuation made at the end of the period using the Projected Unit Credit Method.

Compensated absences are considered as long term benefit, and is provided for based on actuarial valuation made at the end of the period in accordance with revised AS-15 by using Projected Unit Credit Method.

Liability in respect of Superannuation Fund to the employee is accounted for as per the Company’s scheme and contributed to LIC every year. The Company does not have any other obligation to the fund other than this.

Actuarial gains / losses are charged to profit and loss account and are not deferred.

(j) Taxes on Income

Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

Deferred 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 years. 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. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(k) Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the options on a straight line basis.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

(l) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a realizable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet and adjusted to reflect the current management estimates.

(m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) 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 any bonus shares issued during the period and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

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.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

(n) Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

VIRGO ENGINEERS LIMITED

ANNEXURE IV-A : STATEMENT OF CONSOLIDATED CASH FLOWS, AS RESTATED

(All amounts in Rs.Million)

Particulars	Financial Year ended				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
A. Cash flow from operating activities					
Profit before tax and extraordinary items	338.47	632.61	1,075.66	1,255.05	1,094.07
(before restatement adjustments)					
Restatement adjustments	-	(2.24)	(0.74)	(4.54)	-
Share in profit transferred to subsidiary	-	-	-	(2.49)	-
Profit before taxation and extraordinary items, as restated	**338.47**	**630.37**	**1,074.92**	**1,248.02**	**1,094.07**
Adjustments for:					
Depreciation/Amortisation	29.95	71.12	86.80	120.37	151.63
Foreign Currency Translation Reserve	0.07	(12.15)	(48.47)	122.22	(126.10)
Loss/(Profit) on sale of fixed assets	0.42	1.44	2.13	(12.93)	1.65
Interest income	(1.25)	(2.40)	(6.76)	(6.85)	(9.41)
Dividend income	(0.29)	(0.07)	(0.01)	(0.01)	(0.01)
Interest expense	39.15	54.34	123.88	185.60	178.30
Employee stock option compensation cost	-	0.23	0.33	0.17	0.08
Unclaimed liabilities written back	(0.16)	-	-	(9.26)	-
Bad debts written off	0.77	2.46	2.95	10.46	3.25
Investment written off	☆ 0.00	-	-	-	-
Preliminary expenses written off	1.86	0.48	0.19	-	-
Share Issue expenses	0.08	-	-	-	-
Provision for doubtful debts	1.61	2.32	1.61	41.20	2.34
Excess Provision for doubtfful debts written back	-	-	-	-	(14.37)
Provision for doubtful loans & advances	-	-	-	-	3.37
Operating profit before working capital changes	**410.68**	**748.14**	**1,237.57**	**1,698.99**	**1,284.80**
Movements in working capital :					
Decrease / (Increase) in trade receivables and other receivables	(214.02)	(393.84)	(1,159.57)	(272.74)	110.72
Decrease / (Increase) in inventories	(210.46)	(510.40)	(995.60)	(548.80)	83.90
Increase / (Decrease) in current liabilities	130.30	312.18	852.84	(87.98)	(384.93)
Cash generated from/(used in) operations	**116.50**	**156.08**	**(64.76)**	**789.47**	**1,094.49**
Direct taxes paid, net of refund	**(48.22)**	**(113.81)**	**(219.46)**	**(367.57)**	**(260.23)**
Net cash generated from/(used in) operating activities	**68.28**	**42.27**	**(284.22)**	**421.90**	**834.26**
B. Cash flows from investing activities					
Purchase of fixed assets (Inclusive movement in CWIP)	(133.07)	(376.73)	(254.24)	(574.25)	(185.93)
Proceeds from sale of fixed assets	0.98	32.10	9.73	56.62	1.32
Proceeds from sale of investments	178.07	14.01	-	-	-
Purchase of investments	(201.60)	-	-	-	-
Purchase of Minority Interest	-	0.13	-	-	-
Interest received	1.80	1.63	4.04	7.33	5.70
Dividends received	0.29	0.07	0.01	0.01	0.01
Net cash generated from/(used in) investing activities	**(153.53)**	**(328.79)**	**(240.46)**	**(510.29)**	**(178.90)**

VIRGO ENGINEERS LIMITED

ANNEXURE IV-A : STATEMENT OF CONSOLIDATED CASH FLOWS, AS RESTATED

(All amounts in Rs.Million)

Particulars	Financial Year ended March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
C. Cash flows from financing activities					
Equity Shares pending allotment	-	-	-	10.04	-
Proceeds from issuance of share capital	1.78	4.00	-	-	-
Premium on issuance of share capital	14.74	220.99	-	-	-
Redemption of preference share capital	(18.80)	-	-	-	-
Purchase of Preference Share of subsidiary	-	-	(27.94)	-	-
Share issue expenses	(0.08)	(7.98)	-	-	-
Deposits accepted	3.16	-	-	-	-
Deposits repaid	(3.19)	(12.21)	-	-	-
Proceeds from long term borrowings	17.29	114.43	230.40	257.09	23.30
Proceeds / (Repayment) of short term borrowings	103.88	187.32	709.62	260.29	(153.04)
Repayment of long-term borrowings	-	(80.93)	(127.87)	(25.72)	(159.99)
Interest paid	(39.14)	(54.34)	(123.88)	(184.95)	(178.67)
Dividends paid	(11.40)	(38.17)	(73.77)	(105.39)	(105.44)
Tax on dividends paid	(1.60)	(5.35)	3.97	(18.69)	(18.15)
Net cash generated from/(used in) financing activities	**66.64**	**327.76**	**590.53**	**192.67**	**(591.99)**
Net increase in cash and cash equivalents (A + B + C)	**(18.61)**	**41.24**	**65.85**	**104.28**	**63.37**
Cash and cash equivalents at the beginning of the period (See Annexure III Note (I) - 4)	**50.90**	**32.29**	**73.53**	**139.38**	**243.66**
Cash and cash equivalents at the end of the period (See Annexure III Note (I) - 4)	**32.29**	**73.53**	**139.38**	**243.66**	**307.03**

Components of cash and cash equivalents as at	**31-Mar-06**	**31-Mar-07**	**31-Mar-08**	**31-Mar-09**	**31-Mar-10**
Cash and cheques on hand	0.97	0.71	0.27	0.87	0.35
With scheduled banks					
- on current account	4.37	26.78	29.46	36.86	★★ 21.41
-on deposit account	21.45	40.80	87.78	100.35	117.73
Balance with non-scheduled banks - current accounts	5.50	5.24	21.87	105.58	167.54
	32.29	**73.53**	**139.38**	**243.66**	**307.03**

☆ Amount Below Rs. 0.01 Million
★★ Includes balance of unpaid dividend Rs. 0.07 million which are not available for use by the Company

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-B : DETAILS OF CONSOLIDATED OTHER INCOME AND CONSOLIDATED OTHER INCOME INCLUDING EXTRAORDINARY ITEMS

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Other Income, as per Summary Statement of Consolidated Profits and Losses, as restated (A)	11.86	26.70	56.69	60.10	80.00
Other Income, including extraordinary items (B)	11.86	26.70	56.69	60.10	80.00
Net profit before tax and extraordinary items, as per Summary Statement of Consolidated Profits and Losses, as restated (C)	338.89	618.68	1,075.66	1,252.56	1,094.07
Net profit before tax as per Summary Statement of Consolidated Profits and Losses, as restated (D)	338.89	618.68	1,075.66	1,252.56	1,094.07
Percentage (A/C)	**3.50%**	**4.32%**	**5.27%**	**4.80%**	**7.31%**
Percentage (B/D)	**3.50%**	**4.32%**	**5.27%**	**4.80%**	**7.31%**

Sources and particulars of Other Income	Nature	Financial Year ended				
		March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Interest Income						
- from banks	Recurring	1.21	1.43	6.52	5.89	7.20
- from Others	Non-recurring	0.91	0.97	0.23	0.97	2.21
Dividend income	Recurring	0.29	0.08	0.01	0.01	0.01
Profit on sale of investments	Non-recurring	-	-	-	-	-
Profit on sale of fixed assets	Non-recurring	-	-	-	12.93	-
Export benefit	Recurring	8.05	20.77	24.56	21.23	24.21
Unclaimed liabilities written back	Non-recurring	0.16	-	-	9.26	-
Commission received	Non-recurring	-	-	-	-	-
Exchange differences, net	Recurring	0.37	-	22.56	-	24.57
Excess Provision for doubtful debts written back	Non-recurring	-	-	-	-	14.37
Others	Non-recurring	0.87	3.45	2.81	9.81	7.43
Other Income as per Summary Statements of Consolidated Profits and Losses (A)		**11.86**	**26.70**	**56.69**	**60.10**	**80.00**

Sources and particulars of Other Income including Exceptional Items	Nature	Financial Year ended March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Other Income as per (A) above		11.86	26.70	56.69	60.10	80.00
Add: Extraordinary Items	Non-recurring	-	-	-	-	-
Add: Extraordinary Items						
Loss on sale of subsidiary	Non-recurring	-	-			
Total Exceptional items (E)		-	-	-	-	-
Other Income, including Exceptional Items (A+E)		**11.86**	**26.70**	**56.69**	**60.10**	**80.00**

Notes:

1. The details of 'Other Income' disclosed above are stated after adjusting the effect of restatement.
2. Exceptional items and Extaordinary Items given in the above table refer to items which have been grouped as 'Exceptional items' and 'Extraordinary Items' in the Summary Statement of Profits and Losses as Restated, but are in the nature of 'Other Income'.
3. The classification of 'Other Income' as recurring or non-recurring and related or not related to business activity is based on the current operations and business activity of the Company as determined by Management.
4. The figures disclosed above are based on the consolidated restated financial statements of Virgo Engineers Limited .

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-C : DETAILS OF RATES OF DIVIDEND

Dividends declared by the company during the last five fiscal years are presented below.

(All amounts in Rs. Million)

Particulars	Face Value (Rs/share)	Financial Year ended March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Class of Shares						
Equity Share Capital	10	99.62	105.39	210.78	210.78	210.98
Dividend on Equity Shares						
Interim Dividend						
- Rate		20.00%	30.00%	20.00%	25.00%	25.00%
- Amount		6.51	31.62	42.16	52.70	52.75
Final Dividend						
- Rate		20.00%	30.00%	25.00%	25.00%	30.00%
- Amount		6.55	31.62	52.70	52.70	63.29
Dividend on 10% Cumulative Redeemable Preference Shares						
- Rate		10.00%	-	-	-	-
- Amount		1.63	-	-	-	-
Corporate Dividend Tax		2.06	10.85	17.03	18.52	19.52

Note:

1. The amounts paid as dividend or bonus in the past are not indicative of the dividend policy of the Company in the future.
2. The figures disclosed above are based on the Summary Statement of Consolidated Profits and Losses, as Restated.
3. The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders at their discretion and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition.
4. As per paragraph 27 of Accounting Standard-21, Consolidated Financial Statements, if a subsidiary has outstanding cumulative preference shares which are held outside the group, the parent computes its share of profits or losses after adjusting for such preference dividends, whether or not dividends have been declared. Such dividend adjustments made on consolidation do not form part of the above disclosure, since the same have not been declared or paid.

As per our report of even date

S. R. Batliboi & Associates **Firm Registration No. 101049W** **Chartered Accountants**	**For and on behalf of the Board of Directors of Virgo Engineers Limited**
per Govind Ahuja **Partner** **Membership No: 48966**	**Paresh Rajda** **Executive Director**
Place : Mumbai **Date : June 30, 2010**	**Place : Pune** **Date : June 30, 2010**

VIRGO ENGINEERS LIMITED

ANNEXURE IV-D : CONSOLIDATED CAPITALISATION STATEMENT AS AT MARCH 31, 2010

(All amounts in Rs. Million)

	Pre-issue as at March 31, 2010	Post Issue*
Short-term debt (A)	1,310.77	
Long-term debt (B)	164.32	
Total debt (C=A+B)	**1,475.09**	
Shareholders' funds		
- Equity share capital	210.98	
- Stock Options Outstanding	0.81	
- Reserves, as restated	3,226.54	
Total shareholders' funds (D)	**3,438.33**	
Long-term debt/Shareholders' funds (B/D)	**0.05:1**	
Total debt/ Shareholders' funds (C/D)	**0.43:1**	

** Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.*

Notes:

1. Short-term debt represents debts which are due within twelve months from March 31, 2010 and include current portion of vehicle loans, current portion of long-term debt, current portion of Finance Lease obligation, secured and long-term debt, unsecured.

2. Long-term debt represents debt other than short-term debt, as defined above.

3. Reserves exclude revaluation reserves and include General Reserve, Capital Redemption Reserve, Securities Premium Account, Foreign Currency Translation Reserve and accumulated balance of Profit and Loss Account as at March 31, 2010.

4. The figures disclosed above are based on the Summary Statement of Consolidated Assets and Liabilities, as Restated.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-E : DETAILS OF CONSOLIDATED LOANS

SECURED LOANS

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Term Loans					
- from banks	67.77	97.50	195.68	416.74	286.43
Total (A)	**67.77**	**97.50**	**195.68**	**416.74**	**286.43**
Working Capital Facilities from Banks, Financial Institutions and Others	165.77	353.08	968.32	1,282.50	1,134.38
Total (B)	**165.77**	**353.08**	**968.32**	**1,282.50**	**1,134.38**
Vehicle Loans (C)	6.62	10.41	12.00	16.41	10.61
Finance Lease (D)	-	-	2.75	8.67	8.09
Total Secured Loans (A)+(B)+(C)+(D)	**240.16**	**460.99**	**1,178.75**	**1,724.32**	**1,439.51**

UNSECURED LOANS

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Short Term					
- Fixed Deposits	12.21	-	-	-	-
- Others	-	-	94.38	40.50	35.58
Total Unsecured Loans	**12.21**	**-**	**94.38**	**40.50**	**35.58**

Note:

1. The details of principal terms and conditions of the secured loans and unsecured loans outstanding as at March 31, 2010 are disclosed in Annexure IV-E-1.

2. Promoter and Promoter Group has been defined below:

Promoter:
Mr. Mahesh Desai
Mr. V. Balasubramanian

Promoter Group

Mrs. Neeta Desai	Mrs. Durga Desai
Ms. Sanyukta Desai	Mr. Amod Desai
Mr. Jagdish Desai	Mrs. Anagha Kanade
Mr. Digambar K. Devnally	Mrs. Vijaya D. Devanally
Mrs. Geeta Kasbekar	Mrs. B. Shashikala
Mrs. Praveena Ravishankar	Mr. B. Prasad
Mr. S.V. Rajamani	Mr. V. Krishnamurthy
Mr. Natarajan	Mr. V. Venkataraman
Mr. V. Nagarajan	Mr. V. Anantharaman
Mrs. N. Preema	Mr. G. Venkataramani
Mr. V. Balasubramanian (HUF)	Mrs. Vasantha
Virgo Control Systems Private Limited	Mrs. Savithri

3.The list of entities classified as 'Promoter' and 'Promoter Group', is determined by the Management and relied upon by the Auditors. The Auditors have not performed any procedures to determine whether this list is accurate or complete.

4. Unsecured loans includes Rs. 0.14 million due to Promoters as at financial year ended March 31, 2006.
Rs. 4. 81 million due to Promoter Group as at the financial year ended March 31, 2006.

5. The figures disclosed above are based on the Summary Statement of Consolidated Assets and Liabilities, as Restated.

As per our report of even date

S. R. Batliboi & Associates **Firm Registration No. 101049W** **Chartered Accountants**	**For and on behalf of the Board of Directors of** **Virgo Engineers Limited**
per Govind Ahuja **Partner** **Membership No: 48966**	**Paresh Rajda** **Executive Director**
Place : Mumbai **Date : June 30, 2010**	**Place : Pune** **Date : June 30, 2010**

VIRGO ENGINEERS LIMITED

ANNEXURE IV-E-1 : DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF CONSOLIDATED LOANS OUTSTANDING AS AT MARCH 31, 2010

SECURED LOANS ***(All amounts in Rs. Million)***

Term Loans from banks (Rs.286.43 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1	Kotak Mahindra Bank Limited	2.14	11.25% p.a.	Repayable in 48 monthly installments including a moratorium of 6 months.(Repayment due within one year Rs.61,825,642/-)	Secured by exclusive first charge on existing and future fixed assets of the Company and secured by a second charge on current assets ranking pari passu with the charges created in favour of other such chargeholders and additional collateral security by way of first charge by deposit of title deeds in respect of company's immovable properties.
2	Kotak Mahindra Bank Limited	74.60	11.25% p.a.		
3	The Hongkong and Shanghai Banking Corporation Ltd.	35.71	10.70% p.a.	Repayable in 48 months in 16 quarterly installments including a moratorium of 6 months.(Repayment due within one year Rs. 70,285,714/-)	Secured by exclusive first charge on existing and future fixed assets of the Company and secured by a second charge on current assets ranking pari passu with the charges created in favour of other such chargeholders and additional collateral security by way of first charge by deposit of title deeds in respect of company's immovable properties.
4	The Hongkong and Shanghai Banking Corporation Ltd.	14.29	10.70% p.a.		
5	The Hongkong and Shanghai Banking Corporation Ltd.	47.14	10.77% p.a.		
6	The Hongkong and Shanghai Banking Corporation Ltd.	42.87	10.70% p.a.		
7	The Hongkong and Shanghai Banking Corporation Ltd.	48.00	10.30% p.a.		
8	Wallis State Bank	0.68	8% p.a.	Repayable in 60 monthly installments.(Repayment due within one year Rs. 3,586,003/-)	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
9	Deutsche Bank	21.00	2.86%	Repayable in 36 monthly installments (repayment due within one year Rs. 7,000,000/-)	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
	TOTAL	**286.43**			

Vehicle loans (Rs.10.61 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	EMI	Repayment Terms
1.	Kotak Mahindra Bank Ltd	0.05	11.34% p.a.	20,200	Amount due within one year from the balance sheet date Rs.672531/-. Amount due in the period between one year and three years Rs.460673/-.
2.	Reliance Consumer Finance	0.19	9.99% p.a.	39,200	
3.	Citibank N.a	0.10	10.73% p.a.	14,545	
4.	Kotak Mahindra Bank Ltd	0.41	13.74% p.a.	18,020	
5.	Reliance Consumer Finance	0.22	11.73% p.a.	9,100	
6.	Kotak Mahindra Bank Ltd	0.16	12.95% p.a.	6,547	
7.	Exchange Bank	0.80	6.00% p.a.	22,471	Amount due within one year from the balance sheet date Rs.226467/- and one year and five year Rs.582853/-.
8.	Exchange Bank	1.66	5.75% p.a.	70,573	Amount due within one year from the balance sheet date Rs.770463/- and one year and four year Rs.876255/-.
9.	Exchange Bank	0.59	7.25% p.a.	22,509	Amount due within one year from the balance sheet date Rs.234014/- and one year and five year Rs.356196/-.
10.	WALLIS STATE BANK	0.88	8.25% p.a.	55,136	Amount due within one year from the balance sheet date Rs.610980/-and one year and five year Rs.269282/-.
11.	WALLIS STATE BANK	0.42	8.25% p.a.	19,372	Amount due within one year from the balance sheet date Rs.205172/- and one year and five year Rs.221461/-.
12.	WALLIS STATE BANK	0.63	8.25% p.a.	24,142	Amount due within one year from the balance sheet date Rs.245964/- and one year and five year Rs.386190/-.
13.	WALLIS STATE BANK	1.18	8.25% p.a.	45,263	Amount due within one year from the balance sheet date Rs.461155/- and one year and five year Rs.723703/-.
14.	WALLIS STATE BANK	0.55	7.00% p.a.	26,530	Amount due within one year from the balance sheet date Rs.289362/- and one year and four year Rs.256382/-.
15.	WALLIS STATE BANK	0.86	6.50% p.a.	21,605	Amount due within one year from the balance sheet date Rs.209710/- and one year and five year Rs.648242/-.
16.	WALLIS STATE BANK	0.90	6.50% p.a.	21,683	Amount due within one year from the balance sheet date Rs.208138/- and one year and five year Rs.687671/-.
17.	WALLIS STATE BANK	1.01	6.50% p.a.	25,234	Amount due within one year from the balance sheet date Rs.244841/- and one year and four year Rs.757793/-.
	TOTAL	**10.61**			

Note: All vehicle loans stated above are secured against respective vehicle purchased

Working Capital Facilities (Rs. 1024.33 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1	Canara Bank	126.28	BPLR	Repayable on demand as agreed	Secured by first charge on hypothecation of stocks and book debts, movable properties, ranking pari passu with the charges created in favour of other such charge holders and additional collateral security by way of second charge by deposit of title deeds in respect of company's immovable properties.
2	State Bank of India	86.08	SBAR+0.25% p.a.		
3	Kotak Mahindra Bank Limited	59.26	PLR less 4.25% p.a		
4	The Hongkong and Shanghai Banking Corporation Ltd.	60.00	7.50% p.a.		
5	State Bank of India	31.39	SBAR+1.50% p.a.	Repayable on demand as agreed	Secured by first charge by way of hypothecation and / or pledge of present and future movable plant and machinery , stock, book debts, outstanding money and any other receivables including rights of uncalled capital.
6	State Bank of India-Packing Credit	135.52	As per RBI guidelines/Banks instruction issued from time to time		
7	Wallis State Bank	160.65	5.25% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
8	Wallis State Bank	7.35	8.25% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
9	Deutsche Bank Spa	59.66	1.74% p.a	Repayable on demand as agreed	Secured against book debts
10	Intesa San Paolo	7.65	3.50% p.a		Secured against book debts
11	Unicredit-Corporate Banking spa	3.61	5.143% p.a	Repayable on demand as agreed	Secured against book debts
12	Unicredit-Corporate Banking spa	4.20	4.934% p.a		Secured against book debts
13	Unicredit-Corporate Banking spa	7.90	4.934% p.a	Repayable on demand as agreed	Secured against book debts
14	Unicredit-Corporate Banking spa	12.00	2.934% p.a		Secured against book debts
15	Unicredit-Corporate Banking spa	14.11	2.934% p.a	Repayable on demand as agreed	Secured against book debts
16	Unicredit-Corporate Banking spa	24.00	4.922% p.a		Secured against book debts
17	Credito Bergamasco	23.00	8.25% p.a	Repayable on demand as agreed	Secured against book debts
18	Wallis State Bank	9.89	8.25% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
19	Wallis State Bank	1.31	6.00% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
20	Wallis State Bank	12.78	5.00% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
21	Wallis State Bank	15.72	6.00% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
22	Wallis State Bank	26.96	6.00% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
23	Bankhaus Neelmeyer	3.00	6.50% p.a	Repayable on demand as agreed	Secured by hypothecation of present and future movable plant and machinery, stock, book debts and other receivables.
24	State Bank of India	132.01	3.09% p.a.	Repyable on demand at the maturity date i.e 12 months after roll over date of the loan	Secured by Corporate gurantee provided by the Virgo Engineers Ltd. to State Bank of India
	TOTAL	**1,024.33**			

Working Capital Facilities-Buyers Credit (Rs. 110.05 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1.	Kotak Mahindra Bank Limited	17.55	Refer note 1	repayment within 180 days.	Secured by first charge on hypothecation of stocks and book debts, movable properties, ranking pari passu with the charges created in favour of other such charge holders and additional collateral security by way of second charge by deposit of title deeds in respect of company's immovable properties.
2.	The Hongkong and Shanghai Banking Corporation Ltd.	2.90	Refer note 1		
3.	Canara Bank	25.26	Refer note 1		
4.	State Bank of India	64.34	Refer note 1		
	TOTAL	**110.05**			

Note: The Buyers credit interest is charged by the bank based on daily applicable LIBOR (as agreed) at the date of each

Finance Lease (Rs. 8.09 million)

Sr. No.	Source	Amount	Interest Rate	Repayment Terms	Security
1.	First Leasing Company of India Pvt Ltd.	4.89	11.51% p.a.	Amount due within one year from the balance sheet date Rs.1,544,348/-.Amount due in the period between one year and five year Rs. 4,618,835	Secured against assets taken on lease
2.	First Leasing Company of India Pvt Ltd.	3.20	11.51% p.a.	Amount due within one year from the balance sheet date Rs. 997,475/-.Amount due in the period between one year and five year Rs.3,061,177/	Secured against assets taken on lease
	TOTAL	**8.09**			

UNSECURED LOANS

Working Capital Facilities (Rs. 35.58 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms
1	Richter Verwaltungs-GmbH & Co.KG	35.58	5% p.a.	Amount due within one year from the balance sheet date Rs. 2,520,105/-.
	TOTAL	**35.58**		

VIRGO ENGINEERS LIMITED

ANNEXURE IV-F : DETAILS OF CONSOLIDATED INVESTMENTS

(All amounts in Rs. Million)

Particulars	**Year ended March 31, 2006**	**Year ended March 31, 2007**	**Year ended March 31, 2008**	**Year ended March 31, 2009**	**Year ended March 31, 2010**
Quoted Investments	-	-	-	-	-
In Promoter Group Companies	-	-			
In Associate Companies	-	-			
Others	-	-			
Total (A)	**-**	**-**	**-**	**-**	**-**
Unquoted Investments					
In Promoter Group Companies	-	-			
In Associate Companies	-	-			
- Equity shares of Saraswat Coop Bank Limited	0.01	0.01	0.01	0.01	0.01
- Equity shares of Shamrao Vitthal Coop Bank Limited	0.05	0.05	0.05	0.05	0.05
- Bonds of Rural Electrification Corporation Limited	9.00	-	-	-	-
- Units of ICICI Mutual Fund-Floater Rate Plan C	5.01	-	-	-	-
Total (B)	**14.07**	**0.06**	**0.06**	**0.06**	**0.06**
Grand Total C= (A+B)	**14.07**	**0.06**	**0.06**	**0.06**	**0.06**
Less: Provision for diminution in value of investments **(D)**	-	-	-	-	-
Net Investment (C-D)	**14.07**	**0.06**	**0.06**	**0.06**	**0.06**

Notes:

The figures disclosed above are based on the Summary Statement of Consolidated Assets and Liabilities, as Restated.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

For and on behalf of the Board of Directors of
Virgo Engineers Limited

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-G : DETAILS OF CONSOLIDATED SUNDRY DEBTORS

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Debts outstanding for a period					
- exceeding six months	21.21	21.02	104.48	336.88	445.35
- other debts	582.29	774.98	1,678.16	1,642.52	1,450.33
	603.50	**796.00**	**1,782.64**	**1,979.40**	**1,895.68**
Unsecured - considered good	601.89	793.68	1,778.72	1,934.28	1,879.05
Unsecured - considered doubtful	1.61	2.32	3.92	45.12	16.63
	603.50	**796.00**	**1,782.64**	**1,979.40**	**1,895.68**
Less: Provision for doubtful debts	1.61	2.32	3.92	45.12	16.63
Total	**601.89**	**793.68**	**1,778.72**	**1,934.28**	**1,879.05**

Note:

1. Dues from Promoter and Promoter Group is NIL.
2. Dues from Directors and Relatives of the directors are Nil.
3. For definition of Promoter and Promoter Group Individuals and Entities please refer Note 2 of Annexure IV-E.
4. The figures disclosed above are based on the Summary Statement of Consolidated Assets and Liabilities, as Restated.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-H : DETAILS OF CONSOLIDATED LOANS AND ADVANCES

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Deposits					
- With customers & others as security deposits	21.63	72.17	81.95	89.16	73.29
Advance payment against Taxes (net of Provisions and inclusive of advance fringe benefit tax)	2.25	5.70	20.91	46.06	32.21
Balances with Excise, Customs etc	19.94	46.65	85.93	156.51	155.63
Advances recoverable in cash or kind, considered Good	27.27	64.03	92.15	95.55	77.19
Less: Provision for doubtful advances	-	-	-	-	3.37
	27.27	64.03	92.15	95.55	73.82
MAT credit entitlement	-	-	63.05	144.64	227.23
Total	**71.09**	**188.55**	**343.99**	**531.92**	**562.18**

Notes:

1. Loans and Advances include Rs. 0. 43 million receivable from Promoter Group as at March 31, 2006 and 2007 respectively and Rs. 0.45 million as at March 31, 2008, 2009 and 2010 respectively.

2. Loans and Advances receivable from Directors and Relatives of the directors are Nil.

3. For definition of Promoter Group Individuals and Entities please refer Note 2 of Annexure IV-E.

4. The figures disclosed above are based on the consolidated restated financial statements of Virgo Engineers Limited.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-I : DETAILS OF CONSOLIDATED CONTINGENT LIABILITIES

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
(a) Guarantees given on behalf of subsidiary companies in respect of loans granted to them by banks	226.00	510.80	638.58	1,127.83	1,132.11
(b) Income Tax	-	-	-	-	6.63

1. The figures disclosed above are based on the consolidated restated financial statements of Virgo Engineers Limited.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-J :STATEMENT OF CONSOLIDATED ACCOUNTING RATIOS

(All amounts in Rs. Million)

	Financial Year ended				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
Earnings per Share (Rs.) (excluding extraordinary items)					
- Basic	7.10	11.70	21.46	23.96	20.61
- Diluted	7.10	11.70	21.46	23.96	20.61
Earnings per Share (Rs.) (including extraordinary items)					
- Basic	7.10	11.70	21.46	23.96	20.61
- Diluted	7.10	11.70	21.46	23.96	20.61
Return on Net Worth %	70.68%	45.89%	49.98%	35.71%	25.29%
Net Asset Value per Equity Share (Rs.)	41.88	101.15	85.92	134.28	162.97
Weighted avg. number of equity shares outstanding during the year					
- Basic	4,15,35,073	4,18,01,231	4,21,76,306	4,21,76,306	4,21,95,472
- Diluted	4,15,35,073	4,18,02,431	4,21,81,986	4,21,83,086	4,22,02,712
Total number of equity shares outstanding at the end of the year	99,61,800	1,05,39,022	2,10,78,044	2,10,78,044	2,10,98,262

Notes:

1. *The ratios have been computed as below:*

Earnings per Share (Rs.) = *Consolidated Net profit/(loss) as restated, attributable to equity shareholders* / *Weighted average number of equity shares outstanding during the year/period*

Return on Net Worth (%) = *Net profit/(loss) after tax, as restated without considering extraordinary items, less dividend on preference shares* / *Networth, as restated, at the end of the year/period*

Net Assets Value per Equity Share (Rs.) = *Networth, as restated, at the end of the year/period* / *Number of equity shares outstanding at the end of the year/period*

2. Networth means Equity Share Capital + Reserves and Surplus - Miscellaneous Expenditure not written off or adjusted.

3. The figures disclosed above are based on the Summary Statement of Consolidated Profits and Losses, as Restated.

4. Of the total equity capital of 21,098,262 equity shares, 6,641,200 in the financial year 2005-06 and 10,539,022 in the financial year 2007-08 were issued as bonus shares. As per the requirements of Accounting Standard-20, Earnings per Share, issued by the Institute of Chartered Accountants of India, the corresponding figures of weighted average shares for all prior periods presented have been restated to give the effect of bonus shares.

5. The Company has made bonus issue of equity shares in the ratio of 1:1 which has been approved by the shareholders in Extra-ordinary General Meeting held on May 31, 2010. For the calculation of basic and diluted earnings per share, weighted average number of equity shares includes, 21,098,262 bonus shares and outstanding grant of options includes 3,620 bonus shares.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

SCHEDULE IV-K

STATEMENT OF CONSOLIDATED SEGMENT INFORMATION
(All amounts in Rupees millions, unless otherwise stated)

Segment reporting

The Company's operations predominantly comprise of only one segment. i.e. Industrial Valves consisting of Ball Valve, Butterfly Valves and Automated Ball Valve. In view of the same, separate segmental information is not required to be disclosed as per the requirements of Accounting Standard 17.

Secondary Segment: Geographical Segment

The analysis of geographical segment is based on the geographical location of the customers. The geographical segments considered for disclosure are as follows:

- Sales within India include sales to customers located within India.
- Sales outside India include sales to customers located outside India.

Information pertaining to Secondary Segment Reporting–

(a) Information pertaining to Secondary Segment.

Particulars	MARCH 31, 2006	MARCH 31, 2007	MARCH 31, 2008	MARCH 31, 2009	MARCH 31, 2010
Sales within India	336.51	660.33	1,059.66	1,292.88	1,746.70
Sales outside India	1,297.78	2,418.46	4,081.75	5,586.03	4,986.30
Total	**1,634.29**	**3,078.79**	**5,141.41**	**6,878.91**	**6,733.00**

(b) Details of carrying amount of segment assets by geographical locations

Particulars	MARCH 31, 2006	MARCH 31, 2007	MARCH 31, 2008	MARCH 31, 2009	MARCH 31, 2010
Within India	1,097.94	1,988.47	3,072.37	4,183.66	3,685.69
Outside India	517.49	814.39	2,100.66	2,273.25	2,680.43
Total	**1,615.43**	**2,802.86**	**5,173.03**	**6,456.91**	**6,366.12**

(c) Total cost incurred during the period to acquire segment assets (fixed assets including intangible assets) that are expected to be used during more than one period.

Particulars	**MARCH 31, 2006**	**MARCH 31, 2007**	**MARCH 31, 2008**	**MARCH 31, 2009**	**MARCH 31, 2010**
Within India	93.86	319.34	253.12	458.46	119.76
Outside India	2.56	100.04	50.81	109.96	77.60
Total	**96.42**	**419.38**	**303.93**	**568.42**	**197.36**

All the above disclosure is based on audited consolidated financial statements.

As per our report of even date.

S.R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

SCHEDULE IV-L

STATEMENT OF CONSOLIDATED RELATED PARTY DISCLOSURES

(All amounts in Rupees Million, unless otherwise stated)

As per Accounting Standard 18, issued by The Institute of Chartered Accountants of India, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below. This disclosure is based on audited consolidated financial statements as at and for the years ended March 31, 2006; March 31, 2007; March 31, 2008; March 31, 2009 and March 31, 2010.

As per Accounting Standard 18, notified by Companies Accounting Standards Rules, 2006, the disclosures of transactions with the related parties as defined in the Accounting Standard are given below.

(I) List of related parties with whom transactions have taken place and Relations

	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
Key Management Personnel ('KMP')	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director	Mr. V. Balasubramanian Whole-time Director (upto April 27, 2010)
	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director	Mr. Mahesh Desai Director
	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director	Mr. Jagdish Desai Director
	Mr. V. R. Jayaraman Director & Chief Operating Officer	Mr. V. R. Jayaraman Director	Mr. V. R. Jayaraman Director (Upto 26-Apr-2007)		
		Mr. Paresh Rajda Director	Mr. Paresh Rajda Director (Up to 26-Apr-2007)	Mr. Paresh Rajda Whole-time Director (w.e.f. February 10, 2009)	Mr. Paresh Rajda Executive Director
Joint Venture	Deltech Controls LLC, USA-50% interest*				
	Stafford Controls Limited (formerly Deltech Controls Limited); Subsidiary of joint venture till October 28, 2005.				

Relatives of Key Management Personnel:	Ms. B. Praveena	Ms. B. Praveena	Ms. B. Praveena	Ms. B. Praveena	Ms. B. Praveena
	Ms. B Shashikala	Ms. B Shashikala	Ms. B Shashikala	Ms. B Shashikala	Ms. B Shashikala
	Mr. B. Prasad	Mr. B. Prasad	Mr. B. Prasad	Mr. B. Prasad	Mr. B. Prasad
	Mrs. Durga S. Desai	Mrs. Durga S. Desai	Mrs. Durga S. Desai	Mrs. Sujata J. Desai	Mrs. Sujata J. Desai
	Mrs. Sujata J. Desai	Mrs. Sujata J. Desai	Mrs. Sujata J. Desai	Mr. Amod M. Desai	Mr. Amod M. Desai
	Mr. Amod M. Desai	Mr. Amod M. Desai	Mr. Amod M. Desai	Ms. Sanyukta M.Desai	Ms. Sanyukta M.Desai
	Ms. Sanyukta M.Desai	Ms. Sanyukta M.Desai	Ms. Sanyukta M.Desai	Mrs. Neeta M. Desai	Mrs. Neeta M. Desai
	Mrs. Neeta M. Desai	Mrs. Neeta M. Desai	Mrs. Neeta M. Desai	Mrs. Anagha N. Kanade	Mrs. Anagha N. Kanade
	Mrs. Anagha N. Kanade	Mrs. Anagha N. Kanade	Mrs. Anagha N. Kanade	Mr. V. Anantharaman	Mr. V. Anantharaman
	Mr. Arjun V Jayaraman	Mr. Arjun V Jayaraman			
Enterprises owned or significantly influenced by key management personnel or their relatives	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)	V. Balasubramanian (HUF)

* During the year, company sold its interest in Deltech Control LLC, USA on October 28, 2005 held by its subsidiary Virgo Engineers Inc., USA and Purchased controlling interest in Stafford Control Limited on October 28, 2005, whereby it became Company's subsidiary.

(II) Transactions during the year with related parties:

Nature of Transaction	Relation with related party	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Issue of Equity shares (incl. bonus shares)	Key Management Personnel (including parties with controlling interest)	51.72	0.67	72.76	-	-
	Relatives of Key Management Personnel	5.06	-	5.76	-	-
	Enterprises owned or significantly influenced by key management personnel or their relatives	0.20	-	0.30	-	-
Deposit Accepted	Relatives of Key Management Personnel	0.25	-	-	-	-

Deposits Repaid	Relatives of Key Management Personnel	0.15	-	-	-	-
Unsecured loan Payable	Key Management Personnel (including parties with controlling interest)	0.14	-	-	-	-
	Relatives of Key Management Personnel	3.22	-	-	-	-
Dividend Paid	Key Management Personnel (including parties with controlling interest)	4.83	27.45	50.93	72.76	73.27
	Relatives of Key Management Personnel	0.51	2.54	4.03	6.79	6.79
	Enterprises owned or significantly influenced by key management personnel or their relatives	0.20	0.11	0.21	0.30	0.30
Interest Paid	Key Management Personnel (including parties with controlling interest)	0.02	-	-	-	-
	Relatives of Key Management Personnel	0.35 -	0.13 -	- -	- -	- -
Remuneration Paid	Key Management Personnel (including parties with controlling interest)	21.41	7.98	32.66	79.90	84.61

(III) Material Transactions during the year with related parties:

Name of Related Party	Relation with related party	Nature of transaction	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
V. Balasubramanian	Key Managerial Personnel	Issue of Equity Shares	19.99	-	29.36	-	-
		Dividend Payment	2.02	10.83	20.55	29.36	29.36
		Remuneration Paid	1.17	4.16	0.66	1.31	-
Mahesh Desai	Key Managerial Personnel	Issue of Equity Shares	21.53	0.67	36.08	-	-
		Dividend Payment	2.43	13.26	25.26	36.08	36.08
		Remuneration Paid	10.90	11.74	17.03	42.66	44.33
		Purchase of investments	-	27.45	-	-	-
B. Praveena	Relative of Key Managerial Personnel	Acceptance of Deposit	0.20	-	-	-	-
		Interest paid	0.24	0.10	-	-	-
Durga Shivanand Desai	Relative of Key Managerial Personnel	Acceptance of Deposit	0.05	-	-	-	-
		Repayment of Deposit	0.15	-	-	-	-

		Interest paid	0.05	0.01	-	-	-
V. Jayaraman	Key Managerial Personnel	Remuneration Paid	1.66	2.47	0.13	-	-
Jagdish Desai	Key Managerial Personnel	Remuneration Paid	7.00	9.42	14.73	35.53	36.94
Paresh Rajda	Key Managerial Personnel	Remuneration paid	-	1.31	0.12	0.40	3.34

All the above disclosure is based on audited consolidated financial statements.

As per our report of even date

S.R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No. 48966
Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

RESTATED UNCONSOLIDATED FINANCIAL STATEMENTS OF VIRGO ENGINEERS LIMITED

Auditors' Report

(as required by Part II of Schedule II to the Companies Act, 1956)

To
The Board of Directors
Virgo Engineers Limited
277, Hinjewadi, Phase II
Mann (Mulshi)
Pune 411 057
Maharashtra
India

Dear Sirs,

1. We have examined the Restated Unconsolidated Balance Sheet of Virgo Engineers Limited (the 'Company') as at March 31, 2010, 2009, 2008, 2007 and 2006, and the Restated Unconsolidated Profit and Loss Account for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 ('Restated Unconsolidated Summary Statements'). These Restated Unconsolidated Summary Statements have been prepared by the Company and approved by the Board of Directors, in accordance with the requirements of:

   a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

   b. the Securities Exchange Board of India (Issue of Capital and Disclosure Requirement) Regulations 2009 ('the SEBI Regulations') and the related amendments thereto issued by the Securities and Exchange Board Of India ('SEBI') on in pursuant to Section 30 of the Securities and Exchange Board Of India Act, 1992, as amended to date;

2. We have examined such restated financial information taking into consideration:

   a. the terms of reference dated April 26, 2010 received from the Company, requesting us to carry out the assignment, in connection with the offer document being issued by the Company for its proposed Public Offer; and

   b. The Guidance Note on Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India.

This report is being issued for incorporating the same in the Offer Document to be issued by the Company, in connection with the proposed IPO of 13,430,346 equity shares (Offer of fresh issue of10,744,276 equity shares and Offer for sale by existing shareholders of 2,686,070 equity shares), having a face value of Rs. 10 each, at an issue price to be arrived at by the book building process (the 'Offer').

Restated Unconsolidated Summary Statements as per audited financial statements:

3. The Restated Unconsolidated Summary Statements have been extracted by Management from the unconsolidated financial statements of the Company for the years ended March 31, 2010, 2009, 2008, 2007 and 2006 which have been approved by the Board of Directors and audited by us. The restated Unconsolidated Summary Statements have been arrived at after making such adjustments and regroupings as in the opinion of Management are appropriate and more fully described in the Significant Accounting Policies and Notes on Adjustments appearing in Annexure III to this report.

4. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Regulations and terms of our engagement agreed with you we further report that:

a) We have examined the Restated Unconsolidated Summary Statements (See Annexure I and II). These statements have been arrived at after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Adjustments appearing in Annexure III to this report.

b) Based on our examination of the Restated Unconsolidated Summary Statements, we are of the opinion that the Restated Unconsolidated Summary Statements have been prepared after incorporating:

- adjustments for the changes in accounting policies retrospectively in respective financial years, to reflect the same accounting treatment as per changed accounting policy for all the reporting periods;
- adjustments for the material amounts in the respective financial years to which they relate and
- the extraordinary items which need to be disclosed separately in the Restated Unconsolidated Summary Statements; and
- For the years ended March 31, 2010, 2009, 2008, 2007 and 2006 there are no qualifications in the auditors' reports, which require any adjustments to the Restated Unconsolidated Summary Statements. Further, there are qualifications in the Annexure to the auditors' report, which is prepared in accordance with the Companies Auditors Report Order, 2003 as detailed below:

Year ended	**Clause of Companies (Auditor's Report) Order, 2003**	**Qualification**
March 31, 2006	4(i)(a)	The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, *except in the case of furniture, tools dies and patterns where the records are maintained for group of similar assets and not for each individual asset.*
March 31, 2006	4(i)(b)	Physical verification of fixed assets has been carried out by the management, in accordance with programme of physical verification which, in our opinion, provides for verification of all assets at reasonable intervals. As informed, no material discrepancies were noticed on such verification of fixed assets during the year *except that reconciliation of furniture, tools, dies and patterns (including those lying with sub-contractor) physically verified with the assets register is still in progress at the year end. Discrepancies, if any, arising out of the reconciliation is yet to be determined.*
March 31, 2006	4(xviii)	The Company has made preferential allotment of 54,000 Equity share to the parties covered in the register maintained under section 301 of the Act. *In our opinion, the price at which shares have been issued is lower than the price in accordance with generally accepted valuation methods.*

these do not require any adjustment to the Restated Unconsolidated Summary Statements.

Other Unconsolidated Financial Information:

5. At the Company's request, we have also examined the following other unconsolidated financial information of the Company proposed to be included in the Offer Document prepared by management and approved by the Board of Directors of the Company and annexed to this report relating to the Company for the years ended March 31, 2010, 2009, 2008, 2007, and 2006:

Sr. No:	Particulars of Other Unconsolidated Financial Information	Annexure Reference
1.	Statement of Unconsolidated Cash Flows, as Restated	IV-A
2.	Details of Unconsolidated Other Income and Other Income, including Exceptional and Extraordinary items	IV-B
3.	Details of Rates of Dividend	IV-C
4.	Unconsolidated Capitalisation Statement as at March 31, 2010	IV-D
5.	Details of Unconsolidated Loans	IV-E and IV-E1
6.	Details of Unconsolidated Investments	IV-F
7.	Details of Unconsolidated Debtors	IV-G
8.	Details of Unconsolidated Loans and Advances	IV-H
9.	Details of Unconsolidated Contingent Liabilities	IV-I
10.	Details of Related Party transactions - Details of the list of related parties and nature of relationships - Details of transactions with related parties and details of outstanding balances - Disclosure of significant transactions with related parties	IV-J
11.	Statement of Accounting ratios	IV-K
12.	Statement of Tax Shelters	IV-L

6. In our opinion, the Other Unconsolidated Financial Information as disclosed in the annexures to this report, read with the respective Significant Accounting Policies and Notes on Adjustments and after making adjustments and re-groupings as considered appropriate disclosed in Annexure III, has been prepared in accordance with Part II of Schedule II of the Act and the SEBI Regulations.

7. We have not audited any financial statements of the Company as of any date or for any period subsequent to March 31, 2010. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to March 31, 2010.

8. This report should not be in any way construed as a reissuance or redating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.

9. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

10. This report is intended solely for your information and for inclusion in the Offer Document in connection with the proposed IPO of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. R. Batliboi & Associates
Firm Registration Number: 101049W
Chartered Accountants

per Govind Ahuja
Partner
Membership No: 48966
Place: Mumbai
Date: June 30, 2010

ANNEXURE I : SUMMARY STATEMENT OF UNCONSOLIDATED ASSETS AND LIABILITIES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Year Ended March 31, 2006	Year Ended March 31, 2007	Year Ended March 31, 2008	Year Ended March 31, 2009	Year Ended March 31, 2010
A. Fixed Assets:					
Gross Block	221.20	434.19	558.88	896.68	1,001.19
Less : Depreciation	106.22	132.97	168.70	211.50	265.57
Net Block	**114.98**	**301.22**	**390.18**	**685.18**	**735.62**
Capital Work-in-Progress	34.66	24.42	78.47	85.45	30.54
Total	**149.64**	**325.64**	**468.65**	**770.63**	**766.16**
B. Investments	**19.06**	**110.12**	**110.12**	**126.36**	**26.29**
C. Current Assets, Loans and Advances:					
Inventories	120.73	293.88	483.55	642.69	509.83
Sundry Debtors	186.63	358.74	583.49	641.82	810.47
Cash and Bank Balances	18.73	30.73	32.39	53.94	63.95
Other Current Assets	16.41	82.18	158.57	141.18	144.67
Loans and Advances	39.27	115.03	175.46	239.88	195.68
Total	**381.77**	**880.56**	**1,433.46**	**1,719.51**	**1,724.60**
D. Liabilities and Provisions:					
Secured Loans	52.73	194.65	578.61	941.26	648.11
Unsecured Loans	12.21	-	29.81	-	-
Deferred Tax Liability	12.82	18.72	21.62	30.91	41.37
Current Liabilities and Provisions	250.54	552.83	738.33	869.74	573.66
Total	**328.30**	**766.20**	**1,368.37**	**1,841.91**	**1,263.14**
E. Net Worth (A+B+C-D)	**222.17**	**550.12**	**643.86**	**774.59**	**1,253.91**
Net Worth represented by					
1.Share Capital	99.62	105.39	210.78	210.78	210.98
2.Equity Share pending allotment	-	-	-	10.04	-
3. Employee Stock Option	-	0.23	0.57	0.73	0.81
4.Reserves and Surplus	123.22	444.69	432.51	553.04	1,042.12
5.Miscellanous Expenditure to the extent not adjusted/ written off	0.67	0.19	-	-	-
Net Worth (1+2 +3+4-5)	**222.17**	**550.12**	**643.86**	**774.59**	**1,253.91**

Note:
The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure III, to this report.

As per our report of even date

S. R. Batliboi & Associates **Firm Registration No. 101049W** **Chartered Accountants**	**For and on behalf of the Board of Directors** **of Virgo Engineers Limited**
per Govind Ahuja **Partner** **M.No. 48966**	**Paresh Rajda** **Executive Director**
Place : Mumbai **Date : June 30, 2010**	**Place : Pune** **Date : June 30, 2010**

ANNEXURE II : SUMMARY STATEMENT OF UNCONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended on				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
INCOME					
Sales					
Of products manufactured (including scarp sales and net of excise duty)	779.20	1,342.92	2,162.99	2,427.74	2,740.47
Of products traded	1.38	2.38	55.19	6.62	0.06
Of services rendered	0.81	0.32	7.13	52.04	60.32
TOTAL	**781.39**	**1,345.62**	**2,225.31**	**2,486.40**	**2,800.85**
Other Income	9.32	21.05	88.11	149.28	160.77
Increase/(decrease) in inventories	11.24	86.43	117.11	(6.43)	(26.20)
TOTAL INCOME (A)	**801.95**	**1,453.10**	**2,430.53**	**2,629.25**	**2,935.42**
EXPENDITURE					
Raw material consumed (including cost of job work)	535.76	969.43	1,557.55	1,582.39	1,652.29
Purchases of traded goods	0.72	1.26	46.79	5.40	0.07
Operating and other Expenses	97.23	159.04	267.11	378.00	360.71
Employees' Remuneration and Benefits	56.38	91.34	154.07	183.13	202.11
Financial Charges	29.33	36.76	85.94	132.24	152.27
Depreciation	17.60	27.46	43.36	56.38	75.41
TOTAL EXPENDITURE (B)	**737.02**	**1,285.29**	**2,154.82**	**2,337.54**	**2,442.86**
Net Profit before tax, exceptional and extraordinary items (C)=(A-B)	**64.93**	**167.81**	**275.71**	**291.71**	**492.56**
Add : Exceptional Items [Income/(Expense)]	-	-	-	-	-
Add : Extraordinary Items[Income/(Expense)]	51.10	-	-	-	238.23
Net Profit before Tax	**116.03**	**167.81**	**275.71**	**291.71**	**730.79**
Taxation					
- Current Tax	25.30	50.50	75.00	54.00	125.00
- Wealth Tax	0.02	0.02	0.04	0.05	0.04
- Fringe Benefits	1.39	1.34	1.82	2.44	-
- Deferred Tax [Charge/(Reversal)]	(1.81)	5.90	3.15	9.29	10.47
Net Profit	**91.13**	**110.05**	**195.70**	**225.93**	**595.28**
Profit and loss account at the beginning of the year	**51.40**	**97.48**	**112.74**	**166.42**	**256.95**
Balance available for appropriation, as restated	**142.53**	**207.53**	**308.44**	**392.35**	**852.23**

ANNEXURE II : SUMMARY STATEMENT OF UNCONSOLIDATED PROFITS AND LOSSES, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended on				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Appropriations					
Interim Dividend on Equity Shares	6.51	31.62	42.16	52.70	52.75
Proposed Dividend on Equity Shares	6.55	31.62	52.70	52.70	63.29
Dividend on Preference Shares	1.63	-	-	-	-
Tax on Dividends	2.06	9.81	7.16	-	-
Transfer to Capital Redemtion Reserve	18.80	-	-	-	-
Transfer to General Reserve	9.50	21.74	40.00	30.00	59.60
Balance carried forward, as restated	**97.48**	**112.74**	**166.42**	**256.95**	**676.59**

Note:

1. The above statement should be read with the Notes on Adjustments and Significant Accounting Policies for restated financial statements as appearing in Annexure III, to the report.
2. The reconciliation between the audited and restated profit and loss balance as at April 1, 2005, is given in Annexure II-A.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE II-A : PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 2005, AS RESTATED

(All amounts in Rs. Million)

Particulars	Amount
Profit and Loss Account as at April 1, 2005 (Audited)	47.84
Wealth tax provision restated	(0.14)
(See Note No.I- 2 of Annexure III)	
Prior Period Items	0.14
(See Note No.I- 2 of Annexure III)	
Unclaimed liability restated	3.56
(See Note No.I- 2 of Annexure III)	
Profit and Loss Account as at April 1, 2005 (Restated)	51.40

ANNEXURE III- NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES FOR UNCONSOLIDATED RESTATED FINANCIAL STATEMENTS

(I) NOTES ON ADJUSTMENTS

Listed below are the adjustments which have been made in the Unconsolidated Summary Financial Statements, as Restated, consisting of the Summary Statements of Unconsolidated Assets and Liabilities, as Restated and Summary Statements of unconsolidated Profits and Losses, as Restated to the extent that they pertain to the parent Company, Virgo Engineers Limited.

1. Changes in Accounting Policies

a) During the financial year 2008, with effect from April 1, 2007, the Company has adopted Accounting Standard-15 (Revised) on Employee Benefits. Till March 31, 2007, the Company had adopted the provisions of Accounting Standard-15, Retirement Benefits. Accordingly, the Company has provided for gratuity and leave encashment using the projected unit credit method, due to which an amount of approximately Rs 481,314 (Rupees Four lac eighty one thousand, three hundred and fourteen), net of tax, has been debited to General Reserves as at April 1, 2007. No adjustment has been made for earlier periods, since in the opinion of the Company, the impact of the same on the Summary Statement of Unconsolidated Profits and Losses, is not material.

b) By virtue of Accounting Standard-11 (AS-11) being notified in the Companies Accounting Standard Rules, 2006, the provisions of AS-11 (revised) have become mandatory for accounting periods commencing on or after December 7, 2006. Accordingly, with effect from April 1, 2007, exchange losses on fixed assets imported from outside India and exchange losses on foreign currency loans taken for purchase of fixed assets are expensed to the profit and loss account, which in earlier years was capitalized. No adjustment has been made for earlier periods, since in the opinion of the Company, such type of transactions of assets being imported or assets being funded out of foreign currency borrowings are not material. Accordingly, the impact of foreign currency differences on the Summary Statement of Unconsolidated Profits and Losses, is not considered material.

2. Other Adjustments

Prior Period Items

- The financial statements for the year ended March 31, 2009 contain an impact on account of a prior period item aggregating Rs 0.14 million towards income tax refund. This item pertains to the financial year March 2005 and earlier periods. For the purpose of this statement, this item has been adjusted in the opening profit and loss account balance as at April 1, 2005 and is reflected in Annexure II-A.

- The financial statements for the year ended March 31, 2006 contain an impact on account of wealth tax aggregating Rs 0.14 million. This item pertains to the financial year March 2005 and earlier periods. For the purpose of this statement, this item has been adjusted in the opening profit and loss account balance as at April 1, 2005 and is reflected in Annexure II-A.

- The financial statements for the year ended March 31, 2006 and March 31, 2009 contain unclaimed liabilities written back of Rs. 3.06 million and Rs. 4.04 million respectively. Of the same Rs. 3.56 million pertaining to the financial year March 2005 and earlier periods. For the purpose of this statement, this item has been adjusted in the opening profit and loss account balance as at April 1, 2005 and is reflected in Annexure II-A. Balance Rs. 3.54 million have been adjusted in the respective years to which they relate to.

3. Material Regroupings

Miscellaneous expenditure not written off

Expenses relating to cost of ERP package was incorrectly classified under the head miscellaneous expenditure to the extent not written off/adjusted. During the year ended March 31, 2008, the Company has reclassified the cost of ERP as an intangible asset. There is no change in the period over which the asset is amortized and hence there is no impact on the profits or losses.

4. **Other non adjustment items**

Audit qualifications, which do not require any adjustments in the financial information are as follows:

Year ended	Clause of Companies (Auditor's Report) Order, 2003	Qualification
March 31, 2006	4(i)(a)	The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets, *except in the case of furniture, tools dies and patterns where the records are maintained for group of similar assets and not for each individual asset.*
March 31, 2006	4(i)(b)	Physical verification of fixed assets has been carried out by the management, in accordance with programme of physical verification which, in our opinion, provides for verification of all assets at reasonable intervals. As informed, no material discrepancies were noticed on such verification of fixed assets during the year *except that reconciliation of furniture, tools, dies and patterns (including those lying with sub-contractor) physically verified with the assets register is still in progress at the year end. Discrepancies, if any, arising out of the reconciliation is yet to be determined.*
March 31, 2006	4(xviii)	The Company has made preferential allotment of 54,000 Equity share to the parties covered in the register maintained under section 301 of the Act. *In our opinion, the price at which shares have been issued is lower than the price in accordance with generally accepted valuation methods.*

(II) SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

Virgo Engineers Limited ('the Company') is primarily engaged in the manufacture of Industrial Valves and Accessories for Power, Chemical, Petrochemical, Pharmaceutical, Oil and Gas Industries.

2. Significant Accounting Policies

2.1 Basis of accounting

The financial statements have been prepared to comply in all material respects in respects with the Notified accounting standards by Companies Accounting Standards Rules, 2006(amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis except in case of assets for which provision for impairment is made and revaluation is carried out. The accounting policies have been consistently applied by the Company and except for the changes in accounting policy discussed below, are consistent with those used in the previous year. Accounting policies not referred to otherwise, are consistent with generally accepted accounting principles.

2.2 Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

2.3 Fixed assets and intangible assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase price, net of cenvat and all other attributable costs incurred for bringing the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalized upon the commencement of commercial production. Borrowing Costs relating to construction or acquisition of fixed assets which take substantial period of time to get ready for its intended use are also included in the cost of the fixed assets to the extent they relate to the period till such assets are ready to be put to use.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of internally generated asset comprises all expenditure that can be directly attributed or allocated on a reasonable and consistent basis, for creating, producing and making the asset ready for its intended use.

The carrying amounts of assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date, to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the recoverable amount, of the CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Value in use is calculated based on the discounted estimated future cash flow. After impairment, depreciation is provided on the revised carrying amount of assets over the remaining useful life. Further, assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

2.4 Depreciation/Amortisation

Depreciation/Amortisation is provided on Straight Line Method, unless otherwise mentioned, pro-rata to the period of use of the assets and is based on management's estimate of useful lives of the fixed assets or at rates specified in Schedule XIV to the Act, whichever is higher.

Assets Heads	Depreciation Rates as per Companies Act, 1956.	Depreciation Rates Applied by Company
BUILDING	3.34%	3.34%
PLANT & MACHINERY	10.34%	10.34%
DIES & PATTERNS	11.31%	11.31%
JIGS & FIXTURES	11.31%	11.31%
ELECTRICAL INSTALLATION	4.75%	4.75%
COMPUTERS	16.21%	16.21%
OFFICE EQUIPMENTS	4.75%	4.75%
FURNITURE & FIXTURES	6.33%	6.33%
VEHICLES	9.50%	9.50%

Additions to building which have been constructed over leasehold land and leasehold improvement thereof have been depreciated over shorter of the estimated useful life of the building and the lease term.

Leasehold land is depreciated over the period of 99 years.

Finance lease asset are depreciated over the period of lease term.

Enterprise Resource Package-Software has been amortized over a period of five years.

Assets costing up to Rs. 5,000 per unit are depreciated at the rate of 100% in the period of addition.

2.5 Investments

Long Term Investments are carried at Cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long-term investments.

2.6 Inventory Valuation

Raw materials, components and loose tools are valued at cost or net realizable value whichever is lower. However, raw 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 'First in First out' basis.

Semi-finished goods and finished goods are valued at cost or net realizable value, whichever is lower. Cost of semi-finished and finished goods includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion to make the sale.

2.7 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.

Sale of goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, in accordance with terms and conditions of the customer's orders. Sales are stated net of sales tax, value added tax and gross of excise duty.

Interest Income

Interest income is recognized on the time proportion method taking into account the amount outstanding and the rate applicable.

Dividend Income

Revenue is recognised when the shareholder's right to receive payment is established by the balance sheet date. Dividend from subsidiaries is recognised even if the same are declared after the balance sheet date but pertains to period on or before the date of balance sheet as per the requirement of schedule VI of the Act.

Sale of Services

Revenue from sale of job work services is recognised as and when the services are rendered.

Export Benefit

Export incentive benefits are recognized as income on the basis of receipt of proof of export.

2.8 Foreign currency transactions

i) 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.

ii) Conversion

At the period end, foreign currency monetary items are reported using the period end exchange 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.

iii) Exchange differences

Exchange differences arising on the settlement of monetary items or on restatement of 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.

iv) 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 statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

2.9 Leases

Finance Lease

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

Operating Lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as expense in the Profit and Loss Account on a straight line basis over the lease term.

2.10 Taxes on Income

Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

Deferred 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 years. 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. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

2.11 Retirement and other employee benefits

Retirement benefits in the form of Employees Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the period when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective fund.

Gratuity liability is a defined benefit obligation and is provided for on the basis of contributions to Life Insurance Corporation of India ('LIC') and the actuarial valuation made at the end of the period using the Projected Unit Credit Method.

Compensated absences are considered as long term benefit, and are provided for based on actuarial valuation made at the end of the year in accordance with revised AS-15 by using Projected Unit Credit Method.

Liability in respect of Superannuation Fund to the employee is accounted for as per the Company's scheme and contributed to LIC every year.

Actuarial gains / losses are charged to profit and loss account and are not deferred.

2.12 Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the options on a straight line basis.
The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

2.13 Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a realizable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet and adjusted to reflect the current management estimates. Contingent assets are neither recognized nor disclosed in the financial statement.

2.14 Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) 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 any bonus shares issued during the period and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

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.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

2.15 Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

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(III) OTHER SIGNIFICANT NOTES
(All amount in Rs. Million, unless otherwise stated)

1. Provisions

In pursuance of Accounting Standard-29 ('AS-29') 'Provisions, Contingent Liabilities and Contingent Assets' issued by the ICAI, the provisions required have been incorporated in the books of account in the following manner;

The provision for warranty represents the expected liability on account of field failure of products sold and expected expenditure to make those replacements. The amount is determined based on past experience.

Year Ended March 31, 2010

Particulars	As at April 1, 2009	Additions during the period	Amounts used during the period	Reversed during the period	As at March 31, 2010
Provision for Warranties	4.51	4.71	4.01	-	5.21

Year Ended March 31, 2009

Particulars	As at April 1, 2008	Additions during the period	Amounts used during the period	Reversed during the period	As at March 31, 2009
Provision for Warranties	4.79	3.77	4.05	-	4.51

Year Ended March 31, 2008

Particulars	As at April 1, 2007	Additions during the period	Amounts used during the period	Reversed during the period	As at March 31, 2008
Provision for Warranties	1.61	3.55	0.37	-	4.79

Year Ended March 31, 2007

Particulars	As at April 1, 2006	Additions during the period	Amounts used during the period	Reversed during the period	As at March 31, 2007
Provision for Warranties	0.89	1.82	1.10	-	1.61

Year Ended March 31, 2006

Particulars	As at April 1, 2005	Additions during the period	Amounts used during the period	Reversed during the period	As at March 31, 2006
Provision for Warranties	**-**	**0.89**	**-**	**-**	**0.89**

2. **Leases**

Finance Leases

Finance leases relates to Computer obtained on lease. The lease term is for five years and the company has the option to purchase the assets at a nominal price at the end of lease period.

Reconciliation between the total of minimum lease payments and their present value	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
Total minimum lease payments:	6.16	6.56	-	-	-
Less: amount representing finance charges	1.28	1.56	-	-	-
Present value of minimum lease payments (Rate of interest : 11.51%)	4.89	5.00	-	-	-

Minimum lease payments	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
Not later than one year	1.54	1.29	-	-	-
Later than one year and not later than five years	4.62	5.23	-	-	-
Later than five years	-	0.04	-	-	-
Total	**6.16**	**6.56**	**-**	**-**	**-**

Present value of Minimum lease payments	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
Not later than one year	1.03	0.86	-	-	-
Later than one year and not later than five years	3.86	4.10	-	-	-
Later than five years	-	0.04	-	-	-
Total	**4.89**	**5.00**	**-**	**-**	**-**

Operating Leases

In respect of cancelable operating leases, the significant leasing arrangements relate to Premise (residential, office etc.), which are renewable by mutual consent and lease rentals payable are accordingly charged as rent under schedule 17.

Obligation on operating leases	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
Lease Rent charged to profit & loss account during the year	24.36	24.25	12.00	8.34	-

The Company has taken premises under non-cancelable operating lease for a minimum term of 84 months, which are renewable for a further period as per mutually acceptable terms.

Obligation on operating leases	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
Not later than one year	23.78	24.36	20.01	10.32	8.95
Later than one year and not later than five years	96.52	91.89	108.14	35.47	43.11
Later than five years	174.77	193.94	104.41	9.97	11.83

The above disclosure for the lease payments has been adjusted for the escalation in rent over the period

3. Employee Benefits:-

Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service is entitled to a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarize the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet for Gratuity.

Profit and Loss account

Net employee benefit expense on account of gratuity (recognized in Employee Cost)

Particulars	2007-08	2008-09	2009-10
Current service cost	1.00	1.12	1.34
Interest cost on benefit obligation	0.29	0.51	0.62
Expected return on plan assets	(0.35)	(0.50)	(0.64)
Net actuarial(gain) / loss recognized in the period	1.83	(0.32)	(0.13)
Past service cost	-	-	-
Net benefit expense	2.77	0.81	1.19
Actual return on plan assets	-	-	-

Balance sheet

Details of Provision for gratuity

	Gratuity		
Particulars	**2007-08**	**2008-09**	**2009-10**
Defined benefit obligation	(6.37)	(7.46)	(9.20)
Fair value of plan assets	5.18	6.32	8.48
	(1.19)	(1.14)	(0.72)
Less: Unrecognised past service cost	-	-	-
Plan asset/(liability)	1.19	1.14	0.72

Changes in the present value of the defined benefit obligation are as follows:

	Gratuity		
Particulars	**2007-08**	**2008-09**	**2009-10**
Opening defined benefit obligation	3.40	6.37	7.46
Interest cost	0.29	0.51	0.62
Current service cost	1.00	1.12	1.34
Benefits paid	(0.19)	(0.19)	(0.03)
Actuarial (gains)/losses on obligation	1.87	(0.35)	(0.19)
Closing defined benefit obligation	6.37	7.46	9.20

Changes in the fair value of plan asset are as follows:

	Gratuity		
Particulars	**2007-08**	**2008-09**	**2009-10**
Opening fair value of plan assets	3.76	5.17	6.32
Expected return	0.35	0.50	0.64
Contributions by employer	1.21	0.88	1.60
Benefits paid	(0.19)	(0.20)	(0.03)
Actuarial gains / (losses)	0.04	(0.03)	(0.05)
Closing fair value of plan assets	5.17	6.32	8.48

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	Gratuity		
Particulars	**2007-08**	**2008-09**	**2009-10**
	%	%	%
Investment with insurer	100%	100%	100%

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity benefit obligation for the Company's plan is shown below:

Particulars	**2007-08**	**2008-09**	**2009-10**
Discount rate	8.50 %	8.00 %	8.25%
Expected rate of return on assets	8.25 %	9.00 %	9.00%
Increase in Compensation cost	6.50 %	6.00 %	6.00%
Employee turnover	3% at younger ages reducing to 1% at older ages	5% at younger ages reducing to 1% at older ages	5% at younger ages reducing to 1% at older ages

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current period and previous period are as follows:

Particulars	2007-08	2008-09	2009-10
Defined benefit obligation	6.37	7.46	9.20
Plan assets	5.18	6.32	8.48
Surplus / (deficit)	(1.19)	(1.14)	(0.72)
Experience Adjustments on plan liabilities	Nil	Nil	0.07
Experience Adjustments on plan assets	Nil	Nil	0.06

The expense recognized during the period for each contribution plan is as follows:-

Particulars	2007-08	2008-09	2009-10
Employers Contribution to Provident Fund	3.84	4.82	5.78
Employers Contribution to ESI	0.52	0.41	0.20
Superannuation	0.55	1.04	1.23

Note :

The figures for year ended 2005-06 and 2006-07 have not been disclosed , as Accounting Standard 15 (AS 15 revised) employee benefits is applicable w.e.f. April 1, 2007 and the impact of the transitional adjustment made by the company is not material.

4. The Company has provided stock options to its employees under the Employee Stock Option scheme ('Virgo ESOP-2006'). During the year ended March 31, 2007, March 31, 2008, March 31, 2009 and March 31, 2010, the following scheme was in operation:

Particulars	**Virgo-ESOP-2006**
Date of Board approval	July 27, 2006
Date of Shareholder's approval	August 24, 2006
Date of grant	October 18, 2006
Amendment in ESOP-2006 Scheme	
Date of Board approval	October 26, 2007
Date of Shareholder's approval	November 24, 2007
2nd Amendment in ESOP-2006 Scheme	
Date of Shareholder's approval	September 23, 2009
Date of Compensation Committee Approval	October 27, 2009
Number of options granted	249,120
Number of options outstanding as on March 31, 2010 (revised)	218,630
Exercise price per option	Rs 406
Exercise price per option (revised)	Rs. 203
Method of settlement :cash/equity	Equity
Vesting period	4 Years
Exercise period **	Within 3 Years of Vesting or 3 years of listing at Recognized Stock Exchange whichever is later.

The details of the vesting schedule of Virgo ESOP-2006 is as follows:

Date of Vesting	**Proportion of vesting**
Ist Vesting on October 18, 2007 *	25%
IInd Vesting on August 1, 2008 *	25%
IIIrd Vesting on August 1, 2009	25%
IVth Vesting on August 1, 2010	25%

* Revision has been done in the ESOP Scheme as per the requirements of SEBI guidelines for Employee Stock Options, with regard to the vesting date. The impact of this change on the profit and loss account for the current period is immaterial.

** As per the revision in ESOP Scheme, exercise period has been modified as approved by the shareholders in annual general meeting dated September 23, 2009 as per the modified exercise period the ESOP can be exercised within a period of 3 years from the date of vesting or within 3 years from the date of listing whichever is later. Prior to modification of the ESOP Scheme, the exercise period was 3 years from the date of vesting.

The details of activity under Virgo ESOP-2006 Plan have been summarized below:

Particulars	**Year ended March 31, 2010 (No of Options)**	**Year ended March 31, 2009 (No of Options)**	**Year ended March 31, 2008 (No of Options)**	**Year ended March 31, 2007 (No of Options)**
Outstanding at the beginning of the period	230,490	2,42,350	122,960	-
Revised outstanding at the beginning of the period	-	-	245,920	-
Granted during the Year	-	-	-	124,560
Forfeited during the period	11,860	11,860	3,570	1,600
Exercised during the period	Nil	Nil	Nil	Nil
Expired during the period	Nil	Nil	Nil	Nil
Outstanding as at the balance sheet date	218,630	230,490	242,350	122,960
Exercisable as at the balance sheet date	Nil	Nil	Nil	Nil

Further, the fair value of stock options granted as per intrinsic value method have been taken as Rs. 3.50. Effect of the employee share-based payment plans on the profit and loss account and on its financial position is as follows;

Particulars	**Year ended March 31, 2010**	**Year ended March 31, 2009**	**Year ended March 31, 2008**	**Year ended March 31, 2007**
Compensation cost pertaining to equity-settled employee share-based payment plan	0.83	0.83	0.83	0.83
Charged up to the year ended on March 31, 2007	-	-	-	0.60
Charged up to the year ended on March 31,2008	-	-	0.57	-
Charged up to the year ended on March 31, 2009	-	0.73	-	-
Charged up to the year ended on March 31, 2010	0.81	-	-	-
Cost deferred over the balance vesting period	0.02	0.10	0.26	0.23

The valuation of option has not been carried out by the Company from the independent valuer as on the grant date as required by the Guidance Note issued by ICAI for Employee Share- based Payments. The impact of the valuation on the Net profit for the year ended March 31, 2010 and Disclosure of EPS as required by AS 20 for the current period is immaterial.

The Company has provided stock options to its employees under the Employee Stock Option scheme ('Virgo ESOP-2007'). During the year ended March 31, 2008, March 31, 2009 and March 31, 2010, the following scheme was in operation:

Particulars	**Virgo-ESOP-2007**
Date of Board approval	July 26, 2007
Date of Shareholder's approval	September 17, 2007
Date of grant	October 26, 2007
<u>Amendment in ESOP-2007 Scheme</u>	
Date of Board approval	October 26, 2007
Date of Shareholder's approval	November 24, 2007
<u>2nd Amendment in ESOP-2006 Scheme</u>	
Date of Shareholder's approval	September 23, 2009
Date of Compensation Committee's Approval	October 27, 2009
Number of options granted under I Grant	78,300
Number of options granted under II Grant	28,000
Exercise price per option under I Grant	Rs 337
Exercise price per option under II Grant	Rs. 427
Method of settlement :cash/equity	Equity
Vesting period	4 Years
Exercise period **	Within 3 Years of Vesting or 3 years of listing at Recognized Stock Exchange whichever is later.

** As per the revision in ESOP Scheme, exercise period has been modified as approved by the shareholders in annual general meeting dated September 23, 2009. As per the modified exercise period the ESOP can be exercised within a period of 3 years from the date of vesting or within 3 years from the date of listing at recognised stock exchange whichever is later. Prior to modification to the ESOP Scheme, the exercise period was 3 years from the date of vesting.

The details of the vesting schedule of Virgo ESOP-2007 for I Grant is as follows:

Date of Vesting	Proportion of vesting
I Vesting on October 26, 2008	25%
II Vesting on October 26, 2009	25%
III Vesting on October 26, 2010	25%
IV Vesting on October 26, 2011	25%

The details of the vesting schedule of Virgo ESOP-2007 for II Grant is as follows:

Date of Vesting	Proportion of vesting
I Vesting on November 1, 2009	25%
II Vesting on November 1, 2010	25%
III Vesting on November 1, 2011	25%
IV Vesting on November 1, 2012	25%

Particulars	Year ended March 31, 2010 (No of Options)	Year ended March 31, 2009 (No of Options)	Year ended March 31, 2008 (No of Options)
Outstanding at the beginning of the period	99,400	78,300	Nil
Issued during the period	Nil	28,000	78,300
Forfeited during the period	6,300	6,900	Nil
Exercised during the period	Nil	Nil	Nil
Expired during the period	Nil	Nil	Nil
Outstanding as at the balance sheet date	93,100	99,400	78,300
Exercisable as at the balance sheet date	Nil	Nil	Nil

Particulars	Year ended March 31, 2010	Year ended March 31, 2009	Year ended March 31, 2008
Compensation cost pertaining to equity-settled employee share-based payment plan	Nil	Nil	Nil
Charged during the period	Nil	Nil	Nil
Cost deferred over the balance vesting period	Nil	Nil	Nil

The valuation of option has not been carried out by the Company from the independent valuer as on the grant date as required by the Guidance Note issued by ICAI for Employee Share- based Payments. The impact of the valuation on the Net profit for the year ended March 31, 2010 and Disclosure of EPS as required by AS 20 for the current period is immaterial.

The Company has provided stock options to its employees under the Employee Stock Option scheme ('Virgo ESOP-2009'). During the period ended March 31, 2010, the following scheme was in operation:

Particulars	**Virgo-ESOP-2009**
Date of Board approval	July 28, 2009
Date of Shareholder's approval	September 23, 2009
Date of grant	October 27, 2009
Number of options granted	84,000
Exercise price per option	Rs 431
Method of settlement :cash/equity	Equity
Vesting period	4 Years
Exercise period	Within 3 Years of Vesting or 3 years of listing at Recognized Stock Exchange whichever is later.

The details of the vesting schedule of Virgo ESOP-2009 are as follows:

Date of Vesting	**Proportion of vesting**
I Vesting on November 1, 2010	25%
II Vesting on November 1, 2011	25%
III Vesting on November 1, 2012	25%
IV Vesting on November 1, 2013	25%

The details of activity under Virgo ESOP-2009 Plan have been summarized below:

Particulars	**Number of options**
Issued during the financial year 2008-09	84,000
Exercisable at on March 31, 2010	Nil

Effect of the employee share-based payment plans on the profit and loss account and on its financial position is as follows;

Particulars	Year ended March 31, 2010
Compensation cost pertaining to equity-settled employee share-based payment plan	Nil
Charged during the period ended March. 31, 2009	Nil
Charged during the period ended March. 31, 2010	Nil
Cost deferred over the balance vesting period	Nil

The valuation of option has not been carried out by the Company from the independent valuer as on the grant date as required by the Guidance Note issued by ICAI for Employee Share- based Payments. The impact of the valuation on the Net profit for the year ended March 31, 2010 and Disclosure of EPS as required by AS 20 for the current period is immaterial.

5. Major Components of Deferred Tax Assets and Liabilities are: (F.Y.2009-10)

Particulars	Deferred Tax Asset / (Liability) as at March 31, 2009	Current period (Charge) / Credit	Deferred Tax Asset / (Liability) as at March 31, 2010
a. Deferred tax asset:			
Provision for doubtful debts	8.15	(3.72)	4.43
Lease Rentals	-	1.36	1.36
Employee costs	1.61	0.00	1.61
b. Deferred tax liability:			
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(40.67)	(8.11)	(48.78)
Total	(30.91)	(10.47)	(41.38)

6. Major Components of Deferred Tax Assets and Liabilities are: (F.Y.2008-09)

Particulars	Deferred Tax Asset / (Liability) as at March 31, 2008	Current period (Charge) / Credit	Deferred Tax Asset / (Liability) as at March 31, 2009
a. Deferred tax asset:			
Provision for doubtful debts	1.25	6.90	8.15
Lease Rentals	-	-	-
Employee costs	1.46	0.15	1.61
b. Deferred tax liability:			
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(24.33)	(16.33)	(40.66)
Total	(21.62)	(9.28)	(30.90)

7. Major Components of Deferred Tax Assets and Liabilities are: (F.Y.2007-08)

Particulars	Deferred Tax Asset / (Liability) as at March 31, 2007	Current period (Charge) / Credit	Deferred Tax Asset / (Liability) as at March 31, 2008
a. Deferred tax asset:			
Provision for doubtful debts	0.79	0.47	1.26
Provision for Warranty	0.55	(0.55)	-
Employee costs	0.29	1.17	1.46
b. Deferred tax liability:			
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(20.35)	(3.99)	(24.34)
Total	(18.72)	(2.90)	(21.62)
c. Deferred tax:			
Tax effect of opening transitional provision as per revised AS -15	-	(0.25)	-
Amount as per Profit and Loss Account	-	(3.15)	-

8. Major Components of Deferred Tax Assets and Liabilities are: (F.Y.2006-07)

Particulars	Deferred Tax Asset / (Liability) as at March 31, 2006	Current period (Charge) / Credit	Deferred Tax Asset / (Liability) as at March 31, 2007
a. Deferred tax asset:			
Provision for doubtful debts	0.54	0.25	0.79
Provision for Warranty	-	0.55	0.55
Employee costs	0.15	0.15	0.30
b. Deferred tax liability:			
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(13.51)	(6.84)	(20.35)
Total	(12.82)	(5.89)	(18.71)

9. Major Components of Deferred Tax Assets and Liabilities are: (F.Y.2005-06)

Particulars	Deferred Tax Asset / (Liability) as at March 31, 2005	Current period (Charge) / Credit	Deferred Tax Asset / (Liability) as at March 31, 2006
a. Deferred tax asset:			
Provision for doubtful debts	0.26	0.28	0.54
Provision for Warranty	-	-	-
Employee costs	0.14	0.01	0.15
b. Deferred tax liability:			
Differences in depreciation and other differences in block of fixed assets as per tax books and financial books	(15.04)	1.53	(13.51)
Total	(14.64)	1.82	(12.82)

10. **Impact of ICAI announcement on Derivatives**
F.Y.2009-10

Pursuant to ICAI Announcement dated March 29, 2008 on “Accounting for Derivatives”, the Company has, based on the principles of prudence enunciated in Accounting Standard-1 on “Disclosure of Accounting Policies”, recognised mark to market (‘MTM’) losses on derivative contracts outstanding as at March 31, 2010 to the extent the losses are not offset by the fair value gain on the underlying hedge items. In determining the 'MTM' losses, any compensating gains on underlying transactions (including firm commitments and highly probable forecast transactions) have been netted off and accordingly, the Company has recognized MTM loss of Rs Nil, Rs 17.85 million and Rs.4.60 millon during the year ended March 31, 2010, 2009 and 2008 respectively.

11. **Derivative instruments and unhedged foreign currency exposures:**

The Company uses derivative instruments to hedge its risks associated with foreign currency fluctuations.

The forward sell contracts, which are outstanding as at March 31, 2010, 2009 and 2008 for hedging of receivables and future sales is US $ 6.35 million, US $ 2.48 million and US $ 8.75 million respectively.

Further, the particulars of unhedged foreign currency exposures as at the balance sheet date are as follows:

Particulars	**2009-2010 Debit/ (Credit)**	**2008-09 Debit/ (Credit)**	**2007-08 Debit/ (Credit)**	**2006-07 Debit/ (Credit)**	**2005-06 Debit/ (Credit)**
Debtors	15.69	105.24	174.18	139.27	111.42
Advances from Debtors	(9.57)	(1.41)	(3.83)	-	-
Creditors	(49.09)	(170.66)	(81.88)	(31.89)	(7.79)
Buyers Credit	(45.72)	(42.88)	-	-	-
Accrued Interest on Buyers Credit	(0.14)	(0.42)	-	-	-
Advances to Creditors	2.01	10.91	4.45	-	-
Bank Balance in EEFC account	2.70	2.41	1.29	8.99	0.02
Investment in subsidiary	16.23	116.30	100.06	100.06	-

As per our report of even date

For S.R. Batliboi & Associates
Firm Registration No. 101049W

Chartered Accountants

per Govind Ahuja
Partner
M. No.48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of
Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-A STATEMENT OF UNCONSOLIDATED CASH FLOWS, AS RESTATED

(All amounts in Rs. Million)

Particulars	Financial Year ended on				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
A. Cash flow from operating activities					
Profit before taxation	**116.03**	**167.81**	**275.71**	**291.71**	**730.79**
Less:Extraordinary Items	51.10	-	-	-	238.23
Profit before taxation and exceptional items	**64.93**	**167.81**	**275.71**	**291.71**	**492.56**
Adjustments for:					
Depreciation	17.60	27.46	43.36	56.38	75.41
Loss on sale of fixed assets	0.42	0.73	1.34	(13.77)	1.61
Foreign Exchange Loss (net)	(0.38)	-	-	-	-
Interest income	(0.75)	(1.80)	(2.18)	(2.99)	(3.75)
Dividend income	(0.01)	(0.01)	(55.01)	(109.01)	(116.31)
Interest expense	23.58	28.19	67.43	108.94	127.67
Employee stock compensation cost		0.23	0.33	0.17	0.08
Bad debts written off	0.30	1.52	0.62	5.24	1.46
Preliminary expenses written off	0.64	0.48	0.19	-	-
Unclaimed Liabilities written back	(0.16)	-	-	8.08	-
Provision for Warranties and Guarantees	-	1.61	3.19	3.77	4.71
Provision for doubtful debts	1.61	2.32	1.38	20.29	2.24
Excess Provision for doubtful debts written back	-	-	-	-	(0.65)
Operating profit before working capital changes	**107.78**	**228.54**	**336.36**	**368.81**	**585.03**
Movements in working capital :					
Decrease / (Increase) in sundry debtors, loans & Advance and Current asset	(45.97)	(316.90)	(363.77)	(76.01)	(155.05)
Decrease / (Increase) in inventories	4.11	(173.16)	(189.66)	(159.13)	132.85
Increase / (Decrease) in current liabilities	36.12	264.50	173.96	118.99	(326.11)
Cash generated from operations	**102.04**	**2.98**	**(43.11)**	**252.66**	**236.72**
Direct taxes paid	**(27.36)**	**(45.21)**	**(84.96)**	**(69.23)**	**(83.76)**
Net cash from/(used in) operating activities	**74.68**	**(42.23)**	**(128.07)**	**183.43**	**152.96**
B. Cash flows from investing activities					
Purchase of fixed assets	(52.29)	(204.58)	(195.46)	(379.65)	(73.51)
Proceeds from sale of fixed assets	0.98	0.39	7.74	40.03	0.96
Purchase of investments	(29.35)	(26.82)	-	(6.19)	
Sale of investments	130.30	9.00	-	-	338.29
Interest received	1.45	1.22	2.41	3.48	2.11
Dividends received	0.01	0.01	55.01	66.51	116.31
Net cash used in investing activities	**51.10**	**(220.78)**	**(130.30)**	**(275.82)**	**384.16**
C. Cash flows from financing activities					
Proceeds from issuance of share capital including premium	2.44	225.00	-	-	-
Redemption of preference share capital	(18.80)	-	-	-	-
Share issue expenses	-	(7.98)	-	-	-
Proceeds from long term borrowings	-	92.38	133.25	251.25	0.92
Repayment of long term borrowings	(27.87)	(25.81)	(32.96)	(19.22)	(150.47)
Proceeds/(Repayment) of short term borrowings	(48.46)	75.34	313.48	95.82	(143.60)
Deposits Accepted	3.16	-	-	-	-
Deposits repaid	(3.19)	(12.21)	-	-	-
Interest paid	(23.58)	(28.19)	(67.43)	(108.52)	(128.53)
Dividends paid	(11.40)	(38.17)	(73.77)	(105.39)	(105.44)
Tax on dividends paid	(1.60)	(5.35)	(12.54)	-	-
Net cash from/(used in) financing activities	**(129.30)**	**275.01**	**260.03**	**113.94**	**(527.12)**
Net increase in cash and cash equivalents (A + B + C)	**(3.52)**	**12.00**	**1.66**	**21.55**	**10.00**
Cash and cash equivalents at the beginning of the Year	**22.25**	**18.73**	**30.73**	**32.39**	**53.94**
Cash and cash equivalents at the end of the Year	**18.73**	**30.73**	**32.39**	**53.94**	**63.94**

Components of cash and cash equivalents as at	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Cash and cheques on hand	0.86	0.04	0.12	0.19	0.07
With scheduled banks					
- on current account	1.11	12.79	5.53	5.30	★6.00
-on deposit account	16.76	17.90	26.74	48.45	57.87
	18.73	**30.73**	**32.39**	**53.94**	**63.94**

★Includes balance of unpaid dividend Rs. 0.07 million which are not available for use by the Company

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-B: DETAILS OF UNCONSOLIDATED OTHER INCOME AND OTHER INCOME INCLUDING EXCEPTIONAL IT

(All amounts in Rs. Million)

Particulars	Financial Year ended on				
	March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
Other Income, as per Summary Statement of Profits and Losses, as restated **(A)**	9.32	21.05	88.11	149.28	160.77
Other Income, including Exceptional Items and extraordinary items **(B)**	60.42	21.05	88.11	149.28	399.00
Net profit before tax and exceptional items and extraordinary items, as per Summary Statement of Profits and Losses, as restated **(C)**	64.93	167.81	275.71	291.71	492.56
Net profit before tax as per Summary Statement of Profits'and Losses, as restated **(D)**	116.03	167.81	275.71	291.71	730.79
Percentage (A/C)	**14.35%**	**12.54%**	**31.96%**	**51.17%**	**32.64%**
Percentage (B/D)	**52.07%**	**12.54%**	**31.96%**	**51.17%**	**54.60%**

Sources and particulars of Other Income	Nature	Financial Year ended on				
		March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
Interest Income						
- from banks	Recurring	0.75	0.83	1.95	2.34	3.56
- from others	Non-recurring	0.89	0.97	0.23	0.66	0.19
Dividend income	Recurring	0.01	0.01	55.01	109.01	116.31
Export Benefit	Recurring	6.96	18.74	24.56	21.23	24.21
Unclaimed liabilities written back	Non-recurring	0.16	-	-	-	-
Exchange differences, net	Recurring	0.38	-	5.89	-	15.56
Profit / Loss on Sale of Fixed Assets	Non-recurring	-	-	-	13.76	-
Others	Non-recurring	0.17	0.50	0.47	2.28	0.94
Other Income as per restated profit and loss account (D)		**9.32**	**21.05**	**88.11**	**149.28**	**160.77**

including Exceptional Items & Extraordinary Items	Nature	Financial Year ended on March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Other Income as per (D) above		9.32	21.05	88.11	149.28	160.77
Add: Extraordinary Items						
Profit on Sale of Investments	Non-recurring	51.10	-	-	-	238.23
Total Extraordinary Items(E)		**51.10**	**-**	**-**	**-**	**238.23**
Other Income, including Extraordinary		**60.42**	**21.05**	**88.11**	**149.28**	**399.00**

Note:
The details of 'Other Income' disclosed above are stated after adjusting the effect of restatement.

Exceptional items and Extaordinary Items given in the above table refer to items which have been grouped as 'Exceptional items' and 'Extraordinary Items' in the Summary Statement of Profits and Losses as Restated, but are in the nature of 'Other Income'.

The classification of 'Other Income' as recurring or non-recurring and related or not related to business activity is based on the current operations and business activity of the Company as determined by Management.

The figures disclosed above are based on the unconsolidated restated financial statements of Virgo Engineers Limited .

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-C : DETAILS OF RATES OF DIVIDEND

Dividends declared by the company during the last five fiscal years are presented below.

(All amounts in Rs. Million)

Particulars	Face Value (Rs/share)	Financial Year ended on March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Class of Shares						
Equity Share Capital	10	99.62	105.39	210.78	210.78	210.98
10% Cumulative Redeemable Preference Shares	10	-	-	-	-	-
Dividend on Equity Shares						
Interim Dividend						
- Rate		20%	30%	20%	25%	25%
- Amount		6.51	31.62	42.16	52.70	52.75
Final Dividend						
- Rate		20%	30%	25%	25%	30%
- Amount		6.55	31.62	52.70	52.70	63.29
Dividend on 10% Cumulative Redeemable Preference Shares						
- Rate		10%	-	-		
- Amount		1.63	-	-		
Corporate Dividend Tax		2.06	9.81	7.16	-	-

Note:

1. The amounts paid as dividend or bonus in the past are not indicative of the Company's dividend policy in the future.
2. The figures disclosed above are based on the Unconsolidated restated financial statements of Virgo Engineers Limited .
3. The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders in their discretion and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-D : UNCONSOLIDATED CAPITALISATION STATEMENT AS AT MARCH 31, 2010

(All amounts in Rs. Million)

Particulars	Pre-issue as at March 31, 2010	Post Issue*
Short-term debt (A)	511.15	
Long-term debt (B)	136.96	
Total debt (C=A+B)	**648.11**	
Shareholders' funds		
- Equity share capital	210.98	
- Stock Options Outstanding	0.81	
- Reserves, as restated	1,042.12	
Total shareholders' funds (D)	**1,253.91**	
Long-term debt/Shareholders' funds (B/D)	**0.11:1**	
Total debt/ Shareholders' funds (C/D)	**0.52:1**	

** Share Capital and Reserves, post issue can be ascertained only on the conclusion of the book building process.*

Notes:

1. Short-term debt represents debts which are due within twelve months from March 31, 2010 and include current portion of vehicle loans, current portion of long-term debt, secured and long-term debt, unsecured.

2. Long-term debt represents debt other than short-term debt, as defined above.

3. Reserves include General Reserve, Securities Premium Account and balance of Profit and Loss Account as at March 31, 2010.

4. The figures disclosed above are based on the unconsolidated restated financial statements of Virgo Engineers Limited as at March 31, 2010.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-E : DETAILS OF UNCONSOLIDATED LOANS

SECURED LOANS

(All amounts in Rs. Million)

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Term Loans					
- from banks	13.83	79.29	179.14	412.14	264.75
- from others	-	-	-	5.00	4.89
Total	**13.83**	**79.29**	**179.14**	**417.14**	**269.64**
Working Capital Facilities					
- from Banks	36.29	111.64	395.31	520.94	377.34
	36.29	**111.64**	**395.31**	**520.94**	**377.34**
Vehicle Loans	**2.61**	**3.72**	**4.16**	**3.18**	**1.13**
Total Secured Loans	**52.73**	**194.65**	**578.61**	**941.26**	**648.11**

UNSECURED LOANS

Particulars	Financial Year ended				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Short Term					
- Others	-	-	29.81	-	-
- Deposits	12.21	-			
Total Unsecured Loans	12.21	-	29.81	-	-

Notes:

1. The details of principal terms and conditions of the secured loans and unsecured loans outstanding as at March 31, 2010 are disclosed in Annexure IV-E-1.

2. Promoter and Promoter Group has been defines as below:

Promoter:
Mr. Mahesh Desai
Mr. V. Balsubramanaian

Promoter Group:

Mrs. Neeta Desai
Mr. Sanyukat Desai
Mr. Jagdish Desai
Mr. Digambar K. Devanally
Mrs. Geeta Kasbekar
Mrs. Praveena Ravishankar
Mr. S.V. Rajamani
Mr. Natrajan
Mr. V. Nagarajan
Mrs. N. Preema
Mr. V. Balsubramanaian (HUF)
Virgo Controls Systems Private Limited
Mrs. Durga Desai
Mr. Amod Desai
Mrs. Anagha Kanade
Mrs. Vijaya D. Devanally
Mrs. B. Shashikala
Mr. B. Prasad
Mr. V. Krishnamurthy
Mr. V. Venkataraman
Mr. V. Anantharaman
Mr. G. Venkataramani
Mrs. Vasantha
Mrs. Savithri

3. The list of entities classified as 'Promoter' and 'Promoter Group', is determind by the Management and relied upon by the Auditors. The Auditors have not performed any procedures to determine whether this list is accurate or complete.

4. Unsecured loans includes Rs. 0.14 million due to Promoters as at financial year ended March 31, 2006. Rs. 4. 81 million due to Promoter Group as at the financial year ended March 31, 2006.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-E-1 : DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF UNCONSOLIDATED LOANS OUTSTANDING AS AT MARCH 31, 2010

SECURED LOANS

Term Loans from banks (Rs.264.75 million)

(All amounts in Rs. Million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1.	Kotak Mahindra Bank Limited	2.14	11.25% p.a.	Repayment due within one year Rs. 61,825,642	Secured by exclusive first charge on existing and future fixed assets of the Company and secured by a second charge on current assets ranking pari passu with the charges created in favour of other such chargeholders and additional collateral security by way of first charge by deposit of title deeds in respect of company's immovable properties.
2.	Kotak Mahindra Bank Limited	74.60	11.25% p.a.		
	TOTAL	**76.74**			
3.	The Hongkong and Shanghai Banking Corporation Limited	35.71	10.70% p.a.	Repayment due within one year Rs. 70,285,714	Secured by exclusive first charge on existing and future fixed assets of the Company and secured by a second charge on current assets ranking pari passu with the charges created in favour of other such chargeholders and additional collateral security by way of first charge by deposit of title deeds in respect of company's immovable properties.
4.	The Hongkong and Shanghai Banking Corporation Limited	14.30	10.70% p.a.		
5.	The Hongkong and Shanghai Banking Corporation Limited	47.14	10.77% p.a.		
6.	The Hongkong and Shanghai Banking Corporation Limited	42.86	10.70% p.a.		
7.	The Hongkong and Shanghai Banking Corporation Limited	48.00	10.30% p.a.		
	Total	**188.01**			

Vehicle loans (Rs.1.13 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	EMI Payable(Rs.)	Repayment Terms	Security
1.	Kotak Mahindra Bank Limited	0.05	11.34% p.a.	20,200	Amount due within one year from the balance sheet date Rs.672,531/-. Amount due in the period between one year and three years Rs.460,673/-.	Vehicles loans are hypothecated against the respective vehicles financed
2.	Reliance Consumer Finance	0.19	9.99% p.a.	39,200		
3.	Citibank N.a	0.10	10.73% p.a.	14,545		
4.	Kotak Mahindra Bank Limited	0.41	13.74% p.a.	18,020		
5.	Reliance Consumer Finance	0.22	11.73% p.a.	9,100		
6.	Kotak Mahindra Bank Ltd	0.16	12.95% p.a.	6,547		
	TOTAL	**1.13**				

Working Capital Facilities (Rs. 331.62 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1.	Canara Bank	126.28	BPLR	Repayable on demand as agreed	Secured by first charge on hypothecation of stocks and book debts, movable properties, ranking pari passu with the charges created in favour of other such charge holders and additional collateral security by way of second charge by deposit of title deeds in respect of company's immovable properties.
2.	State Bank of India	86.08	SBAR+0.25% p.a.		
3.	Kotak Mahindra Bank Limited	59.26	PLR less 4.25% p.a		
4.	The Hongkong and Shanghai Banking Corporation Limited	60.00	7.50% p.a.		
	TOTAL	**331.62**			

Working Capital Facilities-Buyers Credit (Rs. 45.72 million)

Sr. No.	Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
1.	Kotak Mahindra Bank Limited	17.55	Refer note 1	Repyament within 180 days	Secured by first charge on hypothecation of stocks and book debts, movable properties, ranking pari passu with the charges created in favour of other such charge holders and additional collateral security by way of second charge by deposit of title deeds in respect of company's
2.	The Hongkong and Shanghai Banking Corporation Limited	2.90			
3.	Canara Bank	25.27			
	TOTAL	**45.72**			

Note 1 : The Buyer Credit interest is charged by the Bank based on daily applicable LIBOR (as agreed) at the date of each disbursement.

Finance Lease (Rs. 4.89 million)

Sr. No.	Source	Amount	Interest Rate	Repayment Terms	Security
1.	First Leasing Company of India Private Limited	4.89	11.51% p.a.	Amount due within one year from the balance sheet date Rs.1,544,348/-.Amount due in the period between one year and five years Rs. 4,618,835	Secured against assets taken on lease
	TOTAL	**4.89**			
	Grand Total	**648.11**			

ANNEXURE IV-F : DETAILS OF UNCONSOLIDATED INVESTMENTS

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Quoted Investments	-	-	-	-	-
Total (A)	**-**	**-**	**-**	**-**	**-**
Unquoted Investments					
In Promoter Group Companies	-	-	-	-	-
In Subsidiary Companies	10.00	110.06	110.06	126.30	26.23
Others	9.06	0.06	0.06	0.06	0.06
Total (B)	**19.06**	**110.12**	**110.12**	**126.36**	**26.29**
Grand Total C=(A+B)	**19.06**	**110.12**	**110.12**	**126.36**	**26.29**
Less: Provision for diminution in value of investments (D)	-	-	-	-	-
Net Investment C-D	**19.06**	**110.12**	**110.12**	**126.36**	**26.29**
Market Value of Quoted Investments	**-**	**-**	**-**	**-**	**-**

Notes:

The figures disclosed above are based on the unconsolidated restated financial statements of Virgo Engineers Limited.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-G : DETAILS OF UNCONSOLIDATED DEBTORS

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Debts outstanding for a period					
- exceeding six months					
a) due from Subsidiary Companies	1.16	0.09	10.99	0.40	78.81
b) due from Others	18.14	17.44	60.14	109.37	211.35
- other debts					
a) due from Subsidiary Companies	84.59	91.33	118.22	188.21	214.22
b) due from Others	84.35	252.20	397.83	367.83	319.43
	188.24	**361.06**	**587.18**	**665.81**	**823.81**
Unsecured - considered good	186.63	358.74	583.49	641.82	810.47
Unsecured - considered doubtful	1.61	2.32	3.69	23.99	13.34
	188.24	**361.06**	**587.18**	**665.81**	**823.81**
Less: Provision for doubtful debts	1.61	2.32	3.69	23.99	13.34
Total	**186.63**	**358.74**	**583.49**	**641.82**	**810.47**

Note:

1. Dues from Promoter and Promoter Group is Nil.

2. Dues from Directors and Relatives of the directors are Nil.

3. due from Subsidiary Companies

(All amounts in Rs. Million)

Name of Subdiary	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Vintrol Inc., USA	1.76	64.30	54.61	134.74	181.39
Virgo Engineers Inc., USA	82.31	24.98	32.11	40.69	44.09
EVS Inc., USA	-	-	-	2.47	14.85
Virgo Europe S.p.A., Italy	-	1.86	32.25	9.84	11.74
Virgo Valves & Controls Limited	-	0.16	9.22	0.87	40.96
Stafford Controls Limited	0.34	0.12	1.02	-	-
Vintrol India Limited	1.34	-	-	-	-

4. For defination of Promoter and Promoter Group Individuals and Entities please refer Note 2 of Annexure IV - E.

5. The figures disclosed above are based on the unconsolidated restated financial statements of Virgo Engineers Limited .

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-H : DETAILS OF UNCONSOLIDATED LOANS AND ADVANCES

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Loans to Subsidiaries	6.16	9.21	6.58	3.24	18.10
Deposits	9.86	51.25	58.53	64.92	47.94
Advances recoverable in cash or kind or for value to be received (considered Good)	7.91	15.14	41.63	33.26	26.75
Advance Tax (net of tax provision)	-	-	12.84	25.72	-
Balance with customs, excise, etc.	15.34	39.43	55.88	112.74	102.89
Total	**39.27**	**115.03**	**175.46**	**239.88**	**195.68**

Notes:

1. Loans and Advances include Rs. 0. 45 million receivable from Virgo Control Systems Private Limited (Promoter Group) as at March 31, 2010, 2009 and 2008, and Rs. 0. 43 million as at March 31, 2007 and 2006.

2. Loans and Advances receivable from Directors and Relatives of the directors are Nil.

3. Loans to Subsidiaries

(All amounts in Rs. Million)

Name of Subdiary	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Virgo Engineers Inc., USA	1.47	-	-	-	-
Virgo Valves & Controls (UK) Limited	4.69	5.25	6.58	1.70	-
Virgo Europe S.p.A., Italy	-	1.49	-	-	-
Virgo Valves & Controls Limited	-	2.47	-	1.54	18.10

4. For defination of Promoter and Promoter Group Individuals and Entities please refer Note 2 of Annexure IV - E.

5. The figures disclosed above are based on the unconsolidated restated financial statements of Virgo Engineers Limited.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors
of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

ANNEXURE IV-I : DETAILS OF UNCONSOLIDATED CONTINGENT LIABILITIES

The year wise break up of contingent liabilities is as under

(All amounts in Rs. Million)

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
(a) Guarantees given on behalf of subsidiary companies in respect of loans granted to them by banks	226.00	510.80	638.58	1127.78	1,132.11
(b) Income Tax	-	-	-	-	6.63

Note:

The figures disclosed above are based on the unconsolidated restated financial statements of Virgo Engineers Limited.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-J

STATEMENT OF UNCONSOLIDATED RELATED PARTY DISCLOSURES
(All amount in Rs. Million, unless otherwise stated)

As per Accounting Standard 18, issued by the ICAI, the disclosures of transactions with the related parties are as given below.

(I) List of related parties and nature of relationship where control exist:

Particulars	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Nature of relationship	**Name of party**	**Name of party**	**Name of party**	**Name of party**	**Name of party**
Subsidiary Companies	Virgo Valves & Control Ltd, *	Virgo Valves & Control Ltd, * Vintrol Inc, *	Virgo Valves & Control Ltd, * Vintrol Inc, *	Virgo Valves & Control Ltd,* Vintrol Inc, * EVS Valves Inc.* (a)	Virgo Valves & Control Ltd, EVS Valves Inc.
Subsidiary of subsidiary	Virgo Engineers Inc, * Vintrol India Ltd, * Vintrol Inc, USA * Stafford Controls Ltd, (formerly Deltech Controls Limited) (w.e.f. October 28, 2005), Virgo Valves & Controls (UK) Limited *	Vintrol India Ltd,* Stafford Controls Ltd,* Virgo Europe S.p.A,* Virgo Engineers Inc, * Virgo Valves & Controls (UK) Limited *	Vintrol India Ltd,* Stafford Controls Ltd,* Virgo Europe S.p.A,* Virgo Engineers Inc, * Virgo Valves & Controls (UK) Limited*	Vintrol India Ltd,* Stafford Controls Ltd,*(b) Virgo Europe S.p.A,* Virgo Engineers Inc, * Virgo Valves & Controls (UK) Limited* Rifox Hans Richter GmbH. Spezialarmaturen – Germany *(c)	Vintrol Inc, *(d) Vintrol India Ltd,* Virgo Europe S.p.A,* Virgo Engineers Inc,* Virgo Valves & Controls (UK) Limited (e)* Rifox Hans Richter GmbH. Spezialarmaturen – Germany* Virgo Valves & Controls (ME) FZE *(f)
Joint Venture	Deltech Controls LLC USA 49.5% interest, Stafford Controls Limited* (formerly Deltech Controls Limited);Subsidiary of joint venture till October 28, 2005. (note 1)				
Key Management Personnel	Mr. V. Balasubramanian - Whole time Director	Mr. V. Balasubramanian - Whole time Director	Mr. V. Balasubramanian - Whole time Director	Mr. V. Balasubramanian - Whole time Director	Mr. V. Balasubramanian - Whole time Director

('KMP')	Mr. Mahesh Desai - Director Mr. Jagdish S. Desai - Director Mr. V.R. Jayaraman - Director	Mr. Mahesh Desai - Director Mr. Jagdish S. Desai - Director Mr. V.R. Jayaraman - Director Mr. Paresh Rajada - Director	Mr. Mahesh Desai - Director Mr. Jagdish S. Desai - Director Mr. V.R. Jayaraman - Director (up to April 26, 2007) Mr. Paresh Rajada - Director (up to April 26, 2007)	Mr. Mahesh Desai - Director Mr. Jagdish S. Desai - Director Mr. Paresh Rajada - Director (w.e.f. February 10, 2009)	(w.e.f. April 27, 2010 he became non executive director) Mr. Mahesh Desai- Director Mr. Jagdish S. Desai - Director Mr. Paresh Rajada - Executive Director
Relative of key Management Personal ('KPMP')	Ms. B. Praveena Mrs. B. Shashikala Mr. B. Prassad Mrs. Durga S. Desai Mrs. Sujata J. Desai Mr. Amod M. Desai Ms. Sanyukta M. Desai Mrs. Neeta M. Desai Mrs. Anagha N. Kanade Mr. Arjun V Jayaraman	Ms. B. Praveena Mrs. B. Shashikala Mr. B. Prassad Mrs. Durga S. Desai Mrs. Sujata J. Desai Mr. Amod M. Desai Ms. Sanyukta M. Desai Mrs. Neeta M. Desai Mrs. Anagha N. Kanade Mr. Arjun V Jayaraman	Ms. B. Praveena Mrs. B. Shashikala Mr. B. Prassad Mrs. Durga S. Desai Mrs. Sujata J. Desai Mr. Amod M. Desai Ms. Sanyukta M. Desai Mrs. Neeta M. Desai Mrs. Anagha N. Kanade	Ms. B. Praveena Mrs. B. Shashikala Mr. B. Prassad Mrs. Sujata J. Desai Mr. Amod M. Desai Ms. Sanyukta M. Desai Mrs. Neeta M. Desai Mrs. Anagha N. Kanade Mr. V. Anantharaman	Ms. B. Praveena Mrs. B. Shashikala Mr. B. Prassad Mrs. Sujata J. Desai Mr. Amod M. Desai Ms. Sanyukta M. Desai Mrs. Neeta M. Desai Mrs. Anagha N. Kanade Mr. V. Anantharaman
Enterprises owned or significantly influenced by key management personnel or their relatives:	V. Balasubramanian HUF	V. Balasubramanian HUF	V. Balasubramanian HUF	V. Balasubramanian HUF	V. Balasubramanian HUF

* transactions taken place during the period.

(a) EVS Valves Inc. has become 100% subsidiary of company w.e.f. August 21, 2008.
(b) The company was subsidiary up to November 14, 2008.
(c) Rifox Hans Richter GmbH Spezialarmaturen has become Subsidiary of subsidiary of the company w.e.f. January 1, 2009.
(d)The company was subsidiary up to December 30, 2009, from December 31, 2009 it becomes subsidiary of Virgo Valve & Controls Ltd.
(e)Virgo Valves & Controls (UK) Limited was subsidiary of Virgo Engineers Inc., USA up to March 23, 2010. The business operations of the Company have been discontinued thus the name of the Company has been struck off from the register by the Registrar of Companies (United Kingdom).
(f)Virgo Valves & Controls (ME) FZE has formed w.e.f. October 31, 2009.

Note1 : During the year, company sold its interest in Deltech Control LLC, USA on October 28, 2005 held by its subsidiary Virgo Engineers Inc., USA and Purchased controlling interest in Stafford Control Limited on October 28, 2005, whereby it became Company's subsidiary.

(II) Transactions during the period between the Company and related parties and the status of outstanding balances as at March 31, 2010:

Nature of Transaction	Relation with related parties	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Sale of Goods & Services	Subsidiaries	316.06	661.60	978.57	1,095.89	982.05
Purchases of Goods & Services						
	Subsidiaries	15.12	69.47	154.73	90.65	32.59
	Joint Venture	17.24				
Issue of Equity shares (incl. bonus shares)	Key Management Personnel	51.72	0.67	72.76		
	Relatives of Key Management Personnel	5.06		5.76	-	-
	Enterprises owned or significantly influenced by key management personnel or their relatives	0.20		0.30		
Deposit Accepted	Relatives of Key Management Personnel	0.25	-	-	-	-
Deposits Repaid	Relatives of Key Management Personnel	0.15	-	-	-	-
Unsecured loan Payable	Key Management Personnel	0.14				
	Relatives of Key Management Personnel	3.22				
Amount recoverable/ Receivable	Subsidiaries	91.61				
Dividend Paid	Key Management Personnel	4.83	27.45	50.93	72.76	73.27
	Relatives of Key Management Personnel	0.51	2.54	4.03	6.79	6.79
	Enterprises owned or significantly influenced by key management personnel or their relatives	0.20	0.11	0.21	0.30	0.30
Dividend Received	Subsidiaries	-	-	-	-	106.80
Amount Payable	Subsidiaries	7.02				
Purchase of Investments	Key Management Personnel	-	27.45	-	-	-
		-	-	-	-	-
Sale of Investments	Subsidiaries	130.30	-	-	-	338.29
Interest Paid	Key Management Personnel	0.02	-	-	-	-
	Relatives of Key Management Personnel	0.35	0.13	-	-	-
Remuneration Paid	Key Management Personnel	02.96	07.98	0.90	01.71	03.34

Guarantees given in favour of banks	Subsidiaries	226.00	-	-	-	-
Sharing of expenses charged to subsidiary	Subsidiaries	0.62	03.45	08.59	08.88	10.65
Sharing of expenses charged by subsidiary	Subsidiaries	-	-	04.78	0.72	0.38
Purchase of Assets	Subsidiaries	-	30.21	25.29	18.90	0.24
Purchase of DEPB License	Subsidiaries	-	-	01.99	0.16	
Corporate Guarantee	Subsidiaries	-	-	127.78	559.20	132.01
Sale of Fixed Asset	Subsidiaries	-	-	-	10.82	-
Rent Paid	Subsidiaries	-	-	-	0.77	-
Subscription for Equity Share	Subsidiaries Joint Venture	- 29.35	26.82 -	-	4.38	-
Advance given	Subsidiaries	-	-	-	-	18.10

Outstanding Balances:

Nature of Transaction	**Relation with related party**	**Year ended March 31, 2006**	**Year ended March 31, 2007**	**Year ended March 31, 2008**	**Year ended March 31, 2009**	**Year ended March 31, 2010**
Sundry Debtors	Subsidiaries	-	91.43	129.21	188.62	281.98
Loans and Advances	Subsidiaries	-	9.21	6.58	3.24	18.10
Amount Payable	Subsidiaries	-	9.08	77.96	53.21	29.92
Guarantees given in favour of banks	Subsidiaries	-	510.80	638.58	1127.78	1132.01

(III) Material Transactions during the year with related parties:

Name of Related Party	Relation with related party	Nature of payment	Year ended March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Virgo Engineers Inc.	Subsidiary of subsidiary	Sale of Goods and Services Advance Recoverable Purchase of Investment	299.24 1.05 -	189.20 - 26.82	268.49 - -	176.86 - -	270.23 - -
Stafford Control Limited (Formerly Deltech controls Limited)	Subsidiary of subsidiary	Purchases of Goods & Services Sharing of expenses charged by subsidiary Purchase of fixed Asset Sale of fixed Asset	14.65	27.25	- - 65.99 4.79 17.30	42.22 - 0.72 9.32 10.82	- - - - -
Stafford Control Limited (Formerly Deltech controls Limited)	Joint Venture	Purchases of Goods & Services	17.24	-	-	-	
Virgo Valves & Controls (UK) Limited	Subsidiary of subsidiary	Advance Recoverable	4.82	-	-	-	-
Deltech Control LLC	Joint Venture	Purchase of investment	29.35	-	-	-	-
Virgo Valves & Controls Limited	Subsidiary	Sale of investment Sharing of expenses charged to subsidiary Purchase of Fixed Asset Corporate Gurantee Sharing of expenses charged by subsidiary Advance Recoverable Dividend received	130.30 - - - - - -	- - - - - - -	- 8.59 - - - - -	- 8.88 2.37 559.20 - - -	338.29 10.65 0.24 - 0.38 18.10 106.80
Vintrol Inc	Subsidiary Company	Sale of Goods and Services	-	455.11	645.30	838.63	-
Vintrol Inc	Subsidiary of subsidiary	Sale of Goods and Services	-	-	-	-	574.20
Vintrol India Ltd	Subsidiary Company	Purchases of Goods & Services Purchase of Fixed Asset Purchase of DEPB Licenses	- - -	41.79 30.21 -	27.61 7.99 1.80	- 7.21 -	- - -
Mahesh Desai	Key Management Personnel	Dividend Paid Purchase of investment Issue of Equity Shares (Incl. bonus shares)	- - -	13.26 27.45 0.66	25.26 - 36.08	36.08 - -	36.08 - -
V. Balasubramanian	Key Management	Dividend Paid	-	10.83	20.55	29.36	29.36

	Personnel	Remuneration Paid Issue of Equity Shares (Incl. bonus shares)	- -	4.16 -	0.66 29.36	1.31 -	-
B. Praveena	Relative of Key Management Personnel	Interest Paid	-	0.10	-	-	-
V.R. Jayaraman	Key Management Personnel	Remuneration Paid	-	2.47	0.13	-	-
Paresh Rajada	Key Management Personnel	Remuneration Paid	-	01.31	0.12	0.40	3.34
Virgo Europe S.p.A.	Subsidiary of subsidiary	Purchases of Goods & Services Corporate Gurantee	-	-	61.13 127.78	45.27 -	30.06 132.00
EVS Valves Inc,	Subsidiary Company	Subscription of Equity Shares	-	-	-	4.38	**-**

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

For and on behalf of the Board of Directors of Virgo Engineers Limited

per Govind Ahuja
Partner
M.No. 48966

Paresh Rajda
Executive Director

Place : Mumbai
Date : June 30, 2010

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-K :STATEMENT OF UNCONSOLIDATED ACCOUNTING RATIOS

Particulars	Financial Year ended on				
	March 31, 2006	March 31, 2007	March 31, 2008	March 31, 2009	March 31, 2010
Earnings per Share (Rs.) (excluding exceptional and extraordinary items)					
- Basic	0.92	2.63	4.64	5.36	8.46
- Diluted	0.92	2.63	4.64	5.36	8.46
Earnings per Share (Rs.) (including exceptional and extraordinary items)					
- Basic	2.15	2.63	4.64	5.36	14.11
- Diluted	2.15	2.63	4.64	5.36	14.11
Return on Net Worth %	17.18%	20.00%	30.39%	29.17%	28.47%
Net Asset Value per Equity Share (Rs.)	22.30	52.20	30.55	36.75	59.43
Weighted avg. number of equity shares outstanding during the year/period					
- Basic	4,15,35,073	4,18,01,231	4,21,76,306	4,21,76,306	4,21,95,472
- Diluted	4,15,35,073	4,18,02,431	4,21,81,986	4,21,83,086	4,22,02,712
Total number of equity shares outstanding at the end of the year/period	99,61,800	1,05,39,022	2,10,78,044	2,10,78,044	2,10,98,262

Notes:

The ratios have been computed as below:

Earnings per Share (Rs.) = *Net profit/(loss) as restated, attributable to equity shareholders* / *Weighted average number of equity shares outstanding during the year/period*

Return on Net Worth (%) = *Net profit/(loss) after tax, as restated without considering exceptional and extraordinary items, less dividend on preference shares* / *Networth, as restated, at the end of the year/period*

Net Assets Value per Equity Share (Rs.) = *Networth, as restated, at the end of the year/period* / *Number of equity shares outstanding at the end of the year/period*

Networth means Equity Share Capital + Reserves and Surplus - Miscellaneous Expenditure not written off or adjusted.

The figures disclosed above are based on the Summary Statement of Unconsolidated Profits and Losses, as Restated.

Of the total equity capital of 21,098,262 equity shares, 6,641,200 in the financial year 2005-06 and 10,539,022 in the financial year 2007-08 were issued as bonus shares. As per the requirements of Accounting Standard-20, Earnings per Share, issued by the Institute of Chartered Accountants of India, the corresponding figures of weighted average shares for all prior periods presented have been restated to give the effect of bonus shares.

The Company has made bonus issue of equity shares in the ratio of 1:1 which has been approved by the shareholders in Extra-ordinary General Meeting held on May 31, 2010. For the calculation of basic and diluted earnings per share, weighted average number of equity shares includes, 21,098,262 bonus shares and outstanding grant of options includes 3,620 bonus shares.

As per our report of even date

S. R. Batliboi & Associates
Firm Registration No. 101049W
Chartered Accountants

per Govind Ahuja
Partner
M.No. 48966

Place : Mumbai
Date : June 30, 2010

For and on behalf of the Board of Directors of Virgo Engineers Limited

Paresh Rajda
Executive Director

Place : Pune
Date : June 30, 2010

VIRGO ENGINEERS LIMITED

ANNEXURE IV-L:STATEMENT OF TAX SHELTERS

(All amounts in Rs. Million)

		For the Year ended on				
		March 31, 2006	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
Profit before current and deferred taxes, as restated	A	116.03	167.81	275.71	291.71	730.79
Tax rate (%)	B	33.66%	33.66%	33.99%	33.99%	33.99%
Tax impact	C=A*B	39.06	56.48	93.71	99.15	248.40
Adjustments						
Permanent Differences						
(Profit)/Loss on sale of Investments, Net		(51.10)	-	-	-	(238.23)
Dividend exempt under the Act		(0.01)	(0.01)	(55.01)	(109.01)	(116.31)
Disallowance under section 14A		-	-	0.05	0.06	0.06
IPO expenses		-	-	-	10.74	-
Deduction U/S 80G		(0.25)	(0.25)	(0.22)	-	-
Late paid ESIC		-	-	-	0.03	-
Donation disallowed under the Act		0.50	0.56	0.45	0.55	0.05
Deduction U/S 80G		(0.25)	(0.25)	(0.22)	-	-
Total	D	**(50.86)**	**0.30**	**(54.73)**	**(97.63)**	**(354.43)**
Temporary Differences						
depreciation		4.26	(19.49)	(13.26)	(34.73)	(21.67)
Loss on sale/discard of fixed assets		0.42	0.53	1.34	(13.77)	1.61
Bonus not paid but provided in the books		0.02	0.42	0.03	-	-
Bonus disallowed in earlier year, now reversed		-	(0.02)	(0.42)	-	-
Provision for doubtful debts		0.83	0.71	1.38	20.29	(13.34)
Provision for Gratuity		-	-	1.48	1.13	(0.42)
Last year Provision for Gratuity reversed		-	-	-	(1.20)	-
Lease rent impact (net)		-	-	-	(0.06)	3.06
Disallowance u/s 40A		0.08	(0.15)	-	-	-
Disallowance u/s 43B		0.31	0.78	2.04	0.31	0.23
Disallowance u/s 43B Earlier year's Excise duty reversed		-	-	-	(0.03)	(0.16)
paid		-	(0.31)	(0.57)	-	-
Total	E	**5.92**	**(17.53)**	**(7.98)**	**(28.06)**	**(30.69)**
Net adjustments	F = D+E	(44.94)	(17.23)	(62.71)	(125.69)	(385.12)
Tax (saving)/expense thereon	G = F*B	(15.13)	(5.80)	(21.32)	(42.72)	(130.90)
Tax Liability, after considering the effect of adjustments	H = C+G	**23.93**	**50.68**	**72.39**	**56.43**	**117.50**
Interest payable under the Income-tax Act, 1961	I	0.13	1.35	0.20	-	6.95
Tax payable for the year, as per restated income	J=H+I	**24.06**	**52.03**	**72.59**	**56.43**	**124.45**
Tax payable for the year, as per return of income		**24.21**	**50.23**	**72.40**	**57.72**	**124.45**

Notes to the tax shelter statement

1. The permanent/timing differences have been computed considering the ackowledged copies of the income-tax returns filed by the Company for each of the respective years stated above except for AY 2010-11.

2. Long term capital loss of Rs. 6.05 million has been carried from Assessment Year 2005-06 to Assessment Year 2010-11.

3. Above computations for the Assessment Year 2006-07, 2007-08, 2008-09 and 2009-10 are based on return of Income filed except PBT which is restated. Computation for assessment Year 2010-11 is provisional.

As per our report of even date

S. R. Batliboi & Associates	**For and on behalf of the Board of Directors of**
Firm Registration No. 101049W	**Virgo Engineers Limited**
Chartered Accountants	
per Govind Ahuja	**Paresh Rajda**
Partner	**Executive Director**
M.No. 48966	
Place : Mumbai	**Place : Pune**
Date : June 30, 2010	**Date : June 30, 2010**

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

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements on page 144 included in this Draft Red Herring Prospectus. You should also read the section titled "Risk Factors" beginning on page xi, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows.

The following discussion of our consolidated financial condition and results of operations should be read in conjunction with our Restated Financial Statements as of and for the Fiscals 2010, 2009, 2008, 2007 and 2006 as restated in accordance with SEBI Regulations, including the notes thereto, which appear elsewhere in this Draft Red Herring Prospectus. Our restated consolidated and unconsolidated financial information was prepared in accordance with Indian GAAP, which differ in certain material respects from generally accepted accounting principles in other jurisdictions, including US GAAP and IFRS.

Overview

We are one of the leading manufacturers of valves, by revenue, in India. We manufacture and supply various types of ball, triple offset, gate and check valves as well as steam products and have a significant customer base in the oil and gas (including refining and petro-chemical) industry. We also supply our products to customers in the infrastructure (including pipelines and storage terminals) and process industries (including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers).

We commenced manufacturing operations in Pune in 1990, Milan in Italy in 2006, Coimbatore in 2008, and Houston in the United States in 2009. In addition, we acquired manufacturing facilities for steam products in Bremen, Germany in 2009.

Our manufacturing plants span an area of approximately 606,600 sq. ft. and are equipped with robotic, CNC and manual machines. We have robotic facilities for metalizing valve components with specialized coatings and special purpose equipment for creating a metallic overlay on valve components.

We currently have the capability to manufacture a wide range of ball valves and triple offset valves as well as specialty valves such as three-way valves, jacketed valves, valves with extended stems, cryogenic valves, valves in exotic materials of construction such as Hastelloy, duplex stainless steel, Inconel and valves for severe service applications. We also automate our portfolio of valves when they are required to be operated, monitored or controlled from remote locations. We manufacture and sell specialized emergency shutdown valves and fire proof valve automation systems.

We have received numerous industry and client specific accreditations and certifications which allow us to deliver and supply our products to a wide range of customers. After receiving our first ISO-9001 certificate in the year 1997, we have worked to acquire several international quality accreditations for our products and processes around the world, such as American Petroleum's API Q1, EU's Pressure Equipment Directive (PED), and Safety Integrity Level (SIL) certified products for functional safety. In addition, we have obtained OHSAS 18001 (2007) certification for adhering to global standards in occupational health and safety management from Det Norske Veritas and have also obtained an ISO 9001-2008 certification from our quality management system issued by TUV Sud Management Service GmbH. Our Company has been awarded the designation or "all-India star performer" in the category of large enterprises for the years 2005-2006 as well as 2008-09 by Engineering Export Promotion Council. Our Company and our subsidiary, Virgo Valves & Controls Limited has been given a Star One Export House Status. We have also been awarded an Award of Honour by the Instrumentation, Systems and Automation Society in 2005.

Our Company has been approved as an "Approved Manufacturer", "Approved Supplier" or "Approved Vendor" by several leading oil and gas companies, and engineering consultants. Further, several of our product lines and products have been tested by leading companies and approved for supply to them.

As of June 15, 2010, we were executing 746 orders for 232 customers. As on the same date, the total value of our order book was Rs. 4,345.70 million. These 746 orders come from 234 customers, of which 684 orders are from our repeat customers. Today, we have a customer base of approximately 2300 customers.

We have six sales offices in India located at Mumbai, Delhi, Kolkata, Chennai, Vadodara and Pune. Internationally, we have sales offices in Houston, Oklahoma, Milan, Kuala Lumpur, Dubai; Abu Dhabi and Shanghai. In addition to our regular sales and distribution mechanisms, our Subsidiary Vintrol Inc. offers our products to customers in the U.S on a 'stock and sale' basis. It stocks our products in its warehouses situated in Oklahoma which enables it to meet demands of some of its customers promptly.

We were founded in 1987 by our Promoters Mahesh Desai and V. Balasubramanian who collectively have over 65 years of experience in the valve industry. In 2006, Tano Mauritius India FVCI, a financial investor, invested in our Company and continues to be a shareholder of our Company. For further details of the shareholders agreement with Tano Mauritius India FVCI, please refer to the section titled "History and Corporate Structure" on page 112.

As of June 15, 2010, in India we employed 743 employees (excluding probationers, trainees and temporary employees) and our Foreign Subsidiaries employed 70 persons (excluding probationers, trainees and temporary employees).

Our restated consolidated total income was Rs. 6,818.86 million for Fiscal 2010 as compared to Rs. 7,260.78 million for Fiscal 2009 and Rs. 6,037.31 million in Fiscal 2008.

Restated consolidated revenue (excluding other income) on the basis of client industries for the past three years:

(*Rs. in million*)

Sector	Fiscal 2010		Fiscal 2009		Fiscal 2008	
	Amount	Percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)
Oil and Gas Sector	6,425.35	95.43	6,416.04	93.27	4850.67	94.35
Infrastructure Sector	165.08	2.45	298.99	4.35	232.28	4.52
Other Process*	142.58	2.12	163.88	2.38	58.46	1.14
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

**including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers*

The following is the breakdown of restated consolidated revenue (excluding other income) on the basis of location in the past three years:

(*Rs. in million*)

Geography	Fiscal 2010		Fiscal 2009		Fiscal 2008	
	Amount	Percentage(%)	Amount	Percentage(%)	Amount	Percentage(%)
Domestic	1,741.54	25.87	1,288.16	18.73	1,038.37	20.20
USA	2,117.99	31.46	2,323.45	33.78	2,227.89	43.33
Europe	1,007.41	14.96	1,030.40	14.98	512.46	9.97
Middle East	1,257.94	18.68	1,929.01	28.04	1,109.34	21.58
Far East	608.12	9.03	307.89	4.48	253.34	4.93
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

Factors affecting our results of operations

Our financial condition and results of operations are affected by numerous factors and the following are of particular importance:

1. Demand for our valve products from customers in the oil and gas in the U.S and the rest of the world;

We derive our revenues primarily by supplying ball valves to our customers. A majority of these customers operate within the oil and gas industry. A significant percentage of our sales also originate from the U.S.

In Fiscal 2010, 93.83% of our income from sales of products and services was derived from sales of ball valves and 95.43% arose from supplies to customers who operate in the oil and gas industries. 31.46% of our revenues originated from the U.S.

We have developed our customer base in the oil and gas industry by obtaining accreditations from industry bodies like API and GOST and obtaining approvals for our product lines from leading companies in the oil and gas industry.

Our revenues are affected significantly by changes in the state of the oil and gas industry including changes in demand, capital expenditure, expansion and exploration and the establishment of extraction and refining facilities by the oil industry.

Consequently, any reduction in operations, capital expenditure or demand for flow control products from the Oil and Gas industry in general, and the Oil and Gas Industry in the U.S. in particular, will adversely affect our results of operations. Further any change in the oil & gas industry demand for ball valves and the movement of demand to alternative types of valves may also adversely affect our business and results of operations.

2. ***Our ability to maintain our profitability in the event of increases in the price or decreases in the availability of raw materials, labor and other inputs;***

Our Raw material consumed as a percentage of our consolidated income was 51.84%, 54.66 %, 59.14%, 55.03% and 54.98% for the Fiscals 2010, 2009, 2008, 2007 and 2006, respectively.

Key raw materials for our business include castings, forgings and mechanical components like actuators. The prices of these raw materials are affected in turn by market demand, availability of forges and foundries and costs of underlying metals.

Any increase in the costs of raw materials due to increased metal costs, regulatory restrictions, increased market demand or other related factors can significantly and negatively affect our results of operations.

3. ***Changes in the value of the Rupee and other foreign currency fluctuations to the extent not provided for under our existing hedging policies; and***

In Fiscal 2010 a significant portion of our revenues and costs were denominated in foreign currencies. The average, opening and closing prices for our key operating currencies in Fiscals 2010, 2009 and 2008 were as follows:

For US$

	Fiscal 2010 (in Rs.)	**Fiscal 2009 (in Rs.)**	**Fiscal 2008(in Rs.)**
Period End	45.14	50.95	39.97
Average	47.42	45.91	40.24
Low	44.94	39.89	39.27
High	50.3	52.06	43.15

(Source: www.rbi.org.in)

For €

	Fiscal 2010 (in Rs.)	**Fiscal 2009 (in Rs.)**	**Fiscal 2008 (in Rs.)**
Period End	60.56	67.48	63.09
Average	67.08	65.14	56.99
Low	60.52	60.57	54.32
High	71.06	69.17	64.48

(Source: www.rbi.org.in)

For AED

	Fiscal 2010 (in Rs.)	**Fiscal 2009 (in Rs.)**	**Fiscal 2008 (in Rs.)**
Period End	12.26	14.21	10.87
Average	13.00	12.66	10.97
Low	12.24	10.87	10.69
High	14.09	14.64	11.83

(Source: www.oanda.com)

Under our current hedging policy, we hedge our orders for its underlying amount to the extent of 75% of the total order amount which is not covered by natural hedges like import content, foreign currency borrowings and foreign currency expenditures.

Our hedging arrangements are reviewed periodically and consist of forward contracts and are entered into based on daily future spot rates.

They typically cover orders from the period that they are finally accepted by us to the date of realization of payments from our customers.

Any changes in exchange rates may affect our results of operations to the extent that they are not which are not covered under our existing hedging policy.

4. Our ability to compete with larger, more experienced competitors.

We operate in a competitive environment. We have a variety of competitors ranging from small niche players with specific experience to large, well established entities. Our industry currently remains fragmented despite significant consolidation. In general, operations in our industry benefit from economies of scale arising from lower raw material costs and increased manufacturing efficiencies.

As such, we compete with several competitors who are significantly larger than us and enjoy such economies of scale. The emergence of more large and dominant players in our industry in general, and in India in particular can adversely affect demand for our products and consequently, our results of operations.

For further details of factors affecting our results of operations, please see "Our Business", "Risk Factors" and "Our Industry" on pages 88, xi and 78, respectively.

Basis of Preparation

In the preparation of the consolidated financial statements, investments in subsidiaries have been accounted for in accordance with AS-21, Consolidated Financial Statements notified by Companies Accounting Standards Rules, 2006. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating all significant intra group balances and intra group transactions and unrealized profits or losses.

b) The difference of the cost to the Company of its investment in subsidiaries over its proportionate share in the equity of the investee company as at the date of acquisition of stake is recognized in the financial statements as Goodwill or Capital Reserve, as the case may be.

c) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and necessary adjustments required for deviations, if any, are made in the consolidated financial statements and are presented in the same manner as the company's unconsolidated financial statements.

d) The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company.

The subsidiary companies considered in consolidated financial statements are:

	As at March 31, 2006	**As at March 31, 2007**	**As at March 31, 2008**	**As at March 31, 2009**	**As at March 31, 2010**
<u>Subsidiaries</u>					
Virgo Engineers Inc.	100.00%	100.00%	100.00%	100.00%	100.00%
Virgo Valves & Controls	100.00%	100.00%	100.00%	100.00%	100.00%

Ltd.					
Vintrol Inc.	60.00%	100.00%	100.00%	100.00%	100.00%
Vintrol India Limited	60.00%	100.00%	100.00%	100.00%	100.00%
Stafford Controls Limited *	100.00%	100.00%	100.00%	-	-
Virgo Europe S.p.A.	-	100.00%	100.00%	100.00%	100.00%
EVS Valves Inc.	-	-	-	100.00%	100.00%
VVCL (UK) Ltd.**	100.00%	100.00%	100.00%	100.00%	-
VVC (ME) FZE.	-	-	-	-	100.00%
RIFOX Hans Richter GbhH. Spezialarmaturen	-	-	-	100.00%	100.00%

* *Deltech Controls Limited was a subsidiary of our joint venture - Deltech Controls LLC and was a joint venture upto November 4, 2005. Pursuant to an agreement with Deltech Controls LLC dated October 28, 2005, 100% share capital of Deltech Controls Limited was acquired from Deltech Controls LLC and its name was changed to Stafford Controls Limited on November 9, 2005.*

** *Pursuant to an application made by us, the name of Virgo Valves and Controls (UK) Limited has been struck off from the register of companies with effect from March 23, 2010.*

As on March 31, 2006, the Company's - erstwhile joint venture – Deltech Controls LLC has ceased to be a subsidiary and joint venture respectively.

Significant Accounting Policies

(a) Use of estimates

The presentation of financial statements in conformity with the generally accepted accounting principles requires estimates and assumptions to be made that may affect the reported amount of assets and liabilities and disclosures relating to contingent liabilities as at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(b) Fixed Assets and Intangible Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes the purchase price, net of cenvat and all other attributable costs incurred for bringing the asset to its working condition for its intended use. Capital work-in-progress comprises of advances paid to acquire fixed assets and the cost of fixed assets that are not yet ready for their intended use as at the balance sheet date. In the case of new undertaking, pre-operative expenses are capitalized upon the commencement of commercial production. Borrowing costs relating to construction or acquisition of qualifying fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Intangible assets are recorded at the consideration paid for their acquisition. Cost of internally generated asset comprises all expenditure that can be directly attributed or allocated on a reasonable and consistent basis, to creating, producing and making the asset ready for its intended use.

The carrying amounts of assets belonging to each cash generating unit ('CGU') are reviewed at each balance sheet date, to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the recoverable amount, of the CGU, assets are written down to their recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. Value in use is calculated based on the discounted estimated future cash flow. After impairment, depreciation is provided on the revised carrying amount of assets over the remaining useful life. Further assets held for disposal are stated at the lower of the net book value or the estimated net realizable value.

(c) Depreciation/Amortisation

Depreciation/Amortisation is provided on management's estimate of useful lives of the fixed assets or where applicable, at rates specified by respective statutes, whichever is higher.
Technical know-how and is amortized over a period of five years using the straight line method.Goodwill, Enterprise Resource Package-Software, other software and other intangible assets are amortized over a period of five years using the straight line method.

Finance lease asset are depreciated over the period of lease term.

Additions to building which have been constructed over leasehold land and leasehold improvement thereof have been depreciated over shorter of the estimated useful life of the building and the lease term.

(d) Leases

Finance Lease

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

Operating Lease

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as expense in the Profit and Loss Account on a straight line basis over the lease term.

(e) Investments

Long Term Investments are carried at Cost. However, provision for diminution in value is made to recognise a decline other than temporary in the value of long-term investments.

(f) Inventory Valuation

Raw materials, components and loose tools are valued at cost or net realizable value whichever is lower. However, raw 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 'First in First out' basis.

Semi-finished goods and finished goods are valued at cost or net realizable value, whichever is lower. Cost of semi-finished and finished goods includes direct materials, labour costs and a proportion of manufacturing overheads based on the normal operating capacity. Cost of finished goods includes excise duty.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion to make the sale.

(g) 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.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, in accordance with terms and conditions of the customer’s orders. Sales are stated net of taxes and duties.

Interest Income

Interest income is recognized on the time proportion method taking into account the amount outstanding and the rate applicable.

Dividend Income

Revenue is recognised when the shareholders' right to receive payment is established by the balance sheet date.

Sale of Services

Revenue from sale of job work services is recognized as and when the services are rendered.

Export Benefit

Export incentive benefits are recognized as income on the basis of receipt of proof of export.

(h) Foreign currency transactions

i) 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.
ii) Conversion
At the period end, foreign currency monetary items are reported using the period end exchange 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.
iii) Exchange differences
Exchange differences arising on the settlement of monetary items or on restatement of 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 those arising from investments in non-integral operations.

iv) 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 statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year. As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

v) Foreign Operations
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 statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

As per the Institute of Chartered Accountants of India ('ICAI') announcement, accounting for derivative contracts, other than those covered under AS-11, are marked to market on a portfolio basis and the net loss after considering the offsetting effect on the underlying hedge items is charged to the profit and loss account. Net gains on marked to market basis are not recognised.

(i) Retirement and other employee benefits

Retirement benefits in the form of Employees Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the period when the contributions to the respective funds are due.

Gratuity liability is a defined benefit obligation and is provided for on the basis of contributions to Life Insurance Corporation of India ('LIC') and the actuarial valuation made at the end of the period using the Projected Unit Credit Method.

Compensated absences are considered as long term benefit, and is provided for based on actuarial valuation made at the end of the period in accordance with revised AS-15 by using Projected Unit Credit Method.

Liability in respect of Superannuation Fund to the employee is accounted for as per the Company's scheme and contributed to LIC every year. The Company does not have any other obligation to the fund other than this.

Actuarial gains / losses are charged to profit and loss account and are not deferred.

(j) Taxes on Income

Tax expense comprises current and deferred taxes. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961.

Deferred 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 years. 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. Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realized.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

(k) Employee stock compensation cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments, issued by the ICAI. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense is amortized over the vesting period of the options on a straight line basis.

The number of options expected to vest is based on the best available estimate and are revised, if necessary, if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

(l) Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a realizable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimates required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet and adjusted to reflect the current management estimates.

(m) Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) 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 any bonus shares issued during the period and also after the balance sheet date but before the date the financial statements are approved by the Board of Directors.

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.

The number of equity shares and potentially dilutive equity shares are adjusted for bonus shares as appropriate. The dilutive potential equity shares are adjusted for the proceeds receivable, had the shares been issued at fair value. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless issued at a later date.

(n) Cash and Cash Equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

Results of Restated Consolidated Operations

Income. We are in the business of manufacture and sale of manual and automated valves and steam engineering products. Our income primarily comprises of income from sales of products and services, other income and increase or decrease in cost of goods sold.

Transactions amongst group companies are recorded on an arms length basis in accordance with applicable transfer pricing policies predetermined by our Company. However these are netted off during consolidation on account of inter-company adjustments.

Income from sales of products and services. Income from sales of products and services consists of income from products manufactured as well as products traded by us. In addition, we receive a small portion of our income for services rendered by us. Income from trading primarily constitutes income from trading of components sourced by us in order to supply complete packages to our customers.

A substantial portion of our consolidated net income comprises of revenue earned by our subsidiaries.

The following table sets forth the geographical as well as subsidiary-wise split of the consolidated revenue (excluding other income) of our Company for the period ended March 31, 2010:

(Rs.in million)

Name of Company	India	USA*	Europe*	Middle East	Far East	Total
Our Company:						
Virgo Engineers Limited	1,804.58	762.68	16.17	148.89	68.53	2,800.85
Our Subsidiaries:						
Virgo Valves and Controls Limited	-	208.89	432.76	930.41	811.58	2,383.64
EVS Valves Inc.	-	148.29	-	-	-	148.29
Virgo Engineers Inc.	-	825.99	-	-	-	825.99
Vintrol Inc.	-	1,179.98	-	-	-	1,179.98
Virgo Valves and Controls (ME) FZE	-	-	-	57.64	-	57.64
RIFOX	-	-	191.27	-	-	191.27
Virgo Europe Spa, Italy	-	-	863.17	-	-	863.17
Inter-company Adjustments	278.60	1,356.83	44.22	38.18	-	1,717.83
Total	1,525.98	1,769.00	1,459.15	1,098.76	880.11	6,733.00

**The summation of total revenue of our Company & the subsidiaries shall not match total of the column due to inter-company adjustments.*

Restated consolidated revenue (excluding other income) on the basis of client industries for the past three years::

(*Rs.in million*)

Sector	**Fiscal 2010**		**Fiscal 2009**		**Fiscal 2008**	
	Amount	**Percentage(%)**	**Amount**	**Percentage(%)**	**Amount**	**Percentage(%)**
Oil and Gas Sector	6,425.35	95.43	6,416.04	93.27	4850.67	94.35
Infrastructure Sector	165.08	2.45	298.99	4.35	232.28	4.52
Other Process*	142.58	2.12	163.88	2.38	58.46	1.14
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

**including paint, pharmaceuticals, chemicals, dyes, dye intermediates and fertilisers*

The following is the breakdown of restated consolidated revenue (excluding other income) on the basis of location in the past three years (*Rs. in million*)

Geography	**Fiscal 2010**		**Fiscal 2009**		**Fiscal 2008**	
	Amount	**Percentage(%)**	**Amount**	**Percentage(%)**	**Amount**	**Percentage(%)**
Domestic	1,741.54	25.87	1,288.16	18.73	1,038.37	20.20
USA	2,117.99	31.46	2,323.45	33.78	2,227.89	43.33
Europe	1,007.41	14.96	1,030.40	14.98	512.46	9.97
Middle East	1,257.94	18.68	1,929.01	28.04	1,109.34	21.58
Far East	608.12	9.03	307.89	4.48	253.34	4.93
Total	**6,733.00**	**100.00**	**6,878.91**	**100.00**	**5,141.41**	**100.00**

Other Income. We have other additional sources of income, such as income from export benefit (DEPB licenses), interest on deposits, exchange gains, profit on sale of fixed assets, and miscellaneous income. A substantial portion of our other income is generally recurring.

Expenditure. Our total expenditures consist principally of our raw material consumed, personnel expenses (employees remuneration & benefits), operating and other expenses, financial charges and depreciation.

Raw Material Consumed.Raw Material Consumed represents the raw materials and components utilized in the manufacture of valves and other flow control products sold during each accounting period. The cost is measured using the value of our stock of raw materials and components at the beginning of the accounting period plus raw materials and components purchased during the such period (or portion thereof) less the value of our stock of raw materials and components at the close of the accounting period. Cost is determined on a first-in-first-out basis.

The cost of work in progress, semi-finished and finished goods includes the cost of materials, labour and manufacturing. In addition, as we import a portion of our raw material and component requirements, which are principally de-nominated in foreign currencies such as the Euro, and U.S. Dollars, our costs are affected by fluctuations in the exchange rate between the Rupee and these currencies. All foreign currency transactions are recorded at the rate of exchange prevailing at the date of the transaction.

Personnel expenses (employees remuneration and benefits). Personnel expenses include salary, allowances, bonuses and incentives of all employees of the Company and our Subsidiaries, expenses incurred on staff welfare and benefits, recruitment and training expenses, company's contribution to provident, superannuation fund and social security schemes and gratuity expenses.

Operating and other expenses. Operating and other expenses include expenses incurred by us other than personnel expenses. It broadly includes expenses incurred in relation to operations, sales and marketing and general administration such as travelling and conveyance, power and fuel expenses, communication expenses, rent, lease rental charges, insurance, repairs and maintenance, consumables, packing material, printing and stationery, advertisement expenses, audit fees, Directors' sitting fees, foreign exchange loss, books, membership and subscriptions, donations made by the company, provisions for doubtful debts, bad debts written off, liquidated damages warranty expenses and other miscellaneous expenses.

Financial charges. Financial charges include interest and related expenses incurred by our Company in connection with term loans and working capital finance availed from the banks and financial institutions and bank charges. See "– Financial Condition, Liquidity and Capital Resources – Indebtedness" for a summary of our outstanding indebtedness.

Depreciation. Depreciation is provided using the Straight Line Method (SLM) as per the useful lives of the assets estimated by the management. Leasehold improvements are depreciated over the period of lease. Depreciation on assets purchased / sold during the year is charged on a pro-rata basis. Individual assets costing Rs. 5,000 or less are fully depreciated in the period / year of purchase.

Taxation. We provide for both current taxes, comprising of income tax and fringe benefit tax and deferred taxes. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the applicable tax laws. Deferred income tax reflects the impact of current year timing differences between taxable income and accounting income for the year and the reversal of timing differences of earlier years, Deferred tax is measured based on tax rates and tax laws enacted or substantially enacted at the date of balance sheet. Deferred tax assets are recognized only to the extent there is reasonable certainty the sufficient future taxable income will be available against which such deferred tax assets can be realized. For a summary of tax benefits available to us, see "Statement of Tax Benefits" on page 69.

Adjustments. The consolidated financial statements for the Fiscal years 2010, 2009, 2008, 2007 and 2006 have been restated in compliance with SEBI ICDR Regulations. The adjustments to our financial statements, including on account of changes in accounting policies and estimates, are described below:

					(All amounts in Rs. Million)
	Financial Year ended				
Particulars	**March 31, 2006**	**March 31, 2007**	**March 31, 2008**	**March 31, 2009**	**March 31, 2010**
INCOME					
Sales					
Sale of Goods and Service Income	1,634.29	3,078.79	5,141.41	6,878.91	6,733.00
TOTAL	**1,634.29**	**3,078.79**	**5,141.41**	**6,878.91**	**6,733.00**
Other Income	11.86	26.70	56.69	60.10	80.00
(Increase)/Decrease in inventories	217.03	286.97	839.21	321.77	5.86
TOTAL INCOME (A)	**1,863.18**	**3,392.46**	**6,037.31**	**7,260.78**	**6,818.86**
EXPENDITURE					
Raw Material Consumed	1,024.42	1,866.78	3,570.65	3,968.65	3,534.66
Operating and other Expenses	266.17	499.10	712.27	1,035.85	981.14

Employees' Remuneration and Benefits	154.93	250.77	433.65	644.35	827.39
Financial Charges	49.30	72.08	158.28	236.51	229.97
Depreciation/Amortisation	29.89	71.12	86.80	120.37	151.63
TOTAL EXPENDITURE (B)	**1,524.71**	**2,759.85**	**4,961.65**	**6,005.73**	**5,724.79**
Sub-Total (A-B)	**338.47**	**632.61**	**1,075.66**	**1,255.05**	**1,094.07**
Less: Profit transferred to goodwill	-	13.93	-	-	-
Less: Share of profit transferred with subsidiary	-	-	-	2.49	-
Add: Share of loss of minority interest	0.42	-	-	-	-
Net Profit before tax and extraordinary items	**338.89**	**618.68**	**1,075.66**	**1,252.56**	**1,094.07**
Add:					
Exceptional items [Income/(Expense)]	-	-	-	-	-
Extraordinary items[Income/(Expense)]	-	-	-	-	-
Net Profit before Tax	**338.89**	**618.68**	**1,075.66**	**1,252.56**	**1,094.07**
Taxation [Charge/(Reversal)]					
- Current Tax	43.73	119.44	232.02	295.05	318.71
- MAT Credit Entitlement	-	-	(63.05)	(81.57)	(82.59)
- Fringe Benefit Tax	1.08	2.30	2.67	3.54	-
- Wealth Tax	1.25	0.02	0.04	0.05	0.04
- Deferred Tax [Charge/(Reversal]	(3.89)	6.27	(1.98)	21.66	(11.73)
Net Profit before adjustments	**296.72**	**490.65**	**905.96**	**1,013.83**	**869.64**
ADJUSTMENTS					
Impact of changes in accounting policies and estimates					
Transitional Adjustment [AS-15(New)]	-	-	(0.74)	-	-
(See Note No. I-1(a) of Annexure III)					
Other adjustments					
Prior Period Items	-	(2.24)	-	(4.54)	-
(See Note No. I-2 of Annexure III)					
Total Impact of Adjustments	**-**	**(2.24)**	**(0.74)**	**(4.54)**	**-**
Current Tax Impact of Adjustments	-	0.82	-	1.46	-
Total of Adjustments after Tax impact	**-**	**(1.42)**	**(0.74)**	**(3.08)**	**-**
Net Profit, as restated	**296.72**	**489.23**	**905.22**	**1,010.75**	**869.64**
Profit and loss account at the beginning of the year/period	**44.66**	**293.27**	**683.60**	**1,320.37**	**2,097.20**
Balance available for appropriation, as restated	**341.38**	**782.50**	**1,588.82**	**2,331.12**	**2,966.84**
Appropriations					
Interim Dividend on Equity Shares	6.51	31.62	42.16	52.70	52.75
Provision for Dividend on preference shares	3.06	3.07	1.56	-	-
Proposed Dividend on Equity Shares	6.55	31.62	52.70	52.70	63.29
Dividend on Preference Shares	1.63	-	-	-	-
Tax on Dividends	2.06	10.85	17.03	18.52	19.52
Transfer to Capital Redemption Reserve	18.80	-	-	-	-
Transfer to General Reserve	9.50	21.74	155.00	110.00	116.60
Surplus/(deficit) carried forward, as restated	**293.27**	**683.60**	**1,320.37**	**2,097.20**	**2,714.68**

Fiscal 2010 compared with Fiscal 2009

Income In Fiscal 2010, our consolidated revenue was derived predominantly from foreign markets in the oil and gas sector. Our total income decreased by 6.09 % to Rs. 6818.86 million in Fiscal 2010 from Rs.7260.78 million in Fiscal 2009.

Income from sales of products and services Our consolidated income from sales of products and services decreased by 2.12%, to Rs. 6,733.00 million in Fiscal 2010 from Rs. 6,878.91 million in Fiscal 2009. This decrease was primarily due to a decrease in the demand for our products in the U.S. As a result of the above, the total unconsolidated income from sales of products and services of our Subsidiaries which are responsible for most of our U.S. sales, i.e. Vintrol Inc., Virgo Valves and Controls Limited and Virgo Engineers Inc. decreased by 14.99 %. This was partially offset by an increase in the income from sales of our valves in India, the Middle East and the Far East. The unconsolidated income from sales of Virgo Engineers Limited through which our sales in these regions are made, increased by 12.65 % from Fiscal 2009 to Fiscal 2010.

Other Income Our other income increased by 33.11%, to Rs. 80.00 million in Fiscal 2010 from Rs. 60.10 million in Fiscal 2009. This increase was primarily on account of foreign exchange gains, increases in certain export benefits available to us, realization of moneys from certain bad and doubtful debts and interest earned on margin money deposits and credit balances. The increase in export benefits availed of by us was in turn due to a change in government policies.

Expenditure Our total expenditure decreased by 4.68 % to Rs. 5,724.79 million in Fiscal 2010 from Rs. 6,005.73 million in Fiscal 2009. This was principally due to a decrease in the volume of our sales of products. As a percentage of total income, total expenditure was 83.96 % in Fiscal 2010 against 82.71 % in Fiscal 2009. The above increase in the percentage expenditure was driven by raw materials consumed and operating and other expenses incurred by us, including expenses for the establishment of our overseas subsidiaries. This increase was partially offset by a reduction in expenditure incurred by our Subsidiaries in India as a result of certain measures taken towards improving efficiency and reducing expenditure. The same are described below.

Raw Material Consumed Our total Raw material consumed decreased by 10.94 % to Rs. 3,534.66 million in Fiscal 2010 from Rs. 3,968.65 million in Fiscal 2009. This was principally due to a decrease in costs incurred by us towards pre-cast components and bought out components. As a percentage of total income, raw material consumed was 51.84 % in Fiscal 2010 and 54.66 % in Fiscal 2009.

Employee Remuneration and Benefits Our personnel expenses increased by 28.41% to Rs. 827.39 million in Fiscal 2010 from Rs. 644.35 million in Fiscal 2009. As a percentage of total income, personnel expenses were12.13% in Fiscal 2010 and 8.87 % in Fiscal 2009.This increase was primarily due to the addition of headcount and commencement of operations at RIFOX and EVS Valves and the addition of new personnel at Virgo Europe. This was partially offset by a reduction in personnel costs at VEL and VVCL due a reduction in the number of contract employees engaged by us.

Operating and other expenses Our operating and other expenses decreased by 5.28 % to Rs. 981.14 million in Fiscal 2010 from Rs. 1,035.85 million in Fiscal 2009. As a percentage of total income, operating and other expenses were 14.39 % in Fiscal 2010 and 14.27 % in Fiscal 2009. This overall decrease in operating expenses was primarily driven by a decrease in sales.

Finance charges Our finance charges decreased by 2.77% to Rs. 229.97 million in Fiscal 2010 from Rs. 236.51 million in Fiscal 2009. As a percentage of total income, financial charges were 3.37% in Fiscal 2010 and 3.26 % in Fiscal 2009. This decrease was principally due to a decrease in our secured loans from Rs. 1,724.32 million in 2009 to Rs. 1,439.51 million in Fiscal 2010 7due to loan repayments and the reduced utilization of working capital facilities by us due a decrease in sales.

Depreciation and Amortisation Depreciation and amortization increased by 25.97% to Rs. 151.63 million in Fiscal 2010 from Rs. 120.37 million in Fiscal 2009.

Our gross block increased by Rs. 175.09 million during Fiscal 2010 as a result of acquisition of plant and machinery for our plant at Coimbatore, Tamil Nadu and the addition of plant and machinery installed at our other manufacturing facilities. This resulted in our having to provide for additional depreciation during Fiscal 2010 and consequently increased our depreciation and amortization.

Net Profit before taxation, exceptional items and prior period items Due to the aforesaid reasons, our net profit before taxation, exceptional items and prior period items decreased by 12.65% to Rs. 1,094.07 million in Fiscal 2010 from Rs. 1,252.56 million in Fiscal 2009.

Total tax Our total tax decreased by 5.99% to Rs. 224.43 million in Fiscal 2010 from Rs. 238.73 million in Fiscal 2009. As a percentage of total income, total current tax increased to 4.67% in Fiscal 2010 from 4.06 % in Fiscal 2009. The above increase was driven by a relative increase in revenues arising from our non EOU manufacturing facilities and was partially offset by the decrease in our Sales. Our total tax in Fiscal 2010 comprised current tax amounting to Rs. 318.71 million and wealth tax amounting to Rs.0.04 million which were offset by a MAT credit amounting to Rs. 82.59 million and deferred tax credit of an amount of Rs. 11.73 million.

Net profit, before adjustments. For the above reasons, our net profit before adjustments decreased by 14.22% to Rs. 869.64 million in Fiscal 2010 from Rs. 1,013.83 million in Fiscal 2009.

Net profit, restated. Our net profit after restatement adjustments decreased by 13.96 % to Rs. 869.64 million in Fiscal 2010 from Rs. 1,010.75 million in Fiscal 2009. The decrease of Net Profit, Restated in Fiscal 2010 as opposed to the Net Profit, before Restatement in Fiscal 2010 was due to a restatement adjustment for prior period items of Rs. 3.08 million applied to our Net Profit, Restated in Fiscal 2009.

Fiscal 2009 compared with Fiscal 2008

Income In Fiscal 2009, our consolidated revenue was derived predominantly from foreign markets in the oil and gas sector. Our total income increased by 20.27 % to Rs. 7,260.78 million in Fiscal 2009 from Rs. 6,037.31 million in Fiscal 2008.

Income from sales of products and servicesOur consolidated income from sales of products and services increased by 33.79%, to Rs. 6,878.91 million in Fiscal 2009 from Rs. 5,141.41 million in Fiscal 2008. This increase was primarily due to a growth of sales of our products, particularly in our foreign markets and more particularly in the oil & gas sector.

Other Income Our other income increased by 6.02%, to Rs. 60.10 million in Fiscal 2009 from Rs. 56.69 million in Fiscal 2008.

Expenditure Our total expenditure increased by 21.04 % to Rs.6,005.73 million in Fiscal 2009 from Rs.4,961.65 million in Fiscal 2008. This was principally due to raw material consumed and operating & other expenses, which are described below. As a percentage of total income, total expenditure was 82.71 % in Fiscal 2009 and 82.18 % in Fiscal 2008.

Raw material consumed Our total raw material consumed increased by 11.15 % to Rs. 3,968.65 million in Fiscal 2009 from Rs.3,570.65 million in Fiscal 2008. This was principally due to an increase in sales turnover and a corresponding increase in raw materials consumed. As a percentage of total income, raw materials consumed was 54.66 % in Fiscal 2009 and 59.14 % in Fiscal 2008.

Employee Remuneration and Benefits Our personnel expenses increased by 48.59% to Rs. 644.35 million in Fiscal 2009 from Rs. 433.65 million in Fiscal 2008. This increase was primarily due to a revision of salaries in line with changes in the market and also due to increase in head count mainly in our Company and Virgo Europe, necessitated due to the increased turnover and operations. As a percentage of total income, Personnel Expenses were 8.87 % in Fiscal 2009 and 7.18% in Fiscal 2008.

Operating and other expenses. Our operating and other expenses increased by 45.43% to Rs. 1,035.85 million in Fiscal 2009 from Rs. 712.27 million in Fiscal 2008. This overall increase in operating expenses was principally due to increases in variable costs including expenses towards tools consumption, packing materials, expenses towards power and fuel, repairs to plant & machinery due to increased maintenance for additional machinery brought in the previous year, selling and related expenses and expenses towards security and contract labor As a percentage of total income, Operating Expenses were 14.27 % in Fiscal 2009 and 11.80 % in Fiscal 2008.

Finance charges Our finance charges increased by 49.43% to Rs. 236.51 million in Fiscal 2009 from Rs. 158.28 million in Fiscal 2008. This increase was due to an increase in our secured loans from Rs. 1,724.32 million from Rs. 1,178.75 million which included an increase in our term loans and an increase in the working capital limits utilized by us. The above increases were due to increases in our sales during this period. As a percentage of total income, Finance Charges were 3.26 % in Fiscal 2009 and 2.62 % in Fiscal 2008.

Depreciation and Amortisation Depreciation and amortization increased by 38.68% to Rs. 120.37 million in Fiscal 2009 from Rs. 86.80 million in Fiscal 2008. This increase was due to the capitalization of additional assets amounting to Rs. 479.10 million acquired primarily for increase in capacities at the new manufacturing plants at

Pune and Coimbatore. As a percentage of total income, depreciation and amortization was 1.66 % in Fiscal 2009 and 1.44% in Fiscal 2008.

Net Profit before taxation, exceptional items and prior period Our net profit before taxation, exceptional items and prior period items increased by 16.45 % to Rs. 1,252.56 million in Fiscal 2009 from Rs. 1,075.66 million in Fiscal 2008. This was primarily due to an increase in volume of income from sales of products and services in Fiscal 2009 as compared to Fiscal 2008. This was partially offset by an increase in our expenditure as a percentage of sales.

Total tax Our total tax increased by 40.68% to Rs. 238.73 million in Fiscal 2009 from Rs. 169.70 million in Fiscal 2008 due to an increase in our revenues and a deferred tax charge incurred by us. Total tax in Fiscal 2009 comprised of current tax amounting to Rs. 295.05 million, fringe benefit tax amounting to Rs.3.54 million, wealth tax amounting to Rs.0.05 million and a deferred tax charge amounting to Rs.21.66 million which has been offset by MAT credit amounting to Rs. 81.57 million.

Net profit, before adjustments. For the above reasons, our net profit before adjustments increased by 11.91 % to Rs. 1,013.83 million in Fiscal 2009 from Rs. 905.96 million in Fiscal 2008.

Net profit, restated. Our net profit after restatement adjustments increased by 11.66 % to Rs. 1,010.75 million in Fiscal 2009 from Rs. 905.22 million in Fiscal 2008. This way due to a net prior period adjustment of Rs. 3.08 million in Fiscal 2009 relating to prior period items and current tax impact of the said adjustment.

Fiscal 2008 compared with Fiscal 2007

Income In Fiscal 2008, our consolidated revenue was derived predominantly from foreign markets in the oil and gas sector. Our total income increased by 77.96 % to Rs. 6,037.31 million in Fiscal 2008 from Rs. 3,392.46 million in Fiscal 2007.

Income from sales of products and services Our consolidated income from sales of products and services increased by 66.99%, to Rs. 5,141.41 million in Fiscal 2008 from Rs. 3,078.79 million in Fiscal 2007. This increase was primarily due to an increase from the increased sales in our foreign markets and more particularly in the oil & gas sector.

Other Income Our other income increased by 112.32 %, to Rs. 56.69 million in Fiscal 2008 from Rs. 26.70 million in Fiscal 2007. This increase was primarily on account of increase in DEPB benefits, interest earned on margin money in fixed deposits with the banks and exchange rate gains.

Expenditure Our total expenditure increased by 79.78 % to Rs. 4,961.65 million in Fiscal 2008 from Rs. 2,759.85 million in Fiscal 2007. This was principally due to raw materials consumed, personnel expenses and operating & other expenses, which are described below. As a percentage of total income, total expenditure was 82.18% in Fiscal 2008 and 81.35 % in Fiscal 2007.

Raw Material Consumed Our total Raw material consumed increased by 91.27% to Rs. 3,570.65 million in Fiscal 2008 from Rs. 1,866.78 million in Fiscal 2007. This was principally due to increase in sales turnover and a corresponding increase in raw materials consumed. As a percentage of total income, raw materials consumed was 59.14% in Fiscal 2008 and 55.03% in Fiscal 2007. This was due to an increase in costs of raw materials and inputs.

Employee Remuneration and Benefits Our personnel expenses increased by 72.93% to Rs. 433.65 million in Fiscal 2008 from Rs. 250.77 million in Fiscal 2007. This increase was primarily due to personnel expenses incurred by Virgo Europe which saw its first year of full operations during this period and also due to an overall increase in head count which was necessitated due to the increased turnover and operations. As a percentage of total income, personnel expenses increased in Fiscal 2008 to 7.18 % from 7.39 % in Fiscal 2007.

Operating and other expenses Our operating and other expenses increased by 42.71% to Rs. 712.27 million in Fiscal 2008 from Rs. 499.10 million in Fiscal 2007. This overall increase in operating expenses was principally due to increases in variable costs including expenses towards tools consumption, packing materials, expenses towards power and fuel, repairs to plant & machinery due to increased maintenance for additional machinery brought in the previous year, selling and related expenses and expenses towards security and contract labor. As a percentage of total income, Operating Expenses were 11.80% in Fiscal 2008 as opposed to 14.71% in Fiscal 2007.

Financial charges Our financial charges increased by 119.59 % to Rs. 158.28 million in Fiscal 2008 from Rs. 72.08 million in Fiscal 2007. This increase was due to an increase in our secured loans to Rs. 1,178.75 million from Rs. 460.99 million which included an increase in the working capital limits utilized by us and increased term loan borrowings to support an increase in sales during the period. As a percentage of total income, Finance Charges were 2.62 % in Fiscal 2008 and 2.12% in Fiscal 2007.

Depreciation and Amortisation Depreciation and amortization increased by 22.05% to Rs. 86.80 million in Fiscal 2008 from Rs. 71.12 million in Fiscal 2007. This increase was due to an increase in the gross block from Rs. 772.65 million to Rs. 954.12 million. As a percentage of total income, depreciation and amortization was 1.44 % in Fiscal 2008 and 2.10% in Fiscal 2007.

Net Profit before taxation, exceptional items and prior period Our net profit before taxation, exceptional items and prior period items increased by 73.86 % to Rs. 1,075.66 million in Fiscal 2008 from Rs. 618.68 million in Fiscal 2007. This was primarily due to an increase in volume of income from sales of products and services in Fiscal 2008 as compared to Fiscal 2007.

Total tax Our total tax increased by 32.55% to Rs. 169.70 million in Fiscal 2008 from Rs. 128.03 million in Fiscal 2007. Total tax in Fiscal 2008 comprises current tax amounting to Rs. 232.02 million, fringe benefit tax amounting to Rs.2.67 million and wealth tax amounting to Rs.0.04 million which has been offset by MAT credit amounting to Rs.63.05 million and deferred tax credit of an amount of Rs. 1.98 million.

Net profit, before adjustments. Our net profit before adjustments increased by 84.65% to Rs. 905.96 million in Fiscal 2008 from Rs. 490.65 million in Fiscal 2007.

Net profit, restated. Our net profit after restatement adjustments increased by 85.03% to Rs. 905.22 million in Fiscal 2008 from Rs. 489.23 million in Fiscal 2007. The net increase in restated profit of Rs. 415.99 million in Fiscal 2008 was mainly due to restatement adjustment of Rs. 0.74 million towards transitional adjustments.

Liquidity and Capital Resources

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. In addition, liquidity includes the ability to obtain appropriate equity and debt financing and loans and to convert into cash those assets that are no longer required to meet existing strategic and financial objectives. Therefore, liquidity cannot be considered as separate from capital resources that consist of current or potentially available funds for use in achieving long-range business objectives and meeting debt service and other commitments.

We have historically financed our working capital primarily through funds generated from our own operations and financing from banks and other financial institutions. Our business requires a significant amount of working capital. We believe that we will have sufficient capital resources from our operations, net proceeds of this Issue and other offerings of securities and other loans and borrowings to meet our capital requirements for the next 12 months.

Cash Flows

The table below sets forth selected consolidated restated cash flow statement data of the company for each year in the three-year period ended March 31, 2010

(Rs. in million)

	Fiscal,		
	2010	**2009**	**2008**
Net cash generated from/(used in) operating activities	834.26	421.90	(284.22)
Net cash generated from /(used in) investing activities	(178.90)	(510.29)	(240.46)
Net cash generated from/(used in) financing activities	(591.99)	192.67	590.53
Net Increase/ (decrease) in cash and cash equivalents	63.37	104.28	65.85

Cash and cash equivalents increased by Rs. 63.37 million in Fiscal 2010 as against an increase of Rs. 104.28 million in Fiscal 2009. Cash and cash equivalents include bank deposits, current account balances and cash on hand.

Net cash generated from/(used in) operating activities. Our net cash flows from operating activities are principally used in capital expenditures and to pay dividends.

In Fiscal 2010, net cash generated from operating activities was Rs. 834.26 million. Profit before taxation was Rs. 1,094.07 million, which was adjusted by Rs. 151.63 million for depreciation / amortization.

Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of decrease in trade and other receivables of Rs.110.72 million, decrease in inventory of Rs.83.90 million and a decrease in current liabilities of Rs.384.93 million.

In Fiscal 2009, net cash generated from operating activities was Rs. 421.90 million. Profit before taxation was Rs. 1,255.05 million, which was adjusted by Rs. 120.37 million for depreciation / amortization. Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of increase in trade and other receivables of Rs.272.74 million, increase in inventory of Rs.548.80 million and decrease in current liabilities of Rs.87.98 million.

In Fiscal 2008, net cash used in operating activities was Rs. 284.22 million.

Profit before taxation was Rs. 1,075.66 million, which was adjusted by Rs. 86.80 million for depreciation / amortization. Changes in current assets and liabilities that had a current period cash flow impact consisted mainly of increase in trade and other receivables of Rs.1,159.57 million, increase in inventory of Rs.995.60 million. This was partly offset by an increase Rs. 852.84 million in our current liabilities. The level of operations of our Company increased by 67.03% due to increase in revenue from sales.

<u>Net cash used in investing activities</u>

Our net cash used in investing activities was Rs. 178.90 million in Fiscal 2010. This reflected expenditures on fixed assets of Rs. 185.93 million which was partially offset by interest received amounting to Rs. 5.70 million, proceeds from sale of fixed assets amounting to Rs.1.32 million and Dividend received amounting to Rs. 0.01million.

Our net cash used in investing activities was Rs. 510.29 million in Fiscal 2009. This reflected expenditures on fixed assets of Rs. 574.25 million, which was partially offset by sale of fixed assets of Rs. 56.62 million and interest received amounting to Rs.7.33 million.

Our net cash used in investing activities was Rs. 240.46 million in Fiscal 2008. This reflected expenditures on fixed assets of Rs. 254.24 million which was partially offset by interest received amounting to Rs. 4.04 million, proceeds from sale of fixed assets amounting to Rs.9.73 million and Dividend received amounting to Rs. 0.01million.

<u>Net cash generated from financing activities</u>.

In Fiscal 2010, our net cash used in financing activities was Rs. 591.99 million. We used Rs.178.67 million for interest payment, Rs.159.99 million for repayment of long-term borrowing, Rs.153.04 million for repayment of short term borrowing, Rs.105.44 million for dividend payment and Rs.18.15 million for tax on dividend.

In Fiscal 2009, our net cash generated from financing activities was Rs. 192.67 million. We raised Rs.260.29 million from short term borrowing and Rs.257.09 million from long term borrowings during this period.

Net cash generated from financing activities: In Fiscal 2008, our net cash generated from financing activities was Rs. 590.53 million. We raised Rs.230.4 million from long term borrowings and Rs. 709.62 million from short term borrowings.

Certain Balance Sheet Items

The table below sets forth our select restated consolidated balance sheet data as restated as at March 31, 2010, 2009 and 2008:

(Rs.in million)

	As at March 31,		
	2010	**2009**	**2008**
Net Fixed Assets including Capital Work in Progress	1,165.07	1,133.72	723.53
Current assets, loans and advances			
- Inventories	2,514.17	2,598.07	2,049.26
- Sundry Debtors	1,879.05	1,934.28	1,778.72
- Cash and Bank Balances	307.03	243.66	139.38
- Other Current Assets	198.01	205.90	222.05
- Loans and Advances	562.18	531.92	343.99
Deferred Tax Assets	19.17	3.62	8.12
Total	5,479.61	5,517.44	4,541.53
Liabilities and Provisions:			
Secured Loans	1,439.51	1,724.32	1,178.75
Unsecured Loans	35.58	40.50	94.38
Deferred Tax Liability	44.72	40.90	23.74
Current liabilities and provisions	1,686.60	2015.24	2157.21

Net Fixed assets Our total fixed assets including capital work in progress after depreciation were Rs. 1,165.07 million, Rs. 1,133.72 million, Rs. 723.53 million as at March 31, 2010, 2009 and 2008 respectively.

Our fixed assets consist of land, building, plant and machinery, dies, patterns, jigs & fixtures, computer equipment, furniture and furnishings, capital work-in-progress, and vehicles. The value of our fixed assets increased by 2.77 % as at March 31, 2010 as compared to our fixed assets as at March 31, 2009 mainly due to expenditure on purchase of capital assets in our Pune US manufacturing facilities and increased by 56.69% as at March 31, 2009 as compared to our fixed assets as at March 31, 2008 mainly due to expenditure relating to plant and machinery, electrical installations, furniture and furnishings, lease hold land and improvements, office equipments, technical know-how and vehicles for the plants situated at Pune and Coimbatore.

Our fixed assets included our capital work-in-progress, which was Rs. 80.56 million, Rs. 111.57 million and Rs. 84.90 million as at March 31, 2010, 2009 and 2008, respectively. These amounts represent capital expenditure and advances paid on account of plant & machinery, dies, patterns, jigs & fixtures, computer equipment, furniture and furnishings.

Inventories. Inventories consist of raw materials, work-in progress and finished goods Our inventories were Rs. 2,514.17 million, Rs. 2,598.07 million and Rs. 2,049.26 million as at March 31, 2010, 2009 and 2008, respectively. These amounts represent raw materials, work-in-progress, finished goods and tools & consumables.

Sundry debtors. Sundry debtors consists principally of receivables relating to our industrial valves. We have a policy of providing for invoices outstanding for a period of one year and above that are otherwise considered doubtful. Our sundry debtor amounts as on March 31, 2010, 2009 and 2008 were Rs. 1,879.05 million, Rs. 1,934.28 million and Rs. 1,778.72 million. The following is a break-up of the sundry debtors outstanding as on March 31, 2010:

(Rs. in million)

	As on March 31, 2010
Debts outstanding for a period exceeding six months (considered good)	428.72
Others (considered good)	1,450.33

Cash and bank balances. Bank balances in India comprise balances in Rupee accounts and balances in Exchange Earner's Foreign Currency (EEFC) accounts in US$. Our balances in Rupee account mostly comprise of margin money held against non-fund limits sanctioned with the banks and moneys collected in current account under domestic sales.

Our total cash and bank balances as at March 31, 2010, 2009 and 2008 were Rs. 307.03 million, Rs. 243.66 million, and Rs. 139.38 million, respectively.

Other current assets Our other current assets as at March 31, 2010, 2009 and 2008, respectively, were Rs. 198.01 million, Rs. 205.90 million, and Rs. 222.05 million, respectively. Other current assets mainly include amounts receivable from government authorities under rebates and refunds receivable and interest accrued on deposits.

Loans and advances Our total loans and advances as at March 31, 2010, 2009 and 2008, respectively, were Rs. 562.18 million, Rs. 531.92 million, and Rs. 343.99 million. Loans and advances include advances receivable in cash or kind for value to be received, balances in CENVAT account, and security deposits paid to customers, electricity boards and municipal corporations. The 5.69% increase in loans and advances as at March 31, 2010 as compared to loans and advances as at March 31, 2009 was principally due to an increase in MAT credit entitlement for wholly owned subsidiary (EOU). The 54.63% increase in loans and advances as at March 31, 2009 as compared to loans and advances as at March 31, 2008 was due to an increase in CENVAT balances, MAT credit entitlement for wholly owned subsidiary (EOU) and advance tax payment.

Current Liabilities and Provisions Our current liabilities and provisions as at March 31, 2010, 2009 and 2008 were Rs. 1,686.60 million, Rs. 2,015.24 million, and Rs. 2,157.21 million, respectively.

Our current liabilities include sundry creditors, advances from customers, accrued employee liabilities, unearned revenue ad other liabilities. Our provisions include provisions for gratuity, leave encashment, proposed dividends and income tax and fringe benefit tax.

Indebtedness

We rely on borrowings from banks for working capital requirements in the nature of export finance under packing credit and post shipment credit.

Secured Loans Our Secured loans as at March 31, 2010, 2009 and 2008 were Rs. 1,439.51 million, Rs. 1,724.32 million and Rs. 1,178.75 million, respectively. Our secured loans comprise of working capital limits interchangeable between domestic and export finance term loan borrowings and vehicle loans.

Of our total secured borrowing of Rs. 1,439.51 million outstanding as on March 31, 2010, Rs. 882.55 million were rupee denominated, Rs.312.15 million were euro denominated and the remaining Rs.244.81 million were Dollar denominated.

Unsecured Loans. Our unsecured loans as at March 31, 2010, 2009 and 2008 were Rs. 35.58 million, Rs.40.50 million and Rs. 94.38 million, respectively. Our unsecured borrowings consist of working capital loans from the erstwhile owner of RIFOX. Of the total amount of Rs. 35.58 million outstanding as on March 31, 2010, Rs. 35.58 million were Euro denominated.

Contingent Liabilities

We do not have any contingent liabilities outstanding as on March 31, 2010 except as mentioned below:

1. Our Company has given guarantees on behalf of subsidiary companies amounting to Rs.1,132.11 million.

2. The Assistant Commissioner of Income Tax, Mumbai has raised a demand of Rs. 6.63 million on the Company for the Assessment Year 2004-2005 vide order dated November 30, 2009. Against the same, the Company has filled an Appeal with Commissioner of Income Tax, Mumbai dated December 12, 2009 For further details refer to "Outstanding Litigation and Material Developments" on page 263.

Related Party Transactions

We have engaged in the past, and may engage in the future transactions with related parties on an arm's lengths basis. Such transactions could be for provision of services, lease of assets or property, sale or purchase of equity shares or entail incurrence of indebtedness. For details of our related party transactions, see "Related Party Transactions" on page 139.

Off Balance Sheet Commitments and Arrangements as per Audited Consolidated Financial Statements

We do not have any off-balance sheet arrangements, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnerships that would have been established for the purpose of facilitating off-balance sheet arrangements except as mentioned below:

(i) We have entered into forward sell contract instruments for hedging of receivables and future sales which total to an amount outstanding US $ 9.45 million and EUR 0.60 million as on March 31, 2010.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss related to adverse charges in market prices, including interest rate risk and commodities risk. We are exposed to commodity risk, foreign currency exchange rate risk, product liability risk, interest rate risk and credit risk in the normal course of our business.

Risk Management Procedures

The objective of market risk management is to avoid excessive exposure of our income and equity to loss. We generally manage our market risk through effective procurement processes.

Commodity Risk

We are exposed to market risk with respect to the prices of our raw materials. These commodities are primarily steel. The costs of these materials are subject to fluctuation based on commodity prices. The cost of materials sourced from outside manufacturers may also fluctuate based on their availability from suppliers. In the normal course of business, we purchase these materials on a purchase order basis. We currently do not have any hedging mechanism in place in respect of any of the materials we purchase.

Foreign Currency Exchange Rate Risk

Although our functional currency is the Indian rupee, we transact a significant portion of our business in several other currencies, particularly the US$. Our exchange rate risk primarily arises from our foreign currency revenues, receivables, payables and other foreign currency assets and liabilities. We expect that a majority of our revenues will continue to be generated in US$ for the foreseeable future.

In 2010, 2009 and 2008, our other currency denominated revenues represented 73.15%, 80.64% and 79.55% of our total revenues respectively.

A significant portion of our expenses, comprising the personnel expenses and operating and other expenses are and will continue to be denominated and incurred in Indian Rupees.

Therefore, changes in the exchange rate between the rupee and other currencies, especially with respect to the US$, may have a material adverse effect on our revenues, other income, personnel expenses, operating and other expenses and net income, which may in turn have a negative impact on our business, operating results and financial condition. The exchange rate between the Rupee and the US$ has changed substantially in recent years and may fluctuate substantially in the future.

The foreign exchange management policy identifies numerous means to be adopted by us to hedge against foreign exchange risks. These include entering into hedging contracts to protect our revenues, export factoring, using our EEFC account for all import earnings, pre & post shipment bill discounting and derivative instruments.

Further, the particulars of unhedged foreign currency exposures as on March 31, 2010 are as follows:

(Rs. in million)

	As on March 31, 2010
Debtors, cash and bank balances and loans and advances (Dr.)	474.48
Current liabilities and Secured Loans (Cr.)	208.76
Investment in foreign subsidiaries (Dr.)	831.08

Credit Risk

We are exposed to credit risk on accounts receivables owed to us by our customers. If our customers do not pay us promptly, or at all, we may have to make provisions for or write-off such amounts. We monitor the credit worthiness of our customers to whom we have granted credit terms in the normal course of business. We generally grant our customers (other than our Subsidiaries) credit periods of 60 to 90 days.

Interest Rate Risk

We currently have some floating rate indebtedness and also maintain deposits of cash and cash equivalents with banks and other financial institutions and thus are exposed to market risk as a result of changes in interest rates. A significant proportion fo our indebtedness was floating rate indebtedness. Upward fluctuations in interest rates increase the cost of both existing and new debts. It is likely that that in the current Fiscal year and in future periods our borrowings will rise substantially given our planned expenditure. We do not currently use any derivative instruments to modify the nature of our exposure to floating rate indebtedness so as to manage interest rate risk.

Product Liability Risk

We are exposed to product liability risk for sale of our products in India and abroad. We have obtained product liability insurance to mitigate these risks.

Unusual or Infrequent Events or Transactions

Except as described in this Draft Red Herring Prospectus, there have been no other events or transactions that, to our knowledge, may be described as “unusual” or “infrequent”.

Known Trends or Uncertainties

Except as described in “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and in this Draft Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

Future Relationship between Cost and Income

Except as described in “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Except as described in “Risk Factors”, “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, there is no material increase in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices

Significant Regulatory Changes

Our subsidiary, Virgo Valves & Controls Limited is an export oriented unit. The Finance Act, 2000, phases out the 10-year tax holiday that we have benefited from over a 10 year period from March 31, 2000 through March 31,

2011. When our tax benefits expire or terminate, our tax expense is likely to materially increase, reducing our profitability. Except for the phasing out of this tax holiday and the regulatory changes as described in the section titled "Regulations and Policies" on page 108, there have been no significant regulatory changes that could affect our income from continuing operations.

Competitive Conditions

Refer to the sections entitled "Our Business", "Our Industry" and "Risk Factors" regarding competition on pages 88, 78 and xi.

Seasonality

Our business is not seasonal in nature.

New product launches

Except as described in "Risk Factors", "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" we have not made any public announcements of new product launches

Material Developments

On June 12, 2010, we made a Bonus Issue of 21,098,262 Equity shares in the ratio of 1 bonus share to each exisitng Equity Share held by the existing shareholders of our Company by capitalizing our share premium account.

FINANCIAL INDEBTEDNESS

As on June 15, 2010, the aggregate outstanding borrowings of our Company based on our unconsolidated financial statements were as follows:

(Rs. in million)

S. No.	Nature of Borrowing	Amount
1.	Secured Borrowings	1,321.56
2.	Unsecured Borrowings	Nil

Secured Loans

I. Loan taken by our Company from the Hong Kong and Shanghai Banking Corporation Limited (HSBC)

Sanction Letters dated August 6, 2009, June 11, 2009 and June 27, 2008, Agreement for Term Loan dated July 21, 2008, Agreement for Working Capital Loan dated July 22, 2008 and July 15, 2009, Deeds of Hypothecation for Stocks and receivables and Plant and Machinery dated February 27, 2009.

(Rs. in million)

Sanctioned amount	Amount outstanding as on June 15, 2010	Interest	Purpose of Loan/Repayment/Security
431.00* (inclusive of Term Loan for an amount of Rs. 241.00 million and a combined limit of Rs. 170.00 million for working capital facilities with a sub-limit of Rs. 170.00 million for Export facility for Purchase/Negotiation of Documents Against Payment, a sub-limit of Rs. 170.00 million for Export facility for Purchase/Negotiation of Documents Against Acceptance, a sub-limit of Rs. 170.00 million for Pre-shipment loan against export, a sub-limit of Rs. 50.00 million for Buyer's Credit facility, a sub-limit of Rs. 20.00 million for Overdraft facility, a sub-limit of Rs. 20.00 million for Working Capital Loan facility, and a sub-limit of Rs. 80.00 million for vendor financing facility, a Forward Contract limit of Rs. 20 million with a sub-limit of Rs. 20 million for Foreign Exchange Options.	239.71	Interest payable on Term Loan: 10.70% The interest on the loan will be charged on daily balances at mutually agreed rates and payable monthly in arrears or on the due date, whichever is earlier, to the debit of the Borrower's current account. Interest on overdraft facility is 7% per annum and for Pre-shipment export Credit (Working Capital Facility) the interest rate is LIBOR plus 200 BPS	The Purpose of the Term Loan is to meet expenses relating to capital expenditure The purpose of the export facilities for purchase/negotiation of Documents Against Payment and Acceptance and facility of Pre-shipment loan against export is to finance the exports of the Company. The purpose of the Buyer's Credit is to facilitate the import purchase of raw materials. The purpose of the Overdraft facility is to fund any temporary cash flow mismatch. The purpose of the Working Capital Loan is to finance the working capital requirement of the Company. The purpose of the vendor financing facility is to fund the purchase of raw materials The term loan is secured by • first pari passu charge on the entire movable fixed assets of the Company for Rs. 250 million • First pari passu charge on the entire immovable fixed assets for Rs. 250 million • Second pari passu charge over the current assets of the Company for Rs. 250

Sanctioned amount	Amount outstanding as on June 15, 2010	Interest	Purpose of Loan/Repayment/Security
			million The working capital facility is secured by • First pari passu charge over current assets of the Company for Rs. 80 million • Second pari passu over the entire movable assets of the Company for Rs. 80 million • Second pari passu charge over the entire immovable assets of the Company for Rs. 80 million Additional security for Buyer's Credit Facility • Five percent deposit under lien. Additional Security for Export Credit Facility • Standard ECGC cover with individual buyer wise limits (excluding sales to group companies/ subsidiaries) The term loan is repayable in 48 monthly instalments from the date of disbursement including a moratorium of 6 months.

* *Fund based Limit is Rs. 170 million.*

The following restrictive provisions in relation to the above loan availed of by the Company from HSBC

- A non-disposal undertaking for shareholding from the promoters stating that the shareholding by the Promoter Group in our Company should not reduce below 51 percent during the tenor of the facilities.
- Prior written approval for any changes in the capital structure, schemes of amalgamation/re-construction to be undertakn by the Company.
- The prior permission of HSBC is to be sought by the Company for the following

    - Declaration of dividend, in case the operating profits fall below the audited value of the previous year and/or if it results in a breach of the stipulated financial covenants.
    - Capital expenditure (to the extent not included in the projections submitted by the Company) resulting in an increase in the gross block/capital work-in-progress by more than 15% vis-à-vis the last audited figures.
    - Any increase in exposure (in the form of investments, loans, advances, guarantees etc.) to related companies, to the extent not factored in the projections.
    - If the existing loans and advances from the Promoter/Directors are proposed to be repaid.
    - If the Company wishes to avail fresh term borrowings not included in the projections or the working capital borrowings outside the maximum permissible bank finance/from any other bank/lender. In case of any change in the borrowing arrangement, the Company shall immediately

inform HSBC of the change.
- For any dissolution or reconstitution
- Any modifications/amendments carried out in the constitution/structure/members and ownership of the Company.

- The Company is to keep HSBC promptly informed about any material adverse event (or any event which is likely to result in a material adverse change) affecting the conditions of the Company or its subsidiaries including but not limited to litigation and disputes with Government/regulatory bodies.
- The Company will intimate all other working capital banks of the facilities availed from HSBC and the proposed security package to be provided therein, prior to disbursal. The security package offered to HSBC will not be inferior to the security offered to the other lenders at any point in time or beyond the timelines specifically approved by HSBC.
- The Company shall ensure that the total borrowings from the banking system including borrowings from HSBC will remain within the maximum permissible bank finance (as assessed by the Bank) as well as the drawing power (including standard margin) at all times 25% margin should be kept for stocks/receivables.
- The total borrowings of the Company should not at any time exceed the permissible levels under Section 293 (1) (d) of the Companies Act, 1956.
- The term loan should be used for capital expenditures of the borrower only and not of any other subsidiary/ group company/ affiliate.
- The Company shall not issue corporate guarantees without the prior permission of HSBC
- The Company will seek HSBC's permission in case of any material increase (more that Rs. 100 million) in its capex and/or exposure (in the form of investment, loans or CGTs to/in favour of Group/affiliate Companies vis-à-vis the projections provided by HSBC)
- VVCL should remain a 100 percent subsidiary of the Company during the tenor of the facilities.
- The Company is to ensure that insurance policies in the name of HSBC as mortgages fully covering the charged assets against risks of fire, SRCC, disasters, including earthquakes, floods, landslides etc. and/or such other risks that HSBC may prescribe should be lodged with HSBC.
- The Company shall ensure that no substantial change is made to the general nature of its business from that carried out.

II. Loan taken by our Company from Canara Bank

<u>Sanction Letter dated April 20, 2010 and Supplemental Common Hypothecation Agreement dated May 5, 2009</u>

(*Rs. in million*)

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security
550.00* (inclusive of fund based limit of Rs. 200 million and non fund based limit of Rs. 350 million)	563.50	B.P.L.R. i.e. 12.00% per annum (floating),	Purpose of Packing Credit: For granting PCs against lodgement of Prime Bank L/Cs of firm sale contract/order. The advance is to be covered under WTPCG of ECGC. Purpose of Guarantee: EMD/SD/Bid Bond/ Customs/ Excise/ Advance Payment Performance Guarantee, Financial Guarantee and Foreign Guarantees. The facilities are repayable on demand. The loan is secured by a first pari passu charge on the entire current assets and second pari passu charge on movable and immovable properties of the Company situated at Plot No. J-160, Pimpri Industrial Area, Plot No. J-525 in Pimpri Industrial Area, Land at S.No. 278 (Old S. No. 322) Hissa No. 1 (Old Hissa No. 4) at village Maan and S.No,3/1, 4/1A-B, 4/3-4-5,5/1-2, 6/12, 7/1-2 Mettupalayam Village, Kovilpalayam Pollachi (Taluk) Coimbatore 642 110 together with all buildings, structures, plant and machinery affixed to the earth or permanently fixed to something attached to the earth.

**Fund based limit is Rs. 200 million and non fund based limit is Rs. 350.*

The following restrictive provisions are also applicable in relation to the above loan availed of by the Company from Canara Bank

- The Promoters of the Company should give a declaration that they will not off-load their shares when the loan with the bank is outstanding and a certificate from the auditors that they have verified the shares and such shares continue to be held by the Promoters shall be submitted.
- Bank may revoke in part or in full or otherwise stop the financial assistance at any state without assigning any notice or giving any reason for any purpose whatsoever.
- An undertaking letter shall be obtained not to divert the bank borrowing/ working capital funds to:
    - Undertake any new project/scheme of modernization unless such an expenditure on expansion is covered by the Company's net cash accruals after providing for dividends etc. or for long term uses without an NOC from the Bank.
    - Invest by way of share capital in or lend or advance funds to or place deposits with any associates/ allied/ sister/ any other concerns except normal or trade credit or security deposits in the usual course of business.
    - To enter into any borrowing arrangements either secured or unsecured with any other bank/ financial institutions/ Company.

- An undertaking to be given to the effect that the Company will not declare or pay any dividend when there are arrears/overdues in the borrower accounts.
- The decision on merger, amalgamation, reconstruction takeover, shifting of premises, shall be done only with the prior permission of Canara Bank.
- Not more than 10 to 15 percent of the book debts assigned shall be concentrated on one customer.

III. Loan taken by our Company from State Bank of India

Commercial Advances Sanction of Credit Facilities dated December 17, 2009, Memorandum of Entry dated July 15, 2008 and Agreement for Hypothecation of Goods and Assets dated November 13, 2007.

(Rs. in million)

Sanctioned amount	**Amount outstanding**	**Interest**	**Purpose of Loan/Repayment/Security**
510.00* (inclusive of Rs. 230 million Fund based facility comprising Rs. 200 million, Demand Cash Credit with a sub-limit of Rs. 100 million for EPC/ PCFC/ EBD/ EBN, Rs. 30 million for SLOC (under Exporters Gold Card Scheme) and Rs. 280 million Non-Fund based facility comprising Letters of Credit facility of Rs. 250 million with a sub limit of Rs. 250 million for Bank Guarantee and forward contract limit of Rs. 30 million)	190	0.25% above the SBAR	The credit facility is to be utilized for the purposes of working capital requirement with no diversion of short term funds for long term uses. Repayment is to be made on demand Security for Demand Cash Credit: First pari passu charge on all the stocks, receivables and other current assets of the Company. Second charge pari passu on the entire fixed assets of the Company including (i) Plot No. J-160 and J-525 of Bhosari MIDC, Pune (ii) Plot No. 278 at Hinjewadi, Pune (iii) Sulakkal Main Road, Kovilpalayam (Via), Mettupalayam Village, Pollachi Taluk, Coimbatore – 642110

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security
			Security for EPC/EPFC: First pari passu charge on all the stocks, receivables and other current assets of the Company. Second charge pari passu on the entire fixed assets of the Company including (i) Plot No. J-160 and J-525 of Bhosari MIDC, Pune (ii) Plot No. 278 at Hinjewadi, Pune (iii) Sulakkal Main Road, Kovilpalayam (Via), Mettupalayam Village, Pollachi Taluk, Coimbatore – 642110 (iv) Documentary Export Bills (v) Post Shipment Credit guarantee of ECGC. Security for Stand by Line of Credit: Second pari passu charge on all the stocks, receivables and other current assets of the Company. Security for Letter of Credit and Bank Guarantee Limit: First pari passu charge on all the Stocks, receivables and other current assets of the Company. Second charge pari passu on the entire fixed assets of the Company including (i) Plot No. J-160 and J-525 of Bhosari MIDC, Pune (ii) Plot No. 278 at Hinjewadi, Pune (iii) Sulakkal Main Road, Kovilpalayam (Via), Mettupalayam Village, Pollachi Taluk, Coimbatore – 642110 (iv) Extension of hypothecation charge on the Company's current assets. (v) Omnibus Counter Guarantee Security for B/S exposure: First pari passu charge on all the stocks, receivables and other current assets of the Company. Second charge pari passu on the entire fixed assets of the Company including (i) Plot No. J-160 and J-525 of Bhosari MIDC, Pune (ii) Plot No. 278 at Hinjewadi, Pune

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security
			(iii) Sulakkal Main Road, Kovilpalayam (Via), Mettupalayam Village, Pollachi Taluk, Coimbatore – 642110 (iv) Extension of hypothecation charge on the Company's current assets.

**Fund based limits is Rs. 230 million and non fund based limit is Rs. 280*

The following restrictive provisions are also applicable in relation to the above loan availed of by the Company from State Bank of India

- Company to undertake not to invest in subsidiaries/ associates without the prior permission of the Bank.
-
- The bank is to have a first charge on the profits of the Company after provision for taxation and dividend where applicable for repayment of installments under term loans granted/deferred payment guarantees executed by the bank or other repayment obligation, if any, due from the Company to the bank.
- The Company shall keep the bank informed on any event likely to have a substantial effect on its profit or business.
- During the currency of the loan the Company shall not without the prior permission of the bank:
  - Effect any change in the Company's capital structure. In all cases of term loans, where a condition prohibiting disinvestments by Promoters of their quota in the equity of the Company, without the prior approval of the bank, all the Promoters of the Company should furnish an undertaking on the lines specified for this purpose.
  - Formulate any scheme of amalgamation or reconstruction.
  - Undertake any new project, implement any scheme of expansion or acquire fixed assets except those indicated in the funds flow statement submitted to the Bank from time to time and approved by the bank.
  - Invest by way of share capital in or lend or advance funds to or place deposits with any other concern (including group companies) except in the normal course of business.
  - Enter into borrowing arrangements, either secured or unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangement indicated in the funds flow statements submitted to the bank from time to time and approved by the bank.
  - Undertake any guarantee obligation on behalf of any other Company.
  - Declare dividends for any year out of the profits relating to that year or of the previous years. It is however necessary for the Company to ensure that no repayment obligations are unmet at the time of making the request.
  - Create any charge, lien or encumbrance over its undertaking or any part thereof in favor of any financial institution, bank, company, firm or persons.
  - Sell, assign, mortgage or otherwise dispose off any of the fixed assets charges to the Bank
  - Enter into any contractual obligation of a long-term nature or affecting the Company financially to a significant extent.
  - Change the practice with regard to remuneration of Directors by means or ordinary remuneration or commission, scale of sitting fees etc.
  - Undertake any trading activity other than the sale of products arising out of its own manufacturing operations.
  - Permit any transfer of the controlling interest or make any drastic change in the management setup.
  - Repay monies brought in by Promoters/Directors/principal shareholders and their friends and relatives by way of deposits/loans/advances.

- The bank shall also have the right to appoint a nominee director on the Board of the Company.

- The bank shall have the right to securitise the secured assets of and in the event of such securitisation the bank is not bound to send an individual intimation as to the said securitization to the borrower and/or guarantors.
- Company to route forex transactions thorough State Bank of India on a pro rata basis.
- The bank would have the right to convert the debt into equity, at a time felt appropriate by the bank, at a mutually acceptable formula

IV. Loan taken by our Company from Kotak Mahindra Bank Limited

Master Facility Agreement dated November 14, 2007, Supplemental Agreements to Master Facility Agreement dated May 28, 2009 and December 10, 2009, Sanction Letter dated February 26, 2010, Deed of Hypothecation dated May 16, 2006, Unattested Deed of Hypothecation dated August 2, 2007, Memorandum of Entry dated July 15, 2008 and Supplemental Deed of Hypothecation dated May 19, 2009

(Rs. in million)

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security
366.10* (inclusive of cash credit facility of Rs. 120.00 million with a sub-limit of Rs. 40.00 million for Letter of Credit backed Purchase Bill Discounting, a sub-limit of Rs. 100.00 million for Foreign Bills Discounting/ Purchase, a sub-limit of Rs. 100.00 million for Export Packing Credit, a term loans of Rs. 6.50 million and Rs. 89.60 million, a Letter of Credit Facility for inland and foreign Letter of Credit of Rs. 150 million with a sub-limit of Rs. 150 million for Buyer's Credit/Trade Credit and a sub-limit of Rs. 100 million for Bank Guarantee facilities and a sub limit for Forward Contracts.	198.25	Interest rate for Term Loan facilities: 11.25% Interest rate for working capital facilities PLR – 4.25% (floating)	The purpose of the loan to provide working capital to the Company. The purpose of the term loans is for the purchase of plant and machinery and acquisition of fixed assets. The purpose of the Letters of Credit facility is for purchase/import of raw materials/stores and spares and consumables. The purpose of Bank Guarantee shall be for the issuance of guarantee favoring statutory authorities/customers for bid bonds/ retention money/ advance payments/ security deposit/ earnest money deposit/ contract performance/ performance guarantee. The purpose of the Forward Contracts is to hedge foreign currency exposure. The term loans are secured by a first pari passu charge on all existing and future movable and immovable fixed assets of the Company and a second pari passu charge on all existing and future current assets of the Company to be shared with SBI, Canara Bank, HSBC and Union Bank of India. The Cash Credit Facilities are secured by • A first pari passu charge on all existing and future current assets of the Company, to be shared with SBI, UBI, HSBC and Canara Bank • Second pari passu charge on all existing and future movable fixed assets of the Company to be shared with SBI, UBI,

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security
			HSBC and Canara Bank • Mortgage by way of Second pari passu charge on the immovable properties being land and belonging to the Company to be shared with SBI, UBI, HSBC and Canara. • In case the Company is unable to remove its Corporate Guarantee for the facilities granted to VVCL by June 30, 2010 then the Company would offer a Corporate Guarantee to the Bank as well. The term loan is repayable in 48 monthly instalments from the date of disbursement including a moratorium of 6 months.

**Fund based limits is Rs, 120 million and non fund based limit is 150 million.*

The following restrictive provisions are also applicable in relation to the above loan availed of by the Company from Kotak Mahindra Bank Limited

- The Company is to undertake comprehensive insurance of its inventory and fixed assets.
- The Company is to obtain prior permission of the of the bank before raising any further loans/availing any facilities against the assets offered as security for the facilities of the bank
- The Company is to intimate the Bank at the time of raising loans/availing any facilities from any other bank or institution.
- Any change in the shareholding/directorship shall be undertaken with prior intimation to the bank.
- The Company shall not allow any payout by way of salary to Directors (other than professional directors) or by way of interest to other subordinated lenders or by way of dividend to shareholders in case of delay or default in repayment of any of the facilities obtained by the Company from the bank or any other financial institution.
- If the Company fails to remove its corporate guarantee for the facilities granted to VVCL by June 30, 2010, then the Borrower should offer corporate guarantee of VVCL to the bank as well.
- The Company shall not guarantee or provide any collateral for obligations of others unless specifically permitted by the bank.
- Any change or variation in any of the representations and/or warranties of the Company shall be intimated to the bank within a period of 48 hours from the time of such change/variation.
- The Company shall not, without the bank's prior consent enter into or be a party to any transaction with any affiliate of the Company except in the ordinary course of business any upon fair and reasonable terms which are fully disclosed to the bank in advance.
- There shall be no change in the shareholding pattern of the Promoters, shareholders (including by issue of new shares) or in the Company's management without the bank's prior written consent.
- The Company shall not change its name without the bank's prior written consent.
- The Company shall not without the prior written consent of the bank change its accounting standards as well as its accounting year.
- The Company shall not dispose off any of its assets or compromise with any of its creditors without thr written permission of the bank.
- The Company to inform the bank in case of institution of any lawsuits, governmental proceedings, or claims which, individually or in the aggregate, involve an amount exceeding 10% of the Company's net worth or which may impair the Company's ability to perform the terms in the loan agreement.

- The Company shall not effect or purport to effect any lien, alienation, transfer, mortgage, charge, assignment, deal or other disposition of or encumbrance of, or purport to create any charge or encumbrance over the security tendered to the bank, or do any act that may prejudice the bank's security or interests.
- The Company to maintain debt service coverage ratios and net working capital at such levels as the bank deems fit, and to comply with such financial covenants as may be imposed by the bank from time to time.
- The Company shall not transfer the funds to any group or associate company or concern.
- The Company to inform the bank at least 60 days prior to making any change in its office or location of any business.
- The Company shall not pay any commission to its promoters, directors, managers or other persons for furnishing any guarantees, counter-guarantees or indemnities or for undertaking any other liability at all times during the currency of the loan.
- The Company shall not declare or pay any dividend or authorize or make and distribution to its shareholders unless it has paid all the dues in respect of the facility up to the date of which the dividend is proposed to be declared or paid or has made satisfactory provisions therefore, or if an event of default has occurred and is subsisting or would occur as a result of such declaration or payment of dividend.
- The Company shall not invest any of the funds in shares, debentures, deposits or other investments of any other company without the prior written permission of the bank nor will the Company funds so availed be invested in the capital market.
- The Company shall not change or in any way alter the capital structure without the written consent of the bank.
- The Company shall not affect any scheme of amalgamation or reconstruction without the written consent of the Bank.
- The Company shall not withdraw or allow to be withdrawn any monies brought in by the promoters and directors or relative and friends of the promoters or directors.
- The Company shall not implement a new scheme of expansion or take up an allied line of business or manufacture without the written consent of the bank.
- The Company's failure to pay any amount or meet with any obligation when due to any person other than the bank or in case of any event of default being constituted in any of the Company's credit, borrowal or any other arrangement with any person or entity other than the bank or any person other than the bank accelerating repayment due from the Company to such other person under the borrower's credit, borrowal or arrangement with that person shall entitle the bank to sell or otherwise dispose of or deal with any or all of the secured assets and/or third party assets or any portion thereof at any time after five days written notice, demand and receive any amounts or property forming part of the secured assets of secured third party assets, and declare the bank's obligation in connection herewith to be terminated and cancelled and retain and appropriate any sums of money that may have been paid by the borrower in connection therewith.
- The bank shall at all times during the currency of the facilities be entitled to appoint one nominee on the Board of Directors of the Company

V. Loan taken by our Company from Union Bank of India

<u>Sanction Letter dated June 30, 2010, Sanction Letter dated March 31, 2009, Memorandum of Entry dated July 16, 2008, Hypothecation Agreement of Goods and Debts dated October 16, 2007, Hypothecation (Goods) Agreement dated October 16, 2007 and Packing Credit Agreement dated October 16, 2007</u>

(Rs. in million)

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security

Sanctioned amount	Amount outstanding	Interest	Purpose of Loan/Repayment/Security
150.00 (inclusive of packing credit of Rs. 110 million with a sub-limit of Rs. 110 million for W/w.C.C. (Hyp) and a sub-limit of Rs. 110 million for FDBP/FUDBP and import/ inland letter of credit of Rs. 40 million with a sub-limit of Rs. 40 million for W/w letter of guarantee)	129.00	Packing Credit: 10% W/w.C.C (Hyp): BPLR + 0.50% FDBP/FUDBP: 9.25%	Purpose: The credit facility is to be utilized for the purpose of working capital requirements. Security: The packing credit facility is secured by hypothecation of stock of raw material and finished goods meant for export. W/w.C.C (Hyp) facility is secured by hypothecation of stock of raw material, WIP, finished goods, stores and spares and book debts, The FDBP/FUDBP facility is secured by export bills The import/ inland letter of credit facility is secured by the stock under the letter of credit The W/w letter of guarantee is secured by a counter indemnity and charge on the current assets.

**Fund based limit is Rs 110 million and non fund based limit is Rs. 40 million*

The following restrictive provisions are also applicable in relation to the above loan availed of by the Company from Union Bank of India

- The Company shall not make further investment in associate concerns without permission of the existing banks under multiple banking arrangement.
- The Company is required to submit book debts statements periodically and any default will attract recovering of penalty at prescribed rate.
- The Company is required to insure stock/securities adequately with bank clause.
- The Company to induct long term funds to improve current ratio.

VI. The following are the details of our car loan agreements with Kotak Mahindra Prime Limited:

(Rs.in million)

Date of Agreement	Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
May 31, 2008	0.68	0.36	• Repayment in 48 monthly instalments which commenced on May 31, 2008 in accordance with a repayment schedule. • Interest rate at 13.74 %.
September 17, 2008	0.24	0.14	• Repayment in 47 monthly instalments which commenced on October 1, 2008 in accordance with a repayment schedule. • Interest rate at 12.95 %.

VII. The following are the details of our car loan agreement with Reliance Consumer Finance:

(Rs. in million)

Date of Agreement	Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
September 7, 2007	1.22	0.07	• Repayment in 36 monthly instalments which commenced on October 10, 2007 in accordance with a repayment schedule. • Interest rate at 9.99 %.
July 5, 2008	0.35	0.19	• Repayment in 48 monthly instalments which commenced on August 1, 2008 in accordance with a repayment schedule. • Interest rate at 11.73 %.

VIII. The following are the details of our car loan agreement with Citibank N.a:

(Rs. in million)

Date of Agreement	Sanctioned Amount	Amount Outstanding	Repayment and Interest Rate
November 14, 2007	417,295	0.07	• Repayment in 35 monthly instalments which commenced on December 1, 2007 in accordance with a repayment schedule. • Interest rate at 13.77 %.

Some of the common terms in the above sanction letters are provided below:

The Company shall not without the prior approval of the lenders:

- Effect any change in the Company's capital structure.
- Formulate any scheme of amalgamation or reconstruction.
- shall not declare or pay any dividend or authorize or make and distribution to its shareholders unless it has paid all the dues in respect of the facility up to the date of which the dividend is proposed to be declared or paid or has made satisfactory provisions therefore.
- Sell, assign, mortgage or otherwise dispose off any of the fixed assets charges to the lender.
- Create any charge, lien or encumbrance over its undertaking or any part thereof in favor of any financial institution, bank, company, firm or persons.

Guarantees

As of July 5, 2010, our Company has executed the following guarantees:

1. Corporate guarantee dated September 29, 2007 from our Company to State Bank of India in terms of facility agreement dated October 4, 2007, entered between Virgo S.p.a. and the banks for an amount of € 2.2 million.

2. Corporate guarantee by supplemental deeds of guarantee dated March 24, 2009 from our Company to State Bank of India for our Subsidiary, VVCL for an amount of Rs. 1000 million.

3. Corporate Guarantee dated December 18, 2008 in favour of Richer Verwaltungs Gmbh and Co. KG pursuant to to the unsecured loan amounting to EUR 603,425.69 granted to RIFOX.

SECTION VI- LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below, there are no outstanding litigations, suits, criminal or civil prosecution, proceedings or tax liabilities against our Company, our Subsidiaries, our Directors and our Promoter and our Promoter Group and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the 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 (1) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company (the Subsidiary of the Company has no material litigation pending against it) and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Subsidiaries, our Promoters, our Directors or our Promoter Group.

For details of contingent liabilities of our Company and our Subsidiaries, please refer to the Restated Financial Statements on page 144.

Cases filed by our Directors

1. An Executive Director on our Board, Paresh Rajda has filed a complaint bearing no. 264/2009/11 under Consumer Protection Act, 1986 before the Anand Jilla Consumer Court Forum against Unit Trust of India ("UTI") and Housing Development Finance Corporation ("**HDFC**"). The matter pertains to a housing loan availed under the UTI Housing Unit Scheme 1992. As per the terms of the scheme the servicing of the loan was to be undertaken by UTI. However, UTI had stopped paying the installments of the loan amount since January 2004. A claim has been made against the complainant in the case for the principal amount and interest aggregating to Rs. 389,745 as the outstanding amount payable. The complianant Paresh Rajda has disputed the matter before the consumer forum. The matter is currently pending before the consumer Forum.

Cases filed against our Directors

1. One of our Directors, N.Venkiteswaran, was a director on the board of Nucleus Securities Limited ("**Nucleus**"). A show cause notice bearing number DRI/BZU/B/26/95 dated August 16,1995 was issued by the Assistant Commissioner, Directorate of Revenue Intelligence to Nucleus and its directors, on the alleged grounds that two of Nucleus's branches had, in the course of company's business as an authorised full-fledged money changer,sold travellers cheque/ foreign exchange to certain persons who allegedly used the moneys to purchase smuggled gold and send the smuggled sale proceeds out of the country in the years 1994 and 1995. It was alleged in the show-cause notice that Nucleus had not conducted adequate diligence into the identities of the persons to whom the travellers cheque/foreign exchange was issued at the time of such issuance. In this regard, the Commissioner of Customs (Preventive) in case no. CCP/MGV/ADJ/37/96 imposed a penalty on Nucleus for the amount of Rs.3 million vide order dated September 23, 1996. An appeal bearing no.C50/97/MUM was filed before the Customs, Excise and Gold (Control) Appellate Tribunal, Mumbai which was held in favour of Nucleus vide order dated February 2, 2001. Nucleus filed writ petition no.2268 of 2001 against the Union of India and the Commissioner of Customs before the High Court of Mumbai for refund of Rs.5.07 million. The matter was referred back to the Central Excise and Gold (Control) Appellate Tribunal and the amount was refunded to the company against a bank guarantee provided by Nucleus. The Customs department has filed a customs application bearing no.29 of 2001 before the Bombay High Court, requesting for reference on the question of law involved in the matter. The matter is still pending.

2. The Special Director of Enforcement, Department of Revenue, Ministry of Finance, Government of India by adjudicatory order no. ADJ/54/B/SDE/KNR/2007/FERA dated August 29, 2007, had held Nucleus Securities Limited ("**Nucleus**") and its directors guilty for alleged procedural lapses in connection with issuance of travellers' cheques/foreign exchange to certain persons under the provisions of the Foreign

Exchange regulation Act, 1973 and imposed penalties against Nucleus and its directors including N. Venkiteswaran. The penalty imposed against N. Venkiteswaran amounted Rs. 0.5 million. Nucleus and its directors including N.Venkiteswaran have filed appeal bearing number 150 of 2007 in the Appellate Tribunal for Foreign Exchange, Ministry of law, Justice and Company Affairs against the impugned order. The appeal was being heard and at the last hearing held was on May 31, 2010. The matter was adjourned for further hearing on the month of July 2010 and the matter in pending.

Cases filed by the Company

1. We have filed a petition dated October 17, 2008 bearing number ULP/218/08 before the Industrial Court, Pune by the Company for obtaining an injunction from the court restraining the Maharashtra Rajya Matadi Kamgar and General Kamgar Union ("**Union**") from resorting to unfair labour practices with respect to our plant located at Bhosari. Pursuant to our Interim application in this regard, an order has been passed injuncting the Union from demonstrating outside our premises. We have subsequently filed an affidavit in evidence. The matter is fixed for filling second affidavit on August 12, 2010.

Cases filed against the Company

1. A petition dated November 19, 2008 bearing number ULP/136/08 has been filed by the Hind Kamgar Sanghatana under the Maharashtra Recognition of Trade Unions and Prevention of Unfair Labour Practices Act m 1972 ("**MRTUPA**") before the Labour Court, Pune alleging that our Company has been trying to obtain the involuntary resignation of about 39 persons. The petitioner in this matter has claimed that these persons were employees of the Company and sought relief by way of a declaration that our Company has engaged in unfair labour practices, and sought an injunction restraining our Company from terminating the services of the said 39 trainees. The matter is fixed for evidence on September 30, 2010.

2. A application dated August 7, 2008 bearing number MRTU/04/08 has been filed by Hind Kamgar Sanghatana ("**Union**") before the Industrial Court, Pune seeking its recognition under the MRTUPA as a recognized union for the "Virgo Group of Companies". The Company has filed a written statement and objection in this regard in response to which the Union has sought to amend its application to seek registration as a recognized union for Virgo Engineers Limited. The matter is adjourned and is fixed for framing issues on July 17, 2010.

3. A petition dated December 14, 2009 bearing number IDA/171/09 has been filed by Chandrakant Suryawanshi, before the Labour Court, Pune on grounds of wrongful termination claiming that he was an employee of our company and seeking reinstatement with continuity of service and full back wages together with other consequential benefits on grounds of unlawful termination. A statement of claim has been filed by the claimant and the matter is fixed for filing written statement by the Company on July 19, 2010.

4. A notice dated March 15, 2010 bearing number APPMRTU 1/10 has been filed by Virgo Kamgar Sanghatana before the Industrial Court, Pune under the MRTUPULP against our Company claiming its recognition as a union for our unit situated at 277 Hinjewadi Maan (Mulshi) Pune 411 057. The Company has filed its no objection together with an affidavit dated April 9, 2010 in this regard. The matter is adjourned and is fixed for investigation and verification on July 19, 2010

5. A Notice dated August 11, 2009 bearing number IDR/2A/136/08 has been issued by Labour Court, Pune with respect to reinstatement with continuity of service and full back wages together with other consequential benefits to Dhanave. A statement of claim has been filed by the claimant and the matter is fixed for filing written statement by the Company on July 26, 2010.

6. A notice dated September 8, 2009 bearing number IDA/103/09 has been issued by Labour Court, Pune with respect to reinstatement with continuity of service and full back wages of the claimant, Santosh Gongane. A statement of claim has been filed by the claimant and the matter is fixed for filing written statement by VEL on September 7, 2010.

Cases filed by our Company and our Subsidiary VVCL

Our Company and VVCL have filed Civil Suits bearing Numbers 4 and 5 of 2010 both dated February 20, 2010 seeking injunction, damages and rendering of accounts, against Sferova (India) Private Limited and Mr. Pralhad Vijayachar Purohit and Mr. Hrishikesh Vanarase, (the "**Defendants**")both former employees of the Company and VVCL before the District Judge, Pune. Cases have been filed pursuant to the Defendants' alleged illegal custody and infringement of copyright in certain proprietary information including designs, drawings, tables, databases and compilations developed by us. The total relief claimed is Rs. 100 million for damages along with interest at a rate of 15% p.a. from the date of the suit till the realization of the amount. Both the cases are now posted on August 16, 2010 for framing of issues.

Our Company and VVCL have also filed criminal complaints No.s 403462 and 403479 of 2009 both dated July 29, 2009 under section 66 of the Information Technology Act, 2000, section 63 of the Indian Copyright Act, 1950 and section 408 of the Indian Penal Code, 1860 against Sferova (India) Private Limited, Mr. Pralhad Vijayachar Purohit and Mr. Hrishikesh Vanarase, (the "**Accused**") both former employees of the Company and VVCL before the JMFC Pune. The Hon'ble Court had passed an order of search and seizure dated August 3, 2009 against all the Accused with a direction to Assistant Commissioner of Police, Pune to search the premises of these Accused and seize data and related articles belonging to the Company. Accordingly a search of the premises of all the accused pursuant to this order was carried on August 6, 2009 wherein certain proprietary information allegedly belonging to us were found and seized. Thereafter application was filed by us for sending seized digital evidence for forensic analysis. By order dated 14/5/2010, Court has directed that seized material be sent to Directorate of Forensic Science Lab, State of Maharashtra, Home Department,Kalina, Santa Cruz, East, Mumbai and has directed the cyber forensic expert to send report of the data found on the said material within 30 days from the date of receipt of order. This direction has been stayed by the order of the court in Criminal Revision Application Nos. 339/10 and 341/10 dated June 8, 2010 which were filed by Mr. Pralhad Vijayachar Purohit and Mr. Hrishikesh Vanarase against the Company and VVCL resepectively.

Both the cases are now posted to July 26, 2010 for the reply of the Company and VVCL.

Other Cases involving our Subsidiaries

Virgo Valves and Controls Limited

Cases against VVCL

1. A petition dated November 19, 2008 bearing number ULP/137/08 has been filed by the Hind Kamgar Sanghatana before the Labour Court, Pune challenging the decision taken by VVCL for termination of 22 persons. The petitioner in this matter has claimed that the persons concered are employees of the Company and sought relief by way of a declaration that the Company has engaged in unfair labour practices and sought an injunction restraining the Company from terminating the services of the trainees. VVCL has filed a written statement and sought dismissal of the petition. The matter is fixed for evidence on September 30, 2010.

2. An application dated December 16, 2008 bearing number MRTU/10/08 has been filed by Hind Kamgar Sanghatana before the Industrial Court, Pune against VVCL, claiming its recognition, under the MRTUPA as a union for the unit situated at 277, Raisoni Park, Phase II, Hinjewadi, Maan (Mulshi) 411 057 and also for issuance of certificate of registration. VVCL has filed a written statement and objection in this regard for rejecting the application. The matter is adjourned and is fixed for framing issues on July 17, 2010.

3. An application dated March 3, 2010 bearing number MRTU/02/10 has been filed by Virgo Kamgar Sanghatana before the Industrial Court, Pune against VVCL, claiming its recognition as a union under section 11 of the MRTUPA, for the unit situated at Hinjewadi, Pune and for issuance of certificate of registration. Notice has been issued by the Industrial Court, Pune for filing objection, if any, before April 9, 2010. VVCL has filed no objection in this regard. The matter is adjourned and is fixed for investigation and verification on July 19, 2010.

4. A petition dated December 14, 2009 bearing number IDA/180/09 has been filed by N.M.Wankhede, before the Labour Court, Pune on grounds of wrongful termination, claiming that he was an employee of VVCL and seeking reinstatement with continuity of service and full back wages together with other consequential benefits A statement of claim has been filed by the claimant and the matter is fixed for filing written statement by the VVCL on July 9, 2010.

5. A petition dated December 14, 2009 bearing number IDA/181/09 has been filed by Sandip Bhosale before the Labour Court, Pune on grounds of wrongful termination. Sandip Bhosale has claimed that he is an employee of VVCL and claimed for reinstatement with continuity of service and full back wages together with other consequential benefits. A statement of claim has been filed by the claimant and the matter is fixed for filing written statement by the VVCL on July 9, 2010.

6. A notice dated August 11, 2009 bearing number IDA/02A/136/08 has been issued under Section 12(4) of the IDA by the Settlement and Labour Officer to the Assistant Labour Comissioner in relation to settlement proceedings which took place before him. The parties to these settlement proceedings were VVCL and Hemant Chaudhuri. Hemant Chaudhuri has claimed that he was a former employee of our Company and was illegally terminated. He has sought reinstatement with continuity of service and full back wages. The notice records that the parties were unable to reach a settlement in this matter and has forwarded the matter to the labor court for commencement of litigation proceedings. The next date of hearing in this matter is yet to be notified.

Except as disclosed above, there are no other cases filed by or against VVCL.

EVS Valves Inc

Cases filed by or against EVS Valves Inc. – Nil

Virgo Engineers Inc.

Cases filed by or against Virgo Engineers Inc. -Nil

Vintrol Inc.

Cases filed by or against Vintrol Inc. - Nil

Vintrol India Limited

Cases filed or against Vintrol India Limited - Nil

Virgo Europe S.p.A.

Cases filed or against Virgo Europe S.p.A. - Nil

RIFOX

Cases filed or against RIFOX - Nil

Virgo Valves and Control (ME) FZE

Cases filed or against Virgo Valves and Control (ME) FZE - Nil

Cases involving our Associate Companies

NIL

Cases involving our Promoters

Nil

Cases involving our Promoter Group

Virgo Controls Systems Private Limited

Cases filed or against Virgo Controls Systems Private Limited - Nil

Details of past penalties imposed on our Company or any of our Directors

Nil

Details of pending proceedings initiated for economic offences against our Company or any of our Directors

Except as disclosed above in relation to litigation against our directors, none of our Company or our Directors are subject to ongoing proceedings for economic offsenses.

Amounts owed to Small Scale Undertakings (to whom we owe a sum exceeding Rs. 0.1 million and which is outstanding more than 30 days) as on June 15, 2010:

Name	Amount (Rs.)
J.J.Industries	22,806.39
Gujarat Intrux Limited	175,360.51
Inova Cast Private Limited	221,176,93
Inovative Technology Private Limited	656,038.43
Alltech Technocast Private Limited	143,513.87
Raja Plastic and Engineering Company	82,592.25
Total	**1,301,488.38**

Material Developments

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' on page 230.

GOVERNMENT APPROVALS

The Company has obtained all necessary consents, licenses, permissions and approvals from the concerned Government authorities/private certification bodies, which are required in order to carry on the business of the Company in compliance with the laws in force. In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Draft Red Herring Prospectus.

Approvals related to the Issue

1. Approval from the National Stock Exchange dated [●].
2. Approval from the Bombay Stock Exchange dated [●].
3. Approval from the Board dated June 12, 2010.
4. Shareholder's Approval dated June 21, 2010.
5. Approval from the FIPB dated [●].
6. Approval from the RBI dated [●].

Approvals for the Business

A. Approvals from the Reserve Bank of India and the Department of Industrial Policy and Promotion

1. A letter from the Chief General Manager, Reserve Bank of India bearing no. FE.CO.FID/21731/10.21.058/2006-07 dated March 30, 2007, approving the transfer of 250,200 Equity Shares held by NRIs to Tano Mauritius India on a repatriable basis.

2. A letter bearing. SIA no. 24/SIA/NFC/2006 dated February 5, 2007, issued by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion (FC Section), Ministry of Commerce and Industry, Government of India, approving the transfer of 250,200 non-repatriable shares to Tano Mauritius India FVCI on repatriable basis and issue of 110,837 and 66,501 Equity Shares of the Company to Billy D. Neimann and Mahesh Desai for a swap of shares of Vintrol.

3. A letter bearing no. 24/SIA/NFC/2006 dated April 10, 2008, issued by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, evidencing approval for the transfer of 6,000 equity shares from A.K. Mohammad Aslam and Firose Aslam to Tano Mauritius India FVCI.

4. A letter bearing No. 24/SIA/NFC/2006 dated April 1, 2009 issued by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, authorising the issuance of 20, 218 Equity Shares of the Company to Sabine Richter in exchange of shares of shares of RIFOX –Hans Richter GmbH.

5. A letter bearing no. 24/SIA/NFC/2006 dated July 10, 2008, issued by the Under Secretary to the Government of India, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, evidencing approval for the transfer of 38,500 equity shares from S.N.Srinivasan to Tano Mauritius India FVCI.

6. Trading license bearing No.6683 and Registration No. 132241 dated February 4, 2006 issued by the Commercial Registration Department to Virgo FZE for trading in Free Zone Establishment in Jebel Ali Free Zone, Dubai to undertake activities in relation to pumps, engines, valves and spare parts trading. The license is valid till February 3, 2011.

7. A letter bearing no. Lr. No. 8/4/2010/NCTL-LES SEZ-II has been issued by the Assistant Development Commissioner, MEPZ Special Economic Zone, Chennai approving the facilities and entitlements

admissible to a unit in a Special Economic Zone and for establishment of a Valve manufacturing unit at New Chennai Township Limited, SEZ at Cheyyur Taluk, Kancheepuram district, Tamil Nadu for manufacturing soft seated ball valves, trunnion mounted ball valves and valve automation systems.

B. Labour, Taxation and other related Approvals

1. A certificate of registration bearing number MH01V 592186 issued by the Sales Tax Officer, Pune, under Section 16 of the Maharashtra Value Added Tax Act, 2002 on December 17, 2007 evidencing Tax payer Identification Number (TIN) 27030287682V. It has been certified that the Company having principle place of business at SR No. 277, Raisoni Industrial Park, Village – Mann, Taluk – Mulshi, District Pune is registered as a dealer under the Maharashtra Value Added Tax Act, 2002.

2. A certificate of registration bearing number MH01C 182171 dated December 17, 2007 issued by the Sales Tax Officer, Pune, under the Central Sales Tax (Registration and Turnover) Rules, 1956 evidencing Tax payer Identification Number (TIN) (Central) 27030287682C. It has been certified that the Company having principle place of business within the state of Maharashtra situated at SR No. 277, Raisoni Industrial Park, Village – Mann, Taluk – Mulshi, District- Pune has been registered as a dealer under section 7(1)/7(2) of the Central Sales Tax Act, 1956. The certificate is effective from April 1. 2006.

3. A central excise registration certificate under Rule 9 of the Central Excise Rules, 2002 bearing no. AAACV1586HXM008 dated March 14, 2008, has been issued by the Assistant Commissioner of Central Excise, Pollachi, registering our Company as manufacturing excisable goods. The certificate is valid till the registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.

4. A certificate of registration bearing no. PN-1561 and PN-1612 dated October 18, 2006, has been issued by the Assistant Commissioner of Labour under Rule 20 of the Maharashtra Contract Labour (Regulation and Abolition) Rules, 1971, registering M/s. Sai Prasad Industrial Services and M/s. Reliable Industrial Services as our contractors.

5. A challan dated October 19, 2007, evidencing the registration of our Company as 33-8301-67 under the Employees' State Insurance Act, 1948.

6. A letter dated October 7, 1991, evidencing the registration of our Company as bearing no. MH/PE/APP/38001/GAM/480, and within the purview of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, and the applicability of the scheme framed under the Act with effect from April 1, 1991.

7. A certificate of registration bearing no. 411026-S-918 dated March 2, 1996, issued by the Sales Tax Officer, Sales Tax department, Maharashtra, under section 22/22A of the Bombay Sales Tax Act, 1959, evidencing our Company as a dealer for our facility at J-517, MIDC, Bhosari, Pune 411 026.

8. A certificate of registration bearing no. 411026-C-827 dated March 2, 1996, issued by the Assistant Commissioner of Sales Tax under the Central Sales Tax (Registration and Turnover) Rules. 1957 for our facility at J-517, MIDC, Bhosari, Pune 411 026.

C. Business related approvals

1. A certificate of incorporation bearing no. 43673 of 1987 dated June 8, 1987, issued by the Registrar of Companies, Maharashtra.

2. A certificate of change of name bearing no. 11 of 43673 dated March 31, 1995, issued by the Additional Registrar of Companies, Maharashtra, evidencing the change of name of the Company from "Virgo Engineers Private Limited" to "Virgo Engineers Limited".

3. A certificate of recognition bearing no. D-0236 dated January 25, 2010, has been issued by the Office of

the Joint Director General of Foreign Trade, Ministry of Commerce and Industry, Government of India, certifying the IEC No. 0391000837 and Income Tax PAN numbers of the Company and according the status of One star export house in accordance with the provisions of the Foreign Trade Policy, 2004-2009. This certificate is valid till March 31, 2014.

4. A certificate of importer-exporter code dated April 15, 1991, and amended on April 10, 2007 issued by the Office of the Joint Director General of Foreign Trade, Ministry of Commerce, evidencing the IEC number (IEC No. 0391000837) of the Company. This certificate has been amended on April 8, 2008.The Certificate was subsequently amended on May 26, 2009.

5. A registration-cum-membership certificate bearing number RCMC:B:M&M:5684:2009-10 dated May 22, 2009 issued by the Regional Director, EEPC India (formerly Engineering Export Promotion Council) registering our Company, having its registered office at 277- Hinjewadi Phase II, Mann (Mulshi) Pune, as Merchant –cum-Manufacturer Exporter. The certificate is valid till March 31, 2014. The description of goods for which the registration has been given are Industrial Valves, Control Valves, Pneumatic Actuators, Solenoid Valves, Manual Overide Gear Box, Pneumatic/Electro Pneumatic Positioner, Electrical Industrial Machinery, Apparatus Parts thereof, Limit, Switches, Ball Valves, Butterfly Valves, Plug Valves.

6. A letter bearing no. 911/SIA/IMO/1999 dated June 11, 2005, issued by the Undersecretary to the Government of India, Secretariat of Industrial Assistance, Department of Industrial Policy and Promotion, Minsitry of Industry, Government of India, acknowledging the IEM application and the amendments/corrections to the acknowledgment letter dated May 7, 1999, for the manufacture of industrial valves at Hinjewadi plot no. 277 and Bhosari plots no J-517, J-160 and J-525.

7. A letter bearing no. 914/SIA/IMO/1999 dated January 7, 2008, acknowledging the amendments/corrections to the acknowledgment letter dated May 7, 1999, from the Undersecretary to the Government of India, Secretariat of Industrial Assistance, Department of Industrial Policy and Promotion, Minsitry of Industry, Government of India, for the change in name of the owner of the Chinchwad plots no. 128 and 129 from our Subsidiary VIL to our Company.

8. Certificate of registration under section 69 of the Finance Act, 1994 dated June, 12, 2008 issued by the Assistant Commissioner of Central Excise, Pollachi Division, bearing service tax code number AAACV1586HST007 for the purpose of maintenance or repair service and transport of goods by road, for the establishment of the Company situated at SF No. 3/1, 4/1A, Mettupalayam Village, Mettupalayam, Kovilpalayam, Coimbatore, Tamil Nadu 642 110.

9. A certificate of registration bearing number CST Number 910240 and TIN 33182283615 issued by the Commercial Tax Officer, Pollachi (Rural) effective from March 13, 2008, registering our Company, having place of business in 3/1, 4/1A, Mettuppalayam Village, Kovilpalayam, Pollachi, Coimbatore 642 110, as a dealer under section 7(1)/7(2) of the Central Sales Tax Act, 1956. The certificate is valid until cancelled.

10. A central excise registration certificate under Rule 9 of the Central Excise Rules, 2002 bearing registration no. AAACV1586HXM005 dated October 3, 2007, has been issued by the Assistant Commissioner of Central Excise (Pune - IV Division), registering our Company having business premises at S. No. 277 and 278, Village- Maan, Taluka- Mulshi, Aundh Camp, Pune 411 057, Maharashtra. The certificate is valid till the registrant carries on the activity for which it has been issued or surrenders it or till it is revoked or suspended.

11. Certificate of registration under section 69 of the Finance Act, 1994 dated August 6, 2008 issued by the Assistant Commissioner of Central Excise, Service Tax Cell –I, Pune, bearing service tax code number AAACV1586HST005 for the purpose of maintenance or repair service, transport of goods by road, test, inspection and business auxiliary services in relation to the establishment of the Company situated at S No. 277/278, Raisoni Park, Mann, Taluk Mulshi, Aundh Camp, Pune 411 027.

D. Factory Related Approvals

Hinjewadi (Plot no. 277)

1. A factory license no. 081498 and Registration no. PUNE/2(m)(i)/2920, dated November 14, 2006, issued by the Industry Safety and Health Officer, Government of Maharashtra for the property situated at Plot No. 277 Mann Village, Mulshi, Pune 411 057 The license is valid till December 31, 2010.

2. A consent bearing no. SROP-II/UB/CC/995/4637/08 dated August 7, 2008, issued by the Sub Regional Officer, Maharashtra Pollution Control Board, Pune II under section 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974, section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization and Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management and Handling) Rules 1989 and amended thereafter, evidencing the consent to manufacture on-off valves, ball valves and to do engineering work (without picking, phosphating or heat treatment). The consent to operate is granted till September 30, 2011.

3. A sanction letter dated September 23, 2005 bearing no. CE/GKUC/HT Spl – 17/2187 issued by Maharashtra State Electricity Distribution Company Limited sanctioning fresh power supply at 22 KV for the unit situated at S No. 277, Village Mann, Mulshi.

4. A license bearing No. 9385 dated February 4, 2010 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Contract Labour Act, 1970, Pune. The license has been granted to Balasai Facility Services India Private Limited under the Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 in respect of the establishment no. PN-1561 i.e. the Company having place of business at 277, Raisoni Park, Hinjewadi, Mann Village, Mulshi, Pune 411 057, evidencing the employment of contract labour at our plant. The license shall remain in force till December 31, 2010.

5. A license bearing No. 8554 dated March 15, 2009 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Contract Labour Act, 1970, Pune. The license has been granted to Reliable Industrial Services under the Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 in respect of the registered establishment no. PN-1561 i.e. the Company having place of business at Hinjewadi, Mann Village, Mulshi, Pune, evidencing the employment of contract labour at our plant. The license shall remain in force till December 31, 2010.

6. License to work the Lift bearing no. 67640 dated January 15, 2007 issued by the Chief Engineer, Industries, Energy and Labour Department, Government of Maharashtra for VVCL S No. 277, Raisoni Industrial Estate, Hinjewadi, Mann Village, Pune 411 057

Hinjewadi (Plot no. 278)

1. A license to store compressed gas in pressure vessel or vessels bearing no. S/HO/MH/03/1231 (S 35087), dated March 24, 2010, issued by the Controller of Explosives, Petroleum and Explosives Safety Organisation ("**PESO**"), Ministry of Commerce and Industry for the storage of liquid oxygen in pressure vessels in installation in the premises. This license is valid until March 31, 2013.

2. A consent bearing no.ROP/TB/Pune-II/126/3005/08 dated June 25, 2008, issued by the Regional Officer, Maharashtra Pollution Control Board, Pune under section 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974, section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization and Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management and Handling) Rules and Amended Rules thereto, evidencing the consent to manufacture Metal Seated Ball Valves. The consent to operate is granted till July 31, 2010.

3. A consent bearing no. ROP/E-25/UB/CC/58/1516/08 dated March 24, 2008, issued by the Regional Officer, Maharashtra Pollution Control Board, Pune under section 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974, section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization and Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management and Handling) and Amended Rules 2000-2003, evidencing the consent to manufacture of Metal Seated Ball Valves (50 to 60 MT/M). The consent valid upto commissioning of the unit. The validity under the

Hazardous Wastes (Management and Handling) and Amended Rules 2000 will be valid for a period of five years from the date of issue of the consent.

4. A factory license bearing no. PLN/176-08/SHS/SMK2147 – 08, dated May 5, 2008, issued by the Industry Safety and Health Officer, Government of Maharashtra according an approval to the site situated at 277/278, Mann Village, Hinjewadi Phase –II, Mulshi, Pune, of the proposed building only and a stability certificate dated May 6, 2008.

Bhosari plots no. J-525 and J-160

1. A factory license no. 081875 and Registration no. Pune/2 (m) (i) 35-356-2/A-97, dated February 26, 2007, issued by the Industry Safety and Health Officer, Government of Maharashtra for both plots.

2. A sanction letter dated October 31, 1996 bearing no. CE/PUZ/I/Com/HT- Spl- 1012/ 016458 issued by Maharashtra State Electricity Board sanctioning fresh additional power supply at 22 KV for both units.

3. A consent bearing no. ROP/E-25/CC/UB/PUNE/R-2236/4482/04 dated December 22, 2004, issued by the Regional Officer, Maharashtra Pollution Control Board, Pune under section 25 and 26 of the Water (Prevention and Control of Pollution) Act, 1974, section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization and Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management and Handling) and Amended Rules 2000-2003, evidencing the consent to manufacture ball valves of various sizes (85 numbers per day). This is valid until November 30, 2010.

4. A consent bearing no. BO/PCI-II/EIC NO.PN-3939-09/O/CC-38 dated January 18, 2010, issued by the Regional Officer, Maharashtra Pollution Control Board under 26 of the Water (Prevention and Control of Pollution) Act, 1974, section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and Authorization and Renewal of Authorization under Rule 5 of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules 2008, evidencing the consent to manufacture ball valves of various sizes (85 numbers per day). This is valid until November 30, 2012.

5. A central excise registration certificate bearing no. AAACV1586HXM001 dated January 27, 2003, for the establishment situated at J-525-160, Near Gawali Matha, Bhosari, Bhosari Industrial Estate Pune, Maharashtra 411 026 has been issued by the Assistant Commissioner of Central Excise registering our Company as manufacturing excisable goods. The certificate is valid till cancelled.

6. A central excise registration certificate bearing no. AAACV1586HXM002 dated January 27, 2003 issued by the Assistants Commissioner of Central Excise for the establishment situated at J-517, MIDC, Bhosari, Bhosari Industrial Estate Pune, Maharashtra 411 026 registering our Company as manufacturing excisable goods. The certificate is valid till cancelled.

7. A license bearing No.5043 dated July 20, 2006 issued by the Assistant Commissioner of Labour, Registering and Licensing Officer, under Contract Labour Act, 1970, Pune. The license has been granted to Kalikamata Enterprises under the Section 12(2) of the Contract Labour (Regulation and Abolition) Act, 1970 in respect of the registered establishment no. PN-1870 i.e. the Company having place of business at J 525, MIDC, Bhosari, Bhosari Industrial Estate Pune, Maharashtra 411 026 evidencing the employment of contract labour at our plant. The license shall remain in force till December 31, 2010.

8. A letter bearing no. SB-6/SGC/2010/530 dated January 30, 2010 issued by the Directorate of Boilers, Government of Maharashtra, providing provisional authorization (P.O. No. 99 dated January 28, 2010) to work on the boiler number MR/14724. The validity of the provisional order is till July 15, 2010.

Coimbatore Manufacturing Plant

1. A certificate of registration dated March 20, 2008, issued by the Commercial Taxes Officer under the Tamil Nadu Value Added Tax Act, 2006, evidencing the Company having its place of business at

Coimbatore as a dealer under the said Act with effect from March 13, 2008. This certificate is valid until cancelled.

2. A no objection certificate dated November 27, 2007, issued by the Fire Services department, Nilgiris district, for the construction of the valve manufacturing building (basement and first floor) subject to compliance with certain conditions specified therein.

3. A certificate dated February 18, 2008 issued by the Town Planning Commission, Coimbatore District, according consent for construction of factory building at the site.

E. Pending Approvals

1. The company has made an application dated February 23, 2010 before the Tamil nadu Pollution Control Board for renewal of the consent under the Air (Prevention and Control of Pollution) Act, 1981 for consent to establish at S. No. 3/1, 4/1A. 4/1B,4/3, 4/4, 4/5, 5/1, 5/2, 6/1, 6/2, 7/1, 7/2, Mettupalayam village, Pollachi taluk, Coimbatore for the manufacture of metallic ball valves

2. The company has made an application dated February 23, 2010 before the Tamil nadu Pollution Control Board for renewal of the consent under the Water (Prevention and Control of Pollution) Act, 1981 for consent to establish at S. No. 3/1, 4/1A. 4/1B,4/3, 4/4, 4/5, 5/1, 5/2, 6/1, 6/2, 7/1, 7/2, Mettupalayam village, Pollachi taluk, Coimbatore for the manufacture of metallic ball valves

   The Company has, *vide* letter bearing number VVCL/MPCB dated March 13, 2009 applied for renewal of the consent bearing no. ROP/E-25/CC/UB/PUNE/2024/4641/105 dated June 15, 2005, issued by the Regional Officer, Maharashtra Pollution Control Board for manufacture on-off valves, ball valves and to do engineering work.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Issue has been authorized by a resolution of our Board dated June 12, 2010 and by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the extra-ordinary general meeting of the shareholders of our Company held on June 21, 2010. The Offer for Sale has been authorized by the Selling Shareholders as follows:

S. No.	Selling Shareholder	No. of Shares Offered	Date of Consent
1.	Tano Mauritius India FVCI	970,070	July 6, 2010
2.	V. Balasubramanian	4 40,000	July 3, 2010
3.	Mahesh Desai	2 20,000	July 3, 2010
4.	Rajaram M. Ajgaonkar	2 20,000	June 22, 2010
5.	Neeta Desai	2 20,000	July 3, 2010
6.	Jagdish Desai	1 10,000	June 22, 2010
7.	Sujata Jagdish Desai	1 10,000	June 22, 2010
8.	V.R. Jayaraman	1 10,000	July 3, 2010
9.	Billy Neimann	1 10,000	June 28, 2010
10.	S.N. Srinivasan	8 0,000	June 28, 2010
11.	Deepak Kirtilal Shah	25,000	June 22, 2010
12.	Paresh Rajda	25,000	July 3, 2010
13.	Sarang Sathe	18,000	July3, 2010
14.	Firose Aslam	9,000	June 22, 2010
15.	A.K. Mohamed Aslam	9,000	June 22, 2010
16.	Zahir Aslam	4,000	June 22, 2010
17.	Jagdish Prasad Gupta	4,000	June 22, 2010
18	Parmeshwari J Gupta	2,000	June 22, 2010
Total		**2,686,070**	

Prohibition by SEBI

Our Company, the Selling Shareholder, our Directors, our Promoters, our Subsidiaries, our Promoter Group companies, and companies promoted by our Promoter 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.

The companies, with which any of the Promoter, Directors or persons in control of the Company are or were associated as promoters, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or the RBI or any other regulatory or governmental authority.

Except as disclosed below, none of the Directors are associated in any manner with any entities, which are engaged in securities market related business and are registered with the SEBI for the same.

(i) Mr. Hetal Gandhi, a non executive, non independent director, nominee director on our Board is also a director on the board of Tano Mauritius India FVCI. Tano is registered with SEBI as a foreign venture capital investor bearing number IN/FVCI/06-07/77 pursuant to a certificate of registration dated March 21, 2007;

(ii) Mr. N. Venkiteswaran, an independent Director is also on the board of Asit C. Mehta Investment Intermediaries Limited which holds multiple registerations with SEBI under the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992. The relevant registration details are as follows:

S. No.	Details of Registration	Exchange	Registration Number	Date of Registration
1.	SEBI (Stock Brokers and Sub	Multiple Member, BSE	INB010607233	March 8, 1999

	Brokers) Regulations, 1992			
2.	SEBI (Stock Brokers and Sub Brokers) Regulations, 1992	Dealer, OTC Exchange of India	INB200589439	July 30, 1996
3.	SEBI (Stock Brokers and Sub Brokers) Regulations, 1992	Trading Member, Bombay Stock Exchange	INF010607233	June 8, 2000
4.	SEBI (Stock Brokers and Sub Brokers) Regulations, 1992	Trading Member, National Stock Exchange	INF230607239	May 25, 2000
5.	SEBI (Stock Brokers and Sub Brokers) Regulations, 1992	Trading Member, National Stock Exchange	INF230607239	June 29, 1994

Neither the Company, its Subsidiaries, its Directors, Promoter, the relatives of Promoter (as defined under the Companies Act), Group Companies or the Selling Shareholders have been identified as wilful defaulters by the RBI or any other governmental authority. There are no violations of securities laws committed by any of them in the past or are pending against them.

Eligibility for the Issue

The Company is eligible for the Issue under Regulation 26(1) of the SEBI Regulations as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- The Company has net tangible assets of at least Rs. 30.00 million in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets (monetary assets is considered to be the sum of cash in hand, bank balance and fixed deposits with banks);

- The Company has a track record of distributable profits in accordance with Section 205 of the Companies Act, for at least three out of the immediately preceding five years;

- The Company has a net worth of at least Rs. 10 million in each of the three preceding full years (of 12 months each);

- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of the Issue size is not expected to exceed five times the pre-Issue net worth of the Company; and

- The Company has not changed its name in the last Fiscal year.

The Company's distributable profits, net worth, net tangible assets and monetary assets derived from the Restated Financial Statements on a unconsolidated basis included in this Draft Red Herring Prospectus as at, and for the last financial year on March 31, 2010, 2009, 2008, 2007 and 2006, as per the Restated Financial Statements of the Company are as under:

(Rs. in million)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Distributable Profits, as restated[1]	595.28	225.93	195.70	110.05	91.13
Net Worth[2]	1,253.10	763.82	643.29	549.90	222.17
Net Tangible assets[3]	1,943.31	1,746.54	1,273.54	762.98	299.62
Monetary assets[4]	63.95	53.94	32.39	30.73	18.73
Monetary assets as a percentage of the net tangible assets	3.29	3.09	2.54	4.03	6.25

(1) Distributable Profits are defined as profit after tax ([after making adjustment for restatement]) of Unconsolidated Financial Statements of the Company, in terms of section 205 of the Companies Act, 1956 and have been adjusted for rounding off differences.
(2) Net worth is defined as Share capital + Free reserves (including securities premium account) less miscellaneous expenditure not written off. In respect of year ended March 31, 2010, 2009, 2008, 2007 and 2006 employee stock option balance outstanding aggregating Rs. 0.81, Rs. 0.73, Rs.0.57, Rs.0.23 and Rs. Nil million respectively has not been considered as part of Net Worth. For year ended March 31, 2009, net worth does not include equity shares pending allotment.
(3) Regulation 26 of the SEBI ICDR Regulations defines Net Tangible Assets as the sum of all net assets of the company, excluding 'intangible assets', as defined in Accounting Standard-26 issued by the Institute of Chartered Accountants of India.
(4) Monetary assets comprise of sum of cash in hand, bank balances and fixed deposits with banks.

Further, in accordance with regulation 26(4) of the SEBI ICDR Regulations, we shall ensure that the number of

Allottees, i.e., persons to whom the Equity Shares will be allotted under the Issue shall be not less than 1,000; otherwise, the entire application money will be refunded forthwith. If such money is not repaid within eight days after the Company becomes liable to repay it, then the Company shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% *per annum* on application money, as prescribed by applicable law.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS, IDFC CAPITAL LIMITED AND EDELWEISS CAPITAL LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY AND THE SELLING SHAREHOLDERS IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY AND THE SELLING SHAREHOLDERS DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, IDFC CAPITAL LIMITED AND EDELWEISS CAPITAL LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JULY 8, 2010 WHICH READS AS FOLLOWS:

WE, THE LEAD MERCHANT BANKER(S) TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**

   (A) **THE DRAFT RED HERRING PROSPECTUS FILED WITH SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

   (B) **ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS, GUIDELINES, INSTRUCTIONS, ETC. FRAMED OR ISSUED BY THE BOARD, THE CENTRAL 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 AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SEBI AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. **WHEN UNDERWRITTEN, WE WILL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWITTERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – <u>NOTED FOR COMPLIANCE.</u>**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF THE PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS/DRAFT PROSPECTUS.**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. <u>NOT APPLICABLE.</u>**

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY**

CONTAINS THIS CONDITION. <u>NOTED FOR COMPLIANCE</u>.

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. <u>NOT APPLICABLE</u>.**

    AS THE OFFER SIZE IS MORE THAN RS. 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT MODE ONLY.

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:**

    (A) **AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER; AND**

    (B) **AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY SEBI FROM TIME TO TIME.**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.**

The filing of the Draft Red Herring Prospectus does not, however, absolve the Company or the Selling Shareholders from any liabilities under Section 63 or Section 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Draft Red Herring Prospectus.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the Registrar of Companies, Maharashtra at Pune in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the Registrar of Companies, Maharashtra at Pune in terms of Sections 56, 60 and 60B of the Companies Act.

Disclaimer from the Company, the Selling Shareholder, BRLMs

Investors that bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not Issue, sell, pledge, or transfer the Equity Shares of the Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Selling Shareholder, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

Caution

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

The BRLMs accept no responsibility, save to the limited extent as provided in the Issue Agreement entered into between the BRLMs, our Company and the Selling Shareholders and the Underwriting Agreement to be entered into between the Underwriters, our Company and the Selling Shareholders.

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

Neither our Company, nor the Selling Shareholders nor the BRLMs are liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and 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, Public financial institutions as specified in Section 4A of the Companies Act, venture capital funds registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, Insurance funds set up and managed by the Army, Navy or Air force of the Union of India, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million and the National Investment Fund, and to non-residents including FVCIs, multilateral and bilateral institutions, FIIs and their sub accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft 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 Maharashtra, Pune, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Draft 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 Draft Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of "U.S. persons" (as defined in Regulation S under the U.S. Securities Act). The Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S. Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Disclaimer clause of the BSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to BSE. The Disclaimer Clause as intimated by BSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Disclaimer clause of the NSE

As required, a copy of this Draft Red Herring Prospectus has been submitted to NSE. The Disclaimer Clause as intimated by NSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to the RoC filing.

Filing

A copy of this Draft Red Herring Prospectus had been filed with SEBI at Corporation Finance Department, Plot No. C4-A, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Pune situated at Third floor, PMT Commercial Building, Deccan Gymkhana, Pune 411 004, Maharashtra, India.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. [●] will be the Designated Stock Exchange with which the basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company and Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Draft Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 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 8 days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 working days of finalisation of the basis of Allotment for the Issue.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name

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

Consents

Consents in writing of: (a) the Selling Shareholders, the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Company, the Bankers to the Issue; and (b) the Book Running Lead Manager, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Section 60 and 60B of the Companies Act and confirmation that such consents have not been withdrawn up to the time of delivery of the Draft Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Regulations, S. R. Batliboi & Associates, the Company's Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Draft Red Herring Prospectus.

As the offered Equity shares have not been and will not be registered under the U.S. Securities Act.

[•], the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of their report in the form and context in which it will appear in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

Expert Opinion

Except the report of [•] in respect of the IPO grading of this Issue that will be annexed with the Red Herring Prospectus and except as stated in this Draft 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 estimated Issue expenses are as under:

(Rs. in million)

Activity Expense	Expenses*	% of Issue size*	% of Issue Expense*
Lead management, underwriting and selling commissions.	[•]	[•]	[•]
IPO Grading	[•]	[•]	[•]
Advertising and marketing expenses.	[•]	[•]	[•]

Activity Expense	Expenses*	% of Issue size*	% of Issue Expense*
Printing and stationary expenses	[●]	[●]	[●]
Others (Registrar fees, legal, listing fees etc.)	[●]	[●]	[●]
TOTAL	[●]	[●]	[●]

* *Will be incorporated after finalisation of the Issue Price*

The Issue expenses, except the listing fee which shall be borne entirely by our Company, shall be shared by our Company and the Selling Shareholders in the proportion as stated in the engagement letter executed among the Company, the Selling Shareholders and the BRLMs. The listing fees will be paid by our Company.

Fees Payable to the Book Running Lead Managers

The total fees payable to the Book Running Lead Managers (including underwriting commission and selling commission) is stated in the engagement letter from our Company and the Selling Shareholders with the BRLMs, a copy of which is available for inspection at registered office of our Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding signed with our Company, a copy of which is available for inspection at the registered office of our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding public or rights issues during the last Five Years

We have not made any public or rights issues during the last five years.

Previous issues of shares otherwise than for Cash

Except as stated in "Capital Structure" on page 26 and "History and Corporate Structure" on page 112, our Company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on previous issues of the Equity Shares

There has been no public issue in the past of our Company's Equity Shares. However, a commission for the amount of Rs. 6.31 million was paid by our Company to the intermediaries for identification and placement of certain Equity Shares during investment by Tano Mauritius India FVCI in our Company. Other than as disclosed above, there has been no sum paid or is payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's inception.

Companies under the Same Management

Except Virgo Control Systems Private Limited, we do not have any companies under the same management within the meaning of Sec. 370(1) (B) of the Companies Act.

Promise v/s performance

Neither our Company nor any of our Promoters, Promoter Group or associate companies have made any previous public or rights issues.

Outstanding Debentures or Bonds

Our Company does not have any outstanding debentures or bonds.

Outstanding Preference Shares

Our Company does not have any outstanding preference shares.

Stock Market Data of our Equity Shares

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The Memorandum of Understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least three years from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

We have appointed Manoj Kohok, our Company Secretary, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

Manoj Kohok
277, Hinjewadi Phase II,
Maan (Mulshi),
Pune 411 057, India
Tel: (91 20) 6674 4000
Fax: (91 20) 6674 4021
Email: investors@virgoengineers.com
Website: www.virgoengineers.com

Changes in Auditors

Other than S. R Batliboi & Associates who were re appointed as auditors at the AGM on September 23, 2009, there have been no changes to the auditors in the last three years.

Capitalisation of Reserves or Profits

Our Company has not capitalised our reserves or profits during the last five years, except as stated in “Capital Structure” on page 26.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Payment or benefit to officers of our Company

Except statutory benefits upon termination of their employment in our Company or superannuation, no officer of our Company is entitled to any benefit upon termination of his employment in our Company or superannuation. For details see “Our Management” at page 121.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII- ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the SCRR, the Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, the Red Herring Prospectus and the Prospectus, Bid cum Application Form, ASBA Bid cum Application Form, the Revision Form, ASBA Revision Form, the CAN and other terms and conditions as may be incorporated in the allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the Government of India, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

For details see "Other Regulatory and Statutory Disclosures" on page 274 of this DRHP.

Our Company and the Selling Shareholders have obtained all necessary approvals for this Issue. Our Company has obtained in-principle listing approvals dated [●] and [●] from the BSE and the NSE, respectively.The Company will be making an application to the FIPB and the RBI for their approval for the Offer for Sale.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and Articles of Association and shall rank *pari-passu* with the existing Equity Shares of the Company including rights in respect of dividend. The Allotees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, please see the section "Main Provisions of the Articles of Association" on page 324.

Mode of Payment of Dividend

The Company shall pay dividends to the shareholders in accordance with the provisions of the Companies Act, the Articles and the provision of the Listing Agreements.

Face Value and Issue Price

The face value of the Equity Shares is Rs.10 each and the Issue Price is Rs. [●] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share.

At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Regulations

The Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to 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, the terms of the listing agreement executed with the Stock Exchanges, and the Company's Memorandum and Articles of Association.

For a detailed description of the main provisions of the Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, see the section "Main Provisions of the Articles of Association" on page 324.

Market Lot and Trading Lot

The Equity Shares shall be Allotted only in dematerialised form and trading shall only be in dematerialised form. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [•] Equity Shares.

The Price Band and the minimum Bid lot size for the Issue will be decided by the Company, in consultation with the BRLMs, and advertised in [●] edition of [●] in the English language, [●] edition of [●] in the Hindi language and [●] edition of [●] in the Marathi language at least two Working Days prior to the Bid/ Issue Opening Date.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Pune, Maharashtra.

Nomination Facility to Investor

The sole or First Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office or to the Registrar.

Further, any person who becomes a nominee shall, upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with the Company. Nominations registered with respective depository participants of the applicant would prevail. If the investors want to change their nomination, they are requested to inform their respective depository participants.

Minimum Subscription

If the Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to pay the amount, the Company shall pay interest prescribed under Section 73 of the Companies Act. The requirment of minimum subscription is not applicable to the Offer for Sale.

In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale. Any expense incurred by our Company on behalf of the Selling Shareholders, if any, regarding refunds, interest for delays, etc for the equity Shares being offered through the Offer for Sale, will be reimbursed by the Selling Shareholders to our Company.

Further, the Company shall ensure that the number of prospective Allotees to whom Equity Shares will be Allotted shall not be less than 1,000.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction.

Arrangement for disposal of Odd Lots

There is no arrangement for the disposal of odd lots.

Restriction on transfer of shares

Except for lock-in of the pre-Issue Equity Shares and Promoters minimum contribution in the Issue as detailed in the section “Capital Structure” on page 26, and except as provided in the Articles of Association, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers of debentures except as provided in the Articles of Association. There are no restrictions on transmission of shares/ debentures and on their consolidation/ splitting except as provided in the Articles of Association. For further details, see section “Main Provisions of the Articles of Association” on page 324.

ISSUE STRUCTURE

The present Issue of up to 13,430,346 Equity Shares consists of a Fresh Issue of 10,744,276 Equity Shares and an Offer for Sale of 2,686,070 Equity Shares at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the Book Building Process. In case of under subscription in the Issue, the Equity Shares in the Fresh Issue will be issued prior to the sale of Equity Shares in the Offer for Sale.

The Issue is being made through the 100% Book Building Process.

	QIBs#	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	Up to 6,715,173 Equity Shares	Not less than 2,014,552 Equity Shares available for allocation or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 4,700,621 Equity Shares available for allocation or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for Allotment/allocation	Up to 50% of the Issue Size being allocated. However, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only.	Not less than 15% of Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 2,014,552 Equity Shares for allocation to Anchor Investor (b) 235,031 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (c) 4,465,590 Equity Shares shall be Allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (b) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter.	[●] Equity Shares and in multiples of one Equity Share thereafter.	[●] Equity Shares and in multiples of one Equity Share thereafter.

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders
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 registered with SEBI, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs.250 million, pension funds with minimum corpus of Rs.250 million in accordance with applicable law, and National Investment Fund and insurance funds set up and managed by the army, navy or air force of the Union of India.	Resident Indian individuals, Eligible NRIs, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.	Resident Indian individuals, Eligible NRIs and HUF (in the name of Karta)
Terms of Payment	Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. (including for Anchor Investors*#)##	Amount shall be payable at the time of submission of Bid cum Application Form. ##	Amount shall be payable at the time of submission of Bid cum Application Form.##
Margin Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding	Full Bid Amount on Bidding

\# *The Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to Anchor Investors. For further details, please see the section "Issue Procedure" on page* 291.

\## *In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.*

* *Subject to valid Bids being received at or above the Issue Price. This Issue is being made in accordance with Rule 19(2)(b)(i) of the SCRR, as amended under the SEBI Regulations, where the Issue will be made through the 100% Book Building Process wherein up to 50% of the Issue will be allocated on a proportionate basis to QIBs, out of the QIB Portion (excluding the Anchor Investor Portion), 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% 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.*

Under-subscription, if any, in any category except in QIB category, would be met with spill-over from other categories at sole discretion of the Company and the Selling Shareholders, in consultation with the BRLMs.

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

*# *Bid Amount shall be payable by the Anchor Investors at the time of submission of the Bid cum Application Forms. The balance, if any, shall be paid within the two Working Days of the Bid/Issue Closing Date.*

Withdrawal of the Issue

The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Company would issue a public notice in the newspapers, in which the pre-Issue advertisements were published, within two days of the Bid/ Issue Closing Date, providing reasons for not proceeding with the Issue. The Company shall also inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

Any further issue of Equity Shares by the Company shall be in compliance with applicable laws.

Bid/ Issue Programme

BID/ISSUE OPENS ON	**[●]***
BID/ISSUE CLOSES ON	**[●]**

* *The Company may consider participation by Anchor Investors. The Anchor Investor Bid/ Issue Period shall be one Working Day prior to the Bid/ Issue Opening Date.*

Bids and any revision in Bids shall be accepted **only between 10.00 a.m. and 5.00 p.m**. (Indian Standard Time, "IST") during the Bid/ Issue Period as mentioned above at the bidding centres mentioned on the Bid cum Application Form in case of bids submitted through ASBA, the designated branched of SCBs, except on Bid Issue Closing Date. On the Bid/ Issue Closing Date, the Bids (excluding the ASBA Bids) shall be accepted only between 10.00 p.m. and 3.00 p.m. (IST) and uploaded until (i) 4.00 p.m. (IST) in case of Bids by QIB Bidders and Non-Institutional Bidders, and (ii) until 5.00 p.m. (IST) or such extended time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders. It is clarified that the Bids not uploaded in the Book would be rejected. Bids by the Bidders applying through ASBA process shall be uploaded by the SCSBs in the electronic system to be provided by the Stock Exchanges.

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days, *i.e.*, Monday to Friday (excluding any public holiday).

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side *i.e.* the floor price can move up or down to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

In case of revision of the Price Band, the Bid/Issue Period will be extended for three additional Working Days after revision of Price Band subject to the Bid/ Issue Period not exceeding 10 Days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the changes on the websites of the BRLMs and at the terminals of the Syndicate.

ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allocated to QIBs on a proportionate basis. Out of the QIB Portion (excluding the Anchor Investor Portion) 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Furthermore, not less than 15% and 35% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received at or above the Issue Price. Allocation to Anchor Investor shall be on a discretionary basis and not on a proportionate basis.

Under-subscription, if any, in any category, except the QIB Portion, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company and the Selling Shareholders in consultation with the BRLMs and the Designated Stock Exchange.

All Bidders other than ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to the SCSBs. Bids by QIBs shall be submitted only to the BRLMs, other than Bids by the QIBs through the ASBA process, who shall submit the Bids to the Designated Brach of the SCSBs.

Investors should note that Allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. The Bid cum Application Forms which do not have the details of the Bidders' depository accounts shall be treated as incomplete and will be rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded in the dematerialised segment of the Stock Exchanges.

All Bidders can participate in this Issue by way of the ASBA process.

Bid cum Application Form

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form including ASBA Bid cum Application Form
Resident Indian and Eligible NRIs applying on a non repatriation basis	[●]
Eligible NRIs, FVCIs and FIIs applying on a repatriation basis, excluding Anchor Investors	[●]
Resident ASBA Bidders	
Non Resident ASBA Bidders	
Anchor Investors*	[●]

**Bid cum Application Forms for Anchor Investors have been made available at the offices of the BRLMs*

All Bidders except ASBA Bidders are required to submit their Bids through the Syndicate. Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids.

ASBA Bidders shall submit an ASBA Bid cum Application Form to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form. Only QIBs can participate in the Anchor Investor Portion. On filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completion and submission of the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

ASBA Bidders shall submit an ASBA Bid cum Application Form to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form. Only QIBs can participate in the Anchor Investor Portion.

Who can Bid?

- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws.
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to regulations issued by the RBI and the SEBI ICDR Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI (other than a sub-account which is a foreign corporate or foreign individual);
- Sub Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Funds registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their respective constitutions to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- National Investment Fund;
- Insurance funds set up and managed by army, navy or air force of the Union of India;
- Multilateral and Bilateral Development Financial Institutions; and

As per the existing regulations, OCBs cannot participate in this Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that may be held by them under applicable law.

Participation by associates and associates of the Syndicate

The BRLMs and the Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, the associates and affiliates of the BRLMs and the Syndicate Members maysubscribe to or purchase for Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such bidders where the allocation is on a proportionate basis.

The BRLMs and any persons related to the BRLMs or the Promoter and the Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds as part of the aggregate demand by QIBs, shall be available for allocation proportionately out of the remainder of the QIB portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds subject to valid Bids being received from the domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

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.

No Mutual Fund scheme shall invest more than 10% of its net asset value in equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more 10% of any company's paid-up share capital carrying voting rights.

The Bids made by asset management companies or custodians of Mutual Funds shall clearly indicate the name of the concerned scheme for which application is being made.

Bids by Non Residents

There is no reservation for Eligible NRIs or FIIs or FVCIs registered with SEBI. Such Eligible NRIs, FIIs and FVCIs registered with SEBI will be treated on the same basis as other categories for the purpose of allocation.

Bids by Eligible NRIs

1. Bid cum Application Forms have been made available for Eligible NRIs applying on a repatriation basis ([●] in colour) at the Registered Office of the Company and with the members of the Syndicate.

2. Eligible NRIs applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form meant for Resident Indians.

Bids by Eligible NRIs for a Bid Amount of up to Rs. 1,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than Rs. 1,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Bids by FIIs

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (*i.e.*, 10% of [●] Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. As of now, the aggregate FII holding in our Company cannot exceed 24% of our total paid-up share capital. With the approval of the board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, or its sub-account, may issue, deal or hold, off shore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by an FII against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with 'know your client' norms. The FII or sub-account is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters, including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such Offshore Derivative Instrument does not constitute any obligation of, claim on or an interest in, the Company.

Bids by SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulations, 2000, *inter alia*, prescribe the investment restrictions on venture capital funds and foreign venture capital investors respectively registered with SEBI.

Accordingly, the holding by any individual Venture Capital fund registered with SEBI in one company should not exceed 25% of the corpus of the Venture Capital Fund. Further, venture capital funds and foreign venture capital investors can invest only up to 33.33% of the investible funds by way of subscription to an IPO of a venture capital undertaking whose shares are proposed to be listed.

Bids and revision to Bids by Non Residents including NRIs, FIIs and Foreign Venture Capital Funds on a repatriation basis must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable, and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three and in the same order as their Depositary Participant Details).

3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. The Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Bids by Anchor Investors

The Company and the Selling Shareholders may consider participation by Anchor Investors in the QIB Portion for up to 30% of the QIB Portion in accordance with the SEBI ICDR Regulations. Only QIBs as defined in Regulation 2(1)(zd) of the SEBI ICDR Regulations and not otherwise excluded pursuant to Schedule XI of the SEBI ICDR Regulations are eligible to invest. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor Portion. In the event of under-subscription in the Anchor Investor Portion, the balance Equity Shares shall be added to the QIB Portion. In accordance with the SEBI ICDR Regulations, the key terms for participation in the Anchor Investor Portion are provided below.

(a) Anchor Investors Bid cum Application Forms will be made available for the Anchor Investor Portion at our Head Office, and with the members of the Syndicate.

(b) The Bid must be for a minimum of such number of Equity Shares so that the Bid Amount exceeds Rs. 10.00 crore. A Bid cannot be submitted for more than 30% of the QIB Portion. In case of Mutual Funds Bidding under the Anchor Investor Portion, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of Rs. 10.00 crore.

(c) One-third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds.

(d) The Bidding for Anchor Investors shall open one Working Day before the Bid/Issue Opening Date and shall be completed on the same day.

(e) The Company and the Selling Shareholder, in consultation with the BRLMs, shall finalize allocation to the Anchor Investors on a discretionary basis, provided that the minimum number of Allottees in the Anchor Investor Portion shall not be less than:

- two, where the allocation under Anchor Investor Portion is up to Rs. 250.00 crore; and
- five, where the allocation under Anchor Investor Portion is over Rs. 250.00 crore.

(f) Allocation to Anchor Investors shall be completed on the Anchor Investor Bidding Date. The number of Equity Shares allocated to Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLMs before the Bid/Issue Opening Date.

(g) Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date.

(h) In the event the Issue Price is greater than the Anchor Investor Issue Price, the additional amount being the difference between the Issue Price and the Anchor Investor Issue Price shall be paid by the Anchor Investors by the Pay-in-Date. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Allotment to Anchor Investors shall be at the higher price *i.e.*, the Anchor Investor Issue Price.

(i) The Equity Shares Allotted in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment.

(j) None of the BRLMs or any person related to the BRLMs, Promoter, shall participate in the Anchor Investor Portion. The parameters for selection of the Anchor Investors shall be clearly identified by the BRLMs and shall be made available as part of the records of the BRLMs for inspection by SEBI.

(k) Bids made by QIBs under both the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band which shall be published by the Company in two national newspapers (one each in English national daily and Hindi national daily) and in one Marathi newspaper with wide circulation at least two Working Days prior to the Bid/Issue Opening Date.

Bids under Power of Attorney

In case of Bids (other than ASBA Bids) made pursuant to a power of attorney by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. 250 million 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 of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, the Company and the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In addition to the above, certain additional documents are required to be submitted by the following entities:

(a). With respect to Bids by, FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.

(b). With respect to Bids by insurance companies registered with the IRDA, in addition to the above, a certified copy of the certificate of registration issued by the IRDA must be lodged with the Bid cum Application Form.

(c). With respect to Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with a minimum corpus of Rs. v, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund.

The Company and the Selling Shareholders in their absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney and additional documents, as specified above, along with the Bid cum Application Form, subject to such terms and conditions that the Company, the Selling Shareholders and the BRLMs may deem fit.

The above information is given for the benefit of the Bidders. The Company, Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and are advised ensure that any Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity Share thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs. 100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs. 100,000. If the Bid Amount is over Rs. 1,00,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs excluding Anchor Investors):** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds Rs. 100,000. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. A QIB Bidders cannot withdraw its Bid after the Bid/Issue Closing Date.

In case of revision in Bids, the Non-Institutional Bidders who are individuals have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at Cut – off.

(c) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100 million and in multiples of [●] Equity Shares thereafter. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion under the Anchor Investor Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period are required to pay the Bid Amount at the time of submission of the Bid.**

Information for the Bidders:

(a) The Company, the Selling Shareholders and the BRLMs shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two national newspapers (one each in English national daily and Hindi national daily) and in one Marathi newspaper with wide circulation. This advertisement shall be in the prescribed format.

(b) The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

(c) The Company may decide to close Bidding by QIBs one day prior to the Bid/Issue Closing Date provided that Bidding shall be kept open for a minimum of three days for all categories of Bidders. The Company's decision to close Bidding by QIBs one day prior to the Bid/Issue Closing Date shall be disclosed in the Red Herring Prospectus to be filed with the RoC.

(d) Copies of the Bid cum Application Form and copies of the Red Herring Prospectus will be available with the Syndicate. The SCSBs shall ensure that the abridged prospectus is made available on their websites.

(e) Any Bidder (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from the Registered Office of the Company.

(f) Eligible Bidders who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(g) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than the ASBA Bid cum Application Forms) should bear the stamp of the members of the Syndicate, otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form.

Bidders should note that in case the PAN, the DP ID and Client ID mentioned in the Bid cum Application form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members do not match with PAN, the DP ID and Client ID available in the depository database, the Bid cum Application form is liable to be rejected.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bids must be:

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

2. 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. Bidders should note that the members of the Syndicate and / or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.

3. Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/ Allotment. Please ensure that the details are correct and legible.

4. For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●]

thereafter subject to a maximum Bid Amount of Rs. 100,000.

5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [●] that the Bid Amount exceeds Rs. 100,000. Bids cannot be made for more than the Issue. 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.

6. For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 100 million and in multiples of [●] Equity Shares thereafter.

7. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

8. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or bank drafts for the Bid Amount shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches.

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 members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

GENERAL INSTRUCTIONS

Dos:

(a) Check if you are eligible to apply as per the terms of the Red Herring Prospectus under applicable laws, rules and regulations;

(b) Ensure that you have Bid within the Price Band;

(c) Read all the instructions carefully and complete the Bid cum Application Forms;

(d) Ensure that the details about Depository Participant, DP ID and Beneficiary Account are correct, and the Beneficiary Account is activated, as Allotment of Equity Shares will be in the dematerialized form only;

(e) Ensure that the bank account details are entered only in the space provided specifically for this purpose. Bids submitted which do not have the bank details are liable to be rejected.

(f) Ensure that the Bids are submitted at the Bidding centres only on forms bearing the stamp of a member of the Syndicate or the SCSB in case of ASBA Bidders (except in case of electronic ASBA Bid cum Application Forms);

(g) With respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for Bidding has a bank account. Further, ensure that the ASBA Bid cum Application Form is signed by the account holder if the Bidder is not the account holder;

(h) With respect to ASBA Bids ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;

(i) Ensure that you request for and receive a TRS for all your Bid options

(j) Ensure that the full Bid Amount is paid for Bids submitted to the members of the Syndicate and funds equivalent to the Bid Amount are blocked by the SCSBs in case of Bids submitted through the ASBA process;

(k) Ensure that you have funds equal to the Bid Amount in your bank account of the respective Designated Branch of the SCSB;

(l) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;

(m) Submit revised Bids to the same members of the Syndicate through whom the original Bid was placed and obtain a revised TRS.

(n) Except for Bids (i) on behalf of the central or state government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should mention their PAN allotted under the I.T. Act. Applications in which the PAN is not mentioned will be rejected;

(o) Ensure that the Demographic Details (as defined below) are updated, true and correct in all respects; and

(p) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid Amount 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 members of the Syndicate or the SCSB, as applicable;

(d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or the SCSB, as applicable;

(f) Do not bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Bids by Retail Individual 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;

(i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and

(j) Do not submit the Bids without the full Bid Amount.

Method and Process of Bidding

(a) The Company and the Selling Shareholders, in consultation with the BRLMs, will decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in all editions of the English national daily, [●], Pune editions of the Hindi national daily, [●] and the Pune edition of the regional language newspaper, [●] at least two Working Days prior to the Bid/ Issue Opening Date. The members of the Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period.

(b) The Bid/Issue Period shall be for a minimum of three Working Days and shall not exceed 10 Working Days. The Bid/ Issue Period maybe extended, if required, by an additional three Working Days, subject to the total Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in two national newspapers (one each in English and Hindi) and one Marathi newspaper with wide circulation and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(c) During the Bid/Issue Period, Bidders, other than QIBs, who are interested in subscribing for the Equity Shares should approach the Syndicate or their authorised agents to register their Bids. The Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph "Bids at Different Price Levels" below) within the Price Band and specify the demand (*i.e.*, the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or the SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCBS 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".

(f) Except in relation to Bids received from the Anchor Investors, the members of the Syndicate/the SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) The BRLMs shall accept the Bids from the Anchor Investors during the Anchor Investor Bid/ Issue Period *i.e.* one Working Day prior to the Bid/ Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

(h) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in the section "Issue Procedure" on page 291 of this DRHP.

(i) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(j) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

Bids at Different Price Levels and Revision of Bids

(a) The Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right to revise the Price Band during the Bid/ Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side *i.e.* the floor price can move up or down to the extent of 20% of the floor price disclosed at least two Working Days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

(b) The Company and the Selling Shareholders, in consultation with the BRLMs, will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(c) The Company and the Selling Shareholders, in consultation with the BRLMs, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.

(d) The Bidders 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 the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.

(e) Retail Individual Bidders, who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders, shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the Cap Price with the members of the Syndicate. In case of ASBA Bidders bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block an amount based on the Cap Price.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the Sole/First Bidder, Depository Participant's name, DP ID and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including category, age, address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These Bank Account details would be used for giving refunds allocation advice (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLMs or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor the Company and the Selling Shareholders shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM

APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

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 such Bidders sole risk and neither the Company, the Selling Shareholders, the Escrow Collection Banks nor the BRLMs nor the Registrar to the Issue shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, PAN of the sole/first Bidder, the Depository Participant’s identity (DP ID) and the beneficiary’s identity, then such Bids are liable to be rejected.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

The Company, the Selling Shareholders and the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s)in whose favour the Bidders shall make out the cheque or demand draft in respect of their Bids (including for 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 the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account(s) until the Designated Date. The Escrow Collection Banks 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 funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the 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 Company, the Selling Shareholder, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Payment into Escrow Account(s) for Bidders other than ASBA Bidders

Each Bidder (other than ASBA Bidders) shall draw a cheque or demand draft or, for Anchor Investors, remit the funds electronically through the RTGS mechanism for the amount payable on the Bid and /or on allocation/Allotment as per the following terms:

(a) All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.

(b) The Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the entire Bid Amount in favour of the Escrow Account(s) and submit the same to the member of the Syndicate. If the payment is not made favouring the Escrow Account along with the Bid cum Application Forms the Bid of the Bidder shall be rejected

(c) The payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of Resident QIB Bidders: "[●]"
- In case of Non Resident QIB Bidders: "[●]"
- In case of Resident Retail and Non-Institutional Bidders: "[●]"
- In case of Non-Resident Retail and Non-Institutional Bidders: "[●]"

(d) Anchor Investors would be required to pay the Bid Amount at the time of submission of the application form. In the event of the Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price within two Working Days of the Bid/Issue Closing Date. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor Investors shall not be refunded to them.

(e) For Anchor Investor the payment instruments for payment into the Escrow Account(s) should be drawn in favour of:

- In case of resident Anchor Investors: "[●]"
- In case of non-resident Anchor Investors: "[●]"

In case of Bids by NRIs applying on repatriation basis, the payment may be made out of an NRE/FCNR Account of a Non Resident Bidder.

(f) In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-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 or NRO Account.

(g) 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.

(h) The monies deposited in the Escrow Account will be held for the benefit of the Bidders (except ASBA Bidders) until the Designated Date.

(i) On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account(s) as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

(j) On the Designated Date and no later than 10 days from the Bid/Issue Closing Date, the refund amounts payable to unsuccessful Bidders shall be dispatched and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.

(k) Payments should be made by cheque, or a 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.

(l) Cash, stockinvest, money orders or postal orders will not be accepted.

(m) In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

(n) Except in case of ASBA Bids, Bidders are advised to mention the number of the Bid cum Application Form on the reverse of the cheque/demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the SCSBs.

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 members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form, failure of the Issue or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the Bid Amount in the relevant bank account within eight Working Days from the Bid/Issue Closing Date and the SCSBs shall unblock the Bid Amount within one Working Day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Other Instructions

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the First Bidder in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In 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. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

After Bidding on an ASBA Bid cum Application Form either in physical or electronic mode, where such ASBA Bid has been submitted to the Designated Branches of SCSBs and uploaded with the Stock Exchanges, an ASBA Bidder cannot Bid, either in physical or electronic mode, on another ASBA Bid cum Application Form or a non-ASBA Bid cum Application Form. Submission of a second Bid cum Application Form, whether an ASBA Bid cum Application Form, to either the same or to another Designated Branch of the SCSB, or a Non-ASBA Bid cum Application Form, will be treated as multiple Bids and will be 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 ASBA Bidder can revise the Bid through the Revision Form, the procedure for which is detailed in "-***Build up of the Book Revision of Bids***".

More than one ASBA Bidder may Bid for Equity Shares using the same ASBA Account, provided that the SCSBs shall not accept a total of more than five ASBA Bid cum Application Forms from such ASBA Bidders with respect to any single ASBA Account.

The Company and the Selling Shareholders reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories. A check will be carried out for the same PAN. In cases where the PAN is same, such Bids will be treated as multiple applications.

1. All applications will be checked for common PAN and will be accumulated and taken to a separate process file which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar to the Issue will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid data and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters *i.e.* commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The Bids with the same name and same address will be treated as multiple Bids.

5. The Bids will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

For Bids from Mutual Funds and FII sub-accounts which are submitted under the same PAN, as well as Bids on behalf of the central or state government, an official or receiver appointed by a court and residents of Sikkim for whom submission of PAN is not mandatory, the Bids will be scrutinised for DP ID and beneficiary account numbers. In case these Bids have the same DP ID and beneficiary account numbers, these will be treated as multiple Bids and will be rejected.

Permanent Account Number or PAN

The Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the Income Tax Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application**

Form without the PAN is 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.

Right to Reject Bids

In case of QIB Bidders, the Company and the Selling Shareholders in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders, Retail Individual Bidders the Company and the Selling Shareholders has a right to reject Bids based only on technical grounds. Consequent refunds shall by RTGS/NEFT/NECS/Direct Credit/cheques or pay order or draft and will be sent to the Bidder's address at the Bidder's risk.

With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, the Company and the Selling Shareholders would have a right to reject the ASBA Bids only on technical grounds.

Grounds for Technical Rejections

Bidders should note that incomplete Bid cum Application Forms and Bid cum Application Forms that are not legible will be rejected by the members of the Syndicate of the SCSBs. Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds either at the time of acceptance of Bid or prior to Allotment:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors;
- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders;
- Bids for number of Equity Shares which are not in multiples of [•];
- Category not ticked;
- Multiple Bids as defined in the Draft Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

- Bids accompanied by Stockinvest/money order/postal order/cash;
- Bid cum Application Forms does not have the stamp of the BRLMs or Syndicate Members or the SCSBs;
- Bid cum Application Form does not have the Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Draft Red Herring Prospectus and as per the instructions in the Draft Red Herring Prospectus and the Bid cum Application Forms;
- In case no corresponding record is available with the Depositories that matches three parameters namely, PAN of the Bidders, the Depositary Participant's identity (DP ID) and the beneficiary's account number;
- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by persons in the United States or bids by "U.S persons" (as defined in Regulation S under the U.S Securities Act);
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws; and
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Bidders should note that in case the PAN, the DP ID and Client ID mentioned in the Bid cum Application form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members do not match with PAN, the DP ID and Client ID available in the depository database, the Bid cum Application form is liable to be rejected.

Electronic Registration of Bids

(a) The members of the Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The BRLMs, the Company, the Selling Shareholders and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the members of the Syndicate and/or the SCSBs shall be responsible for any error in the Bid details uploaded by them. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(b) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bidding/ Issue Period. The Syndicate Members and the Designated Branches can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis. On the Bid/ Issue Closing Date, the members of the Syndicate and the Designated Branches shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

(c) Based on the aggregate demand and price for Bids registered on the electronic facilities of the Stock Exchanges, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges would be made available at the bidding centres during the Bid/Issue Period.

(d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the Bidder in the on-line system:

- Application number.
- Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.
- PAN.
- DP ID.
- Beneficiary account number of the Bidder.
- Numbers of Equity Shares Bid for.
- Bid Amount and Price Option.
- Cheque Details (Cheque amount and Cheque Number).

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the on-line system:

- Name of the Bidder(s);
- Application Number;
- PAN (of First Bidder, if more than one Bidder);
- Investor Category and Sub-Category:

Retail	Non- Institutional	QIB
(No sub category)	• Individual • Corporate • Other	• Mutual Funds • Financial Institutions • Insurance companies • Foreign Institutional Investors other than corporate and individual sub-accounts • Others

- Employee/shareholder (if reservation);
- DP ID;
- Beneficiary Account Number or client ID;
- Number of Equity Shares bid for;
- Price;
- Bank Account Number;
- Cheque Amount;
- Cheque number.

(e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the member of the Syndicate or the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated/Allotted either by the members of the Syndicate or the Company.

(f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(g) In case of QIB Bidders, members of the Syndicate have the right to accept the Bid or reject it. However, such rejection shall be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids will be rejected on technical grounds. The members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSBs shall have no right to reject Bids, except on technical grounds.

(h) The permission given by the Stock Exchanges to use their network and software of the online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company and/or the BRLMs are cleared or approved by the Stock Exchanges; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, the management or any scheme or project of the Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

(i) Only Bids that are uploaded on the online IPO system of the Stock Exchanges shall be considered for allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify the DP ID and Client ID uploaded in the online IPO system during the Bid/Issue Period, after which the Registrar to the Issue shall proceed with the Allotment of Equity Shares.

(j) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of the Stock Exchanges. However, Anchor Investors who use the ASBA facility will have to submit the ASBA Bid cum Application Form to the BRLMs along with a confirmation from the SCSBs that the Bid Amount has been blocked in their respective bank accounts in terms of the ASBA process. In the event such Bid Amount has not been blocked, the Anchor Investor's Bid shall be rejected.

Build up of the book and revision of Bids

(a) Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis at the end of the Bid/Issue Period.

(c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band 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 Amount 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 such Bidder 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 revised, in the Revision Form. The members of the Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSB through whom such Bidder 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) 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) shall make additional payment based on the cap of the revised Price Band (such that the total amount *i.e.*, original Bid Amount plus additional payment does not exceed Rs. 100,000 if the Bidder wants to continue to Bid at Cut-off Price), 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 Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards 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 Price.

(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.

(h) The Company and the Selling Shareholders, in consultation with the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

(i) 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. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid Amount. In case of Bids, other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

(j) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the members of the Syndicate or the SCSB, as applicable. 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.

Price Discovery and Allocation

(a) Based on the demand generated at various price levels, the Company and the Selling Shareholders, in consultation with the BRLMs, shall finalise the Issue Price.

(b) Under-subscription, if any, in any category, would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of the Company and the Selling Shareholders, in consultation with the BRLMs.

(c) Allocation to Non-Residents, including Eligible NRIs and FIIs registered with SEBI, applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(d) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

(e) The Basis of Allotment shall be put up on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, the Company will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed as the 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in two national newspapers (one each in English national daily and Hindi national daily) and in one Marathi newspaper, each with wide circulation.

Advertisement regarding Issue Price and Prospectus

The Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allocation Note ("CAN")

(a) Upon approval of the Basis of Allotment by the Designated Stock Exchange and on Allotment by the Board of Directors or any committee constituted thereof, the Registrar shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue.

(b) The Registrar will then dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

(c) The Issuance of CAN is subject to "Notice to Anchor Investors - Allotment Reconciliation and Revised CANs" as set forth under section "Issue Procedure" on page 291.

Notice to Anchor Investors: Allotment Reconciliation and Revised CANs

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of the Company, the Selling Shareholders and the BRLMs, select Anchor Investors may be sent a CAN, within two Working Days of the Anchor Investor Bid/ Issue Period, indicating the number of Equity Shares that may be allocated to them. This provisional CAN and the final allocation is subject to the physical application being valid in all respect along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors. In the event that the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such revised CAN shall be different from that specified in the earlier CAN. Anchor Investors should note that they shall be required to pay additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised CAN within two Working Days after the Bid/ Issue Closing Date. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a). The Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder's depositary account will be completed within 12 Working Days of the Bid/Issue Closing Date.

(b). In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.

(c). Allottees will have the option to re-materialise the Equity Shares so Allotted 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/ Allotted to them pursuant to this Issue.

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 Allotment to all successful Retail Individual Bidders will be made at the Issue Price less.

- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment, see 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. Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price. If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [•] Equity Shares. For the method of proportionate basis of Allotment see below.

C. For QIBs in the QIB Portion

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. Allotment to all successful QIB Bidders will be made at the Issue Price. The QIB Portion shall be available for Allotment to QIB Bidders who have Bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion (excluding the Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion).

    (ii) In the event the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor Portion) then all Mutual Funds will shall get full Allotment to the extent of valid Bids received above the Issue Price.

(iii) Equity Shares remaining unsubscribed, if any, not allocated to Mutual Funds shall be available for Allotment to all QIB Bidders as set out in (b) below;

(b) In the second instance Allotment to all QIBs shall be determined as follows:

(i) In the event that the oversubscription in the QIB Portion, all QIB Bidders (excluding Anchor Investors) who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds,who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders (excluding Anchor Investors).

(iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares.

D. For Anchor Investor Portion

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of the Company and the Selling Shareholders in consultation with the BRLMs, subject to compliance with the following requirements:

(a). not more than 30% of the QIB Portion will be allocated to Anchor Investors;
(b). one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
(c). allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation up to Rs. 2500 million and minimum number of five Anchor Investors for allocation more than Rs. 2500 million.

- The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs before the Bid/Issue Opening Date by intimating the same to the Stock Exchanges.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. Issue Details

S. No.	Particulars	Issue details
1.	Issue size	200 million equity shares
2.	Allocation to QIB (50%)	100 million equity shares
3.	Anchor Investor Portion	30 million equity shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	70 million equity shares
	Of which:	
	a. Allocation to MF (5%)	3.50 million equity shares
	b. Balance for all QIBs including MFs	66.50 million equity shares
5.	No. of QIB applicants	10

S. No.	Particulars	Issue details
6.	No. of shares applied for	500 million equity shares

B. Details of QIB Bids

S. No.	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	Total	**500**

 # A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/Applicants

(Number of equity shares in million)

Type of QIB bidders	Shares bid for	Allocation of 3.5 million Equity Shares to MF proportionately (please see note 2 below)	Allocation of balance 66.5 million Equity Shares to QIBs proportionately (please see note 4 below)	Aggregate allocation to MFs
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	50	0	6.70	0
A2	20	0	2.68	0
A3	130	0	17.41	0
A4	50	0	6.70	0
A5	50	0	6.70	0
MF1	40	0.70	5.26	5.96
MF2	40	0.70	5.26	5.96
MF3	80	1.40	10.53	11.93
MF4	20	0.35	2.63	2.98
MF5	20	0.35	2.63	2.98
	500	**3.50**	**66.50**	**29.81**

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in "*Issue Structure*" on page 288.

2. Out of 70 million equity shares allocated to QIBs, 3.5 million (*i.e.* 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 200 million equity shares in QIB category.

3. The balance 66.50 million equity shares (*i.e.* 70 - 3.5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million equity shares (including

five MF applicants who applied for 200 million equity shares).

4. The figures in the fourth column entitled "Allocation of balance 66.50 million Equity Shares to QIBs proportionately" in the above illustration are arrived as under:

- For QIBs other than Mutual Funds (A1 to A5) = No. of shares bid for (*i.e.* in column II) X 66.50/496.50.

- For Mutual Funds (MF1 to MF5) = [(No. of shares bid for (*i.e.* in column II of the table above) less Equity Shares allotted (*i.e.*, column III of the table above)] X 66.50/496.50.

- The numerator and denominator for arriving at allocation of 70 million shares to the 10 QIBs are reduced by 3.5 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Method of Proportionate Basis of Allotment in the Issue

Except in relation to Anchor Investors, in the event of the Issue being over-subscribed, the Company and the Selling Shareholders shall finalise the basis of Allotment in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalised in a fair and proper manner.

Except in relation to Anchor Investors, the Allotment shall be made in marketable lots, on a proportionate basis as explained below:

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 the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) The 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.

d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:

   i) 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 as far as possible, equal to the number of Equity Shares calculated in accordance with (b) above; and

   ii) Each successful Bidder shall be allotted a minimum of [●] Equity Shares.

e) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the allotted shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of the Company and the Selling Shareholder, in consultation with the BRLMs.

Equity Shares in Dematerialised Form with National Securities Depository Limited (“NSDL”) or Central Depository Services (India) Limited (“CDSL”)

As per the provisions of Section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (*i.e.*, not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar:

- Agreement dated [●] between NSDL, the Company and the Registrar to the Issue;
- Agreement dated [●], between CDSL, the Company and the Registrar to the Issue.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) 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 PAN, the Beneficiary Account Number and Depository Participant’s identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment 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) If incomplete or incorrect details are given under the heading ‘Bidders Depository Account Details’ in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) 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.

(g) 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 the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of the Company would be in dematerialised form only for all Bidders in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar quoting the full name of the sole or First Bidder, Bid cum Application Form number, the Bidders’ Depository Account Details, number of Equity Shares applied for, date of Bid cum Application Form, name and address of the member of the Syndicate or the Designated Branch of the SCSBs where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

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 Allotment, credit of allotted shares in the respective beneficiary

accounts, refund orders etc. In case of ASBA Bids submitted with the Designated Branches of the SCSBs, Bidders can contact the Designated Branches of the SCSBs.

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.*"**

Payment of Refund

Bidders other than ASBA Bidders must note that on the basis of the DP ID, beneficiary account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the MICR code. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Failure to do so could result in delays in dispatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholder, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In the case of Bids from Eligible NRIs and FIIs, refunds, dividends and other distributions, if any, will normally be payable in Indian Rupees only and net of bank charges and/or commission. Where so desired, 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. The Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Mode of Refunds

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither the Company, the Selling Shareholders, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds for Bidders other than ASBA Bidders

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following modes:

1. NECS – Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to

availability of complete bank account details including the MICR code as appearing on a cheque leaf, from the Depositories.

2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), per the Demographic details received from the Depositories shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.

3. RTGS – Applicants having a bank account at any of the abovementioned centres and whose refund amount exceeds Rs. 5 million, have the option to receive refund through RTGS provided the Demographic Details downloaded from the Depositories contain the nine digit MICR code of the Bidder's bank which can be mapped with the RBI data to obtain the corresponding IFSC code. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

Disposal of Bids and Bid Amounts and Interest in Case of Delay

With respect to Bidders other than ASBA Bidders, the Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) 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 from the date of Allotment of Equity Shares.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 12 Working Days of Bid Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

The Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 12 Working Days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, the Company and the Selling Shareholders further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 12 Working Days of the Bid/Issue Closing Date;

- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 10 days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 12 Working Days from the Bid/Issue Closing Date; and

Our Company and the Selling Shareholders shall pay interest at 15% per annum if allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or NECS, the refund instructions have not been issued to the clearing system in the disclosed manner within eight days from the day our Company becomes liable to repay (i.e., 12 Working Days after the Bid Closing Date or the date of refusal by the Stock Exchange(s), whichever is earlier). If such money is not repaid within eight days from the day our Company becomes liable to repay it, the Company and every officer in default shall, on and from the expiry of eight days, be liable to repay the money with interest at the rate of 15% per annum as prescribed under Section 73 of the Companies Act.

Letters of Allotment or Refund Orders or instructions to the SCSBs

The Company shall give credit to the beneficiary account with depository participants within three Working Days from the date of the finalisation of Basis of Allotment. The Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "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 within 12 Working Days of the Bid/Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 Working Days of closure of Bid/ Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

Interest in case of delay in despatch of Allotment Letters or Refund Orders/instruction to SCSB by the Registrar to the Issue

The Company will ensure that (i) the Allotment of Equity Shares; and (ii) the credit to the successful Bidders' depositary accounts will be completed within 12 Working Days of the Bid/Issue Closing Date. The Company further agrees that it shall pay interest at the rate of 15% per annum if the Allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within 12 days from the Bid/Issue Closing Date.

The Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Undertakings by the Company

The Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by the Company expeditiously and satisfactorily;

- That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid/Issue Closing Date;

- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;

- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 Working Days of the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- That the Promoters' contribution in full has already been brought in;

- That the certificates of the securities/refund orders to Eligibel NRIs shall be despatched within specified time/

- That no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

- That adequate arrangements shall be made to collect all ASBA Bid cum Application Forms and to consider them similar to non-ASBA applications while finalizing the Basis of Allotment.

The Company shall not have recourse to the Issue proceeds until the final approval for listing and trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

Withdrawal of the Issue

The Company and the Selling Shareholders in consultation with the BRLMs, reserves the right not to proceed with the Issue anytime after the Bid/Issue Opening Date but before the Allotment of Equity Shares. In such an event the Company and the Selling Shareholders would issue a public notice in the newspapers within two days, in which the pre-Issue advertisements were published, providing reasons for not proceeding with the Issue. The Company shall also promptly inform the Stock Exchanges on which the Equity Shares are proposed to be listed.

Notwithstanding the foregoing, the Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment.

In the event the Company and the Selling Shareholders in consultation with the BRLMs, withdraws the Issue after the Bid/Issue Closing Date, a fresh offer document will be filed with SEBI in the event we subsequently decide to proceed with the initial public offering.

Undertakings by the Selling Shareholder

The Selling Shareholders undertake the following:

- The Equity Shares being sold pursuant to the Offer to the public, have been held by us for a period of more than one year and the Equity Shares are free and clear of any liens or encumbrances, and shall be transferred to the eligible investors within the specified time; and

- That the Selling Shareholders shall not have recourse to the proceed of the Offer until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received.

Utilisation of Issue Proceeds

The Board of Directors certifies that:

- All monies received in the Issue shall be credited/transferred to a separate bank account other than the Public Issue Account;

- Details of all monies utilised out of Issue shall be disclosed, and continue to be disclosed until the time any part of the Issue proceeds remains unutilised, under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised; and

- Details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy and FEMA. While the Industrial Policy prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investments.

By a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended, (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Under the current foreign investment policy applicable to us, foreign equity participation up to 100% is permissible under the automatic route.

Subscription by Eligible NRIs/FIIs/FVCIs

It is to be distinctly understood that there is no reservation for Non Residents including Eligible NRIs, FIIs and FVCIs and all Non Residents will be treated on the same basis as other categories for the purpose of allocation.

As per the RBI regulations, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. Persons" (as defined in Regulation S under the Securities Act). The Equity Shares are only being offered or sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the U.S Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

As per the current regulations, the following restrictions are applicable for investments by FIIs:

No single FII can hold more than 10% of the post-Issue paid-up capital of our Company. In respect of an FII investing in the Issue on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of the total issued capital of our Company in case such sub-account is a foreign corporate or an individual. The total holdings of FII / sub-accounts of FII put together cannot exceed 24% of the total issued capital of our Company. With the approval of the board of directors and the shareholders by way of a special resolution, the aggregate FII holding limit may be increased to 100%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15(A)(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15(A)(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

CAPITAL

3. Authorised Share Capital

The authorized share capital of the Company shall be such amount as is given, in Clause V of the Memorandum of Association.

4. Shares at the Disposal of the Directors

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares, and if so issued, shall be deemed to be fully paid shares. Without prejudice to the generality of the forgoing, the Directors shall also be empowered to issue Shares for the purposes of granting stock options to its permanent employees under the terms and conditions of the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999 or any other applicable law, as amended from time to time. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

5. Consideration for Allotment

The Board of Directors may allot and issue shares of the Company as payment or part payment for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in or about the formation of the Company or the acquisition and or in the conduct of its business; and any shares which may be so allotted may be issued as fully/partly paid up shares and if so issued shall be deemed as fully/partly paid up shares.

6. Restriction on Allotment

a. The Directors shall in making the allotments duly observe the provision of the Act;

b. The amount payable on application on each share shall not be less than 5% of the nominal value of the share; and

c. Nothing therein contained shall prevent the Directors from issuing fully paid up shares either on payment of the entire nominal value thereof in cash or in satisfaction of any outstanding debt or obligation of the Company.

7. Increase of Capital

The Company at its General Meeting may, from time to time, by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 of the Companies Act 1956. Whenever the capital of the Company has been increased under the provisions of the Articles, the Directors shall comply with the provisions of Section 97 of the Act.

8. *Reduction of Capital*

The Company may, subject to the provisions of Sections 78, 80, 100 to 105 (both inclusive) and other applicable provisions of the Act from time to time, by Special Resolution reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law, and in particular, the capital may be paid off on the footing that it may be called up again or otherwise.

9. *Sub-division and Consolidation of Shares*

Subject to the provisions of Section 94 of the Act, the Company in General Meeting, may by an ordinary resolution from time to time:

a. Divide, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such shares have some preference of special advantage as regards dividend capital or otherwise as compared with the others;

b. Cancel shares which at the date of such general meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

10. *New capital part of the existing capital*

Except so far as otherwise provided by the conditions of the issue or by these presents any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and instalments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

11. *Power to issue Shares with differential voting rights*

The Company shall have the power to issue Shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.

12. *Power to issue preference shares*

Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares which are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

13. *Further Issue of Shares*

1. Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares then

a. Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those share at that date.

b. The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less that thirty days from the date of offer within which the offer, if not accepted, will be deemed to have been declined.

c. The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

d. After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they may think, in their sole discretion, fit.

2. Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons {whether or not those persons include the persons referred to in clause (a) of sub- clause (1) hereof) in any manner whatsoever.

a. If a special resolution to that effect is passed by the Company in General Meeting, or

b. Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman.) by the members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

a. To extend the time within which the offer should be accepted; or

b. To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

4. Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:

a. To convert such debentures or loans into shares in the Company; or

b. To subscribe for shares in the Company.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

i. Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

ii. In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

14. Rights to convert loans into capital

Notwithstanding anything contained in sub-clauses(s) above, but subject, however, to Section 81(3) of the Act, the Company may increase its subscribed capital on exercise of an option attached to the debentures or loans raised by the Company to convert such debentures or loans into shares or to subscribe for shares in the Company.

15. Allotment on application to be acceptance of shares

Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the register, shall, for the purpose of these articles, be a Member.

16. *Returns on allotments to be made or Restrictions on Allotment*

The Board shall observe the restrictions as regards allotment of shares to the public contained in Section 69 and 70 of the Act, and as regards return on allotments, the Directors shall comply with Section 75 of the Act.

17. *Money due on shares to be a debt to the Company*

The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, shall immediately on the inscription of the name of allottee in the Register of Members as the name of the holder of such shares become a debt due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

18. *Members or heirs to pay unpaid amounts*

Every Member or his heir's executors or administrators shall pay to the Company the portion of the capital represented by his share or shares which may, for the time being remain unpaid thereon, in such amounts, at such time or times and in such manner, as the Board shall from time to time, in accordance with the Company's regulations require or fix for the payment thereof.

SHARE CERTIFICATES

19.a. Every Member entitled to certificate for his shares

i. Every member or allottee of shares shall be entitled, without payment, to receive one or more certificates specifying the name of the person in whose favour it is issued, the shares to which it relates, and the amount paid thereon. Such certificates shall be issued only in pursuance of a resolution passed by the Board and on surrender to the Company of fractional coupon of requisite value, save in case of issue of share certificates against letters of acceptance of or renunciation or in cases of issues of bonus shares.

ii. Every such certificate shall be issued under the seal of the Company, which shall be affixed in the presence of (1) two Directors or persons acting on behalf of the Directors under duly registered powers of attorney; and (2) the Secretary or some other persons appointed by the Board for the purpose and the two Directors or their attorneys and the secretary or other persons shall sign the Share Certificate, provided that if the composition of the Board permits, atleast one of the aforesaid two Directors shall be a person other than the Managing Director.

iii. Particulars of every share certificate issued shall be entered in the Register of Members against the name of the person to whom it has been issued, indicating date of issue.

b. Joint ownership of shares

Any two or more joint allottees of shares shall be treated as a single member for the purposes of this article and any share certificate, which may be the subject of joint ownership, may be delivered to any one of such joint owners on behalf of all of them. The Company shall comply with the provisions of Section 113 of the Act.

c. Director to sign Share Certificates

A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means, such as engraving in metal or lithography but not by means of rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other materials use for the purpose.

d. Issue of new certificate in place of one defaced, lost or destroyed or Renewal of Certificates

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new Certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act or rules applicable in this behalf.

The provision of these Articles shall mutatis mutandis apply to debentures of the Company.

e. Renewal of Share Certificate

When a new share certificate has been issued in pursuance of clause(d) of this article, it shall state on the face of it and against the stub or counterfoil to the effect that it is issued in lieu of share certificate No…………. sub-divided/replaced on consolidation of shares.

f. When a new certificate has been issued in pursuance of clause (d) of this Article, it shall state on the face of it against the stub or counterfoil to the effect that it is duplicate issued in lieu of share certificate No……. The word 'Duplicate' shall be stamped or punched in bold letters across the face of the share certificate and when a new certificate has been issued in pursuance of clauses (c), (d), (e) and (f) of this Article, particulars of every such share certificate shall be entered in a Register of Renewed and Duplicate Certificates indicating against it,the names of the persons to whom the certificate is issued, the number and the necessary changes indicated in the Register of Members by suitable cross references in the "remarks" column.

g. All blank forms, share certificates shall be printed only on the authority of a resolution duly passed by the Board.

20. Rules to issue share certificates

The rules under "The Companies (Issue of Share Certificate) Rules, 1960 shall be complied with in the issue, reissue, renewal of share certificates and the format sealing and signing of the certificates and records of the certificates issued shall be maintained in accordance with the said rules. The Company shall keep ready share certificates for delivery within 2 months after allotment.

21. Responsibilities to maintain records

The Managing Director of the Company for the time being or if the Company has no Managing Director, every Director of the Company shall be responsible for maintenance, preservation and safe custody of all books and documents relating to the issue of share certificates.

22. Rights of Joint Holders

If any share stands in the names of two or more persons, the person first named in the Register shall, as regards receipt of dividends or bonus or service of notices and all or any other matter connected with the Company, except voting at meeting and the transfer of the shares be deemed the sole holder thereof but the joint holders of share shall be severally as well as jointly liable for payment of all instalments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

22. Limitation of Time For Issue Of Certificates

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one month of the receipt of app1ication of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the Company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve provided that in respect of a share or shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.

UNDERWRITING & BROKERAGE

23. Commission for placing shares, debentures, etc

a. Subject to the provisions of the Act, the Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely of conditionally) for any shares, debentures, or debenture-stock of the Company or underwriting or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares, debentures or debenture-stock of the Company.

b. The Company may also, in any issue, pay such brokerage as may be lawful.

LIEN

24. Company's lien on shares /debentures

The Company shall have a first and paramount lien upon all the shares /debentures (other that fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at fixed time in respect of such shares/debentures, and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from provisions of this clause.

25. Enforcing lien by sale

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell have served on such member or his representative and default shall have been made by him or them in payment, fulfilment or discharge of such debts, liabilities or engagements for fourteen days after such notice.

26. *Application of sale proceeds*

The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall (subject to a lien for sums not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

27. *Board to have right to make calls on shares*

The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution), make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by instalments.

Provided that the Board shall not give the option or right to call on shares to any person except with the sanction of the Company in General Meeting.

28. *Notice for call*

Fourteen days notice in writing of any call shall be given by the Company specifying the date, time and places of payment and the person or persons to whom such call be paid.

29. *Call when made*

The Board of Directors may, when making a call by resolution, determine the date on which such call shall be deemed to have been made not being earlier than the date of resolution making such call, and thereupon the call shall deemed to have been made on the date so determined and if no such date is so determined a call shall be deemed to have been made at the date when the resolution authorizing such call was passed at the meeting of the Board.

30. *Liability of joint holders for a call*

The joint-holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

31. *Board to extend time to pay call*

The Board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time to all or any of the members The Board may be fairly entitled to grant such extension, but no member shall be entitled to such extension, save as a matter of grace and favour.

32. *Calls to carry Interest*

If a member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at 5% per annum or such lower rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.

33. *Dues deemed to be calls*

Any sum, which as per the terms of issue of a share becomes payable on allotment or at a fixed date whether on account of the nominal value of the share or by way of premium, shall for the purposes of the

Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same may become payable and in case of non payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

34. *Proof of dues in respect of share*

On any trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares it shall be sufficient to prove (i) that the name of the members in respect of whose shares the money is sought to be recovered appears entered in the Register of Members as the holder, at or subsequent to the date on which the money sought to be recovered is alleged to have become due on the shares, (ii) that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the member or his representatives pursuance of these Articles, and (iii) it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive of the debt.

35. *Partial payment not to preclude forfeiture:*

Neither a judgment nor a decree in favour of the Company, for call or other moneys due in respect of any share nor any part payment or satisfaction thereunder, nor the receipt by the Company of a portion of any money which shall, from time to time be due from any member to the Company in respect of his shares either by way of principal or interest, nor any indulgence granted by the Company in respect of the payment of any such money shall preclude the Company from thereafter proceeding to enforce forfeiture of such shares as hereinafter provided.

36. *Payment in anticipation of call may carry interest*

a. The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied 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 provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

b. The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

c. The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

FORFEITURE OF SHARES

37. *Board to have right to forfeit shares:*

If any member fails to pay any call or instalment of a call or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter during such time as the call or instalment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

38. *Notice for forfeiture of shares:*

a. The notice shall name a further day (not earlier than the expiration of fourteen days from the date of notice) and place or places on which such call or instalment and such interest thereon (at such rate as the Directors shall determine from the day on which such call or instalment ought to have been paid) and expenses as aforesaid, are to be paid.

b. The notice shall also state that in the event of the non-payment at or before the time the call was made or instalment is payable the shares will be liable to be forfeited.

39. Effect of forfeiture

If the requirements of any such notice as aforesaid were not complied with, every or any share in respect of which such notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared or any other moneys payable in respect of the forfeited share and not actually paid before the forfeiture.

40. Notice of forfeiture

When any share shall have been so forfeited, notice of the forfeiture shall be given to the member on whose name it stood immediately prior to the forfeiture and any entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Member, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make any such entry as aforesaid.

41. Forfeited share to be the property of the Company

Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allocated or otherwise disposed of either to the original holder thereof or to any other person upon such terms and in such manner as the Board shall think fit.

42. Member to be liable even after forfeiture

Any member whose shares have been forfeited shall, notwithstanding the forfeiture be liable to pay and shall forthwith pay to the Company on demand all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of the forfeiture together with the interest thereon from time to time of the forfeiture until payment at such rates as the Board may determine and the Board may enforce the payment thereof, if it thinks fit.

43. Claims against the Company to extinguish on forfeiture

The forfeiture of a share involves extinction, at the time of the forfeiture of all interest in and all claims and demands against the Company, in respect of the shares and all other rights incidental to the share, except only such of those rights as by these Articles expressly saved.

44. Evidence of forfeiture

A duly verified declaration in writing that the declarant is a Director or Secretary of the Company, and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

45. Effecting sale of shares

Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinafter given, the Board may appoint some person to execute an instrument of transfer of the shares sold, cause the purchaser's name to be entered in the register in respect of the share sold, and the purchaser shall not be bound to see to the regularity of the proceedings or to the application of the purchase money, and after his name has been entered in the Register in respect of such shares, the validity of the sale shall not be impeached by any person.

46. *Certificate of forfeited shares to be void*

Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate or certificates originally issued in respect of the relevant shares shall (unless the same shall on demand by the Company have been previously surrendered to it by the defaulting member) stand cancelled and become null and void and have no effect and the Directors shall be entitled to issue a new certificate or certificates in respect of the said shares to the person or persons entitled thereto.

47. *Board entitled to cancel forfeiture*

The Board may at any time before any share so forfeited shall have them sold, re-allotted or otherwise disposed of, cancel the forfeiture thereof upon such conditions at it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

48. *Register of Transfers*

The Company shall keep a "Register of Transfers" and therein shall be fairly and distinctly entered particulars of every transfer or transmission of any shares.

49. *Endorsement of Transfer*

In respect of any transfer of shares registered in accordance with the provisions of these Articles, the Board may, at their discretion, direct an endorsement of the transfer and the name of the transferee and other particulars on the existing share certificate and authorize any Director or officer of the Company to authenticate such endorsement on behalf of the Company or direct the issue of a fresh share certificate, in lieu of and in cancellation of the existing certificate in the name of the transferee.

50. *Instrument of Transfer*

The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Act, and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. The Company shall use a common form of transfer in all cases.

51. *Executive transfer instrument*

Every such instrument of transfer shall be executed both by the transferor and the transferee and the transferor shall be deemed to remain holder of the shares until the name of the transferee is entered in the register of members in respect thereof. The instrument of transfer shall be in respect same class of shares and should be in the form prescribed under the Act.

52. *Closing Register of transfers and of Members*

The Board shall be empowered, on giving not less than seven days notice by advertisement in a newspaper circulating in the district in which the registered office of the Company is situated, to close the transfer books, the register of members, the register of debenture holders at such time or times, and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty-five days in each year as it may seem expedient.

53. *Directors may refuse to register transfer*

Subject to the provisions of Section 111A of the Act, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Directors may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transfer, as the case may be, was delivered with the Company, send notice of refusal to the transferee and transferor or to the person giving notice of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except when the Company has a lien on the shares.

54. Transfer of partly paid shares

Where in the case of partly paid shares, an application for registration is to be made by the transferor, the Company shall give notice of the application to the transferee in accordance with the provisions of Section 110 of the Act.

55. Survivor of joint holders recognized

In case of the death of any one or more persons named in the Register of Members as the joint-holders of any shares, the survivors shall be the only person recognized by the Company as having any title to or interest in such share but nothing therein contained shall be taken to release the estate of a deceased joint-holder from any liability on shares held by him jointly with any other person.

56. Title to shares of deceased members

The executors or administrators or holders of a Succession Certificate or the legal representatives of a deceased member (not being one or two joint holders) shall be the only person recognized by the Company as having any title to the shares registered in the name of such member, and the Company shall be bound to recognize such executors or administrators or holders of a Succession Certificate or the legal representatives shall have first obtained Probate holders or Letter of Administration or Succession Certificate as the case may be, from a duly constituted Court in the Union of India., Provided that in any case where the Board in its absolute discretion, thinks fit, the Board may dispense with the production of Probate or Letter of Administration or Succession Certificate, upon such terms as to indemnity or otherwise as the Board in its absolute discretion may think necessary and register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member as a member.

57. Transfers not permitted

No share shall in any circumstances be transferred to any infant, insolvent or person of unsound mind, except fully paid shares through a legal guardian.

58. Transmission of shares

Subject to the provisions of these presents, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any members, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence as the Board thinks sufficient, that he sustains the character in respect of which he proposes to act under this Articles, or of his title, either be registering himself as the holder of the shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided, nevertheless, if such person shall elect to have his nominee registered, he shall testify that election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of the shares.

59. Rights on Transmission

A person entitled to a share by transmission shall, subject to the Directors right to retain such dividends or money as hereinafter provided, be entitled to receive and may give discharge for any dividends or other moneys payable in respect of the share.

60. Instrument of transfer to be stamped

Every instrument of transfer shall be presented to the Company duly stamped for registration, accompanied by such evidence as the Board may require to prove the title of the transferor his right to transfer the shares and every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board.

61. Share Certificates to be surrendered

Before the registration of a transfer, the certificate or certificates of the share or shares to be transferred must be delivered to the Company along with (save as provided in Section 108) properly stamped and executed instrument of transfer.

62. No fee on Transfer or Transmission

No fee shall be charged for registration of transfers, transmission, probate, succession certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other documents.

63. *Company not liable to notice of equitable rights*

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the register of members) to the prejudice of persons having or claiming any equitable rights, title or interest in the said shares, notwithstanding that the Company may have had notice of such equitable rights referred thereto in any books of the Company and the Company shall not be bound by or required to regard or attend to or give effect to any notice which may be given to it of any equitable rights, title or interest or be under any liability whatsoever for refusing or neglecting to do so, though it may have been entered or referred to in some book of the Company but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto if the board shall so think fit.

64 **DEMATERIALISATION OF SECURITIES**

i. Definitions: For the purpose of this Article:

"*Beneficial Owner*" means a person whose name is recorded as such with a depository.

"*Bye-Laws*" means Bye-laws made by a Depository under Section 26 of the Depositories Act, 1996.

"*Depositories Act*" means the Depository Act, 1996, including any statutory modifications or re-enactment for the time being in force.

"*Depository*" means a Company formed and registered under the Act and which has been granted a Certificate of Registration under the Securities and Exchange Board of India Act 1992.

"*Member*" means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as beneficial owner in the records of the depository.

"*Participant*" means a person registered as such under Section 12 (1A) of the Securities and Exchange Board of India Act, 1992.

"*Record*" includes the records maintained in form of books or stored in a computer or in such other form as may be determined by the Regulations issued by the Securities and Exchange Board of India in relation to the Depository Act, 1996.

"*Registered Owner*" means a depository whose name is entered as such in the records of the Company.

"*SEBI*" means the Securities and Exchange Board of India

"*Security*" means such security as may be specified by the Securities and Exchange Board of India from time to time.

Words imparting the singular number only includes the plural number and vice versa.

Words imparting persons include corporations.

Words and expressions used and not defined in the Act but defined in the Depositories Act, 1996 shall have the same meaning respectively assigned to them in that Act.

ii. *Company to Recognize Interest In Dematerialized Securities Under The Depositories Act, 1996*

Either the Company or the investor may exercise an option to issue, de-link, hold the securities (including shares) with a depository in Electronic form and the certificates in respect thereof shall be dematerialized, 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, 1996 as amended from time to time or any statutory modification(s) thereto or re-enactment thereof.

iii. *Dematerialisation/Re-Materialisation Of Securities*

Notwithstanding anything to the contrary or inconsistent contained in these Articles, the Company shall be entitled to dematerialize its existing securities, re-materialize its securities held in Depositories and/or offer its fresh securities in the de-materialized form pursuant to the Depositories Act, 1996 and the rules framed there under, if any.

iv. *Option To Receive Security Certificate Or Hold Securities With Depository*

Every person subscribing to or holding securities of the Company shall have the option to receive the security certificate or hold securities with a Depository. Where a person opts to hold a security with the Depository, the Company shall intimate such Depository of the details of allotment of the security and on receipt of such information, the Depository shall enter in its record, the name of the allottees as the beneficial owner of that security.

v. *Securities In Electronic Form*

All securities held by a Depository shall be dematerialized and held in electronic form. No certificate shall be issued for the securities held by the Depository. Nothing contained in Section 153, 153A, 153B, 187 B, 187 C and 372 of the Act, shall apply to a Depository in respect of the securities held by it on behalf of the beneficial owners.

vi. *Beneficial Owner Deemed As Absolute Owner*

Except as ordered by the Court of competent jurisdiction or by law required, the Company shall be entitled to treat the person whose name appears on the register of members as the holders of any share or whose name appears as the beneficial owner of the shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognize any benami, Trust Equity, equitable contingent, future, partial interest, other claim to or interest in respect of such shares or (except only as 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 expressed or implied notice thereof but the Board shall at their sole discretion register any share in the joint names of any two or more persons or the survivor or survivors of them.

vii. *Rights Of Depositories And Beneficial Owners*

Notwithstanding anything to the contrary contained in the Act, 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.

Save as otherwise provided above, the Depository is the registered owner of the securities, and shall not have any voting rights or any other rights in respect of the securities held by it.

Every person holding securities of the Company and whose name is entered as a beneficial owner in the records of the Depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of his securities which are held by a Depository.

viii. *Register And Index Of Beneficial Owners*

The Company shall cause to be kept a Register and Index of members with details of shares and debentures held in materialized and dematerialized forms in any media as may be permitted by law including any form of electronic media.

The Register and Index of beneficial owners maintained by a Depository under the Depositories Act, 1996 shall be deemed to be a Register and Index of members for the purposes of this Act. The Company shall have the power to keep in any state or country outside India a Branch register of Members resident in that State or Country.

ix. *Cancellation Of Certificates Upon Surrender By Person*

Upon receipt of certificate of securities on surrender by a person who has entered into an agreement with the Depository through a participant, the Company shall cancel such certificates and shall substitute in its record, the name of the depository as the Registered owner in respect of the said securities and shall also inform the Depository accordingly.

x. *Service Of Documents*

Notwithstanding anything contained in the Act, or these Articles, to the contrary, where securities are held in a depository, the record of the beneficial ownership may be served by such depository on the Company by means of hard copies or through electronic mode or by delivery of floppies or discs.

xi. *Allotment Of Securities*

Where the securities are dealt within a Depository, the Company shall intimate the details of allotment of relevant securities to the Depository on allotment of such securities.

xii. *Transfer Of Securities*

The Company shall keep a Register of Transfers and shall have recorded therein fairly and distinctly, particulars of every transfer or transmission of any share held in material form. Nothing contained in these Articles shall apply to transfer of securities held in depository.

xiii. Distinctive Number Of Securities Held In A Depository

The shares in the capital shall be numbered progressively according to their several denominations, provided, however that the provisions relating to progressive numbering shall not apply to the share of the Company which are in dematerialized form. Except in the manner provided under these Articles, no share shall be sub-divided. Every forfeited or surrendered share be held in material form shall continue to bear the number by which the same was originally distinguished.

xiv. *Provisions Of Articles To Apply To Shares Held In Depository*

Except as specifically provided in these Articles, the provisions relating to joint holders of shares, calls, lien on shares, forfeiture of shares and transfer and transmission of shares shall be applicable to shares held in Depository so far as they apply to shares held in physical form subject to the provisions of the Depository Act, 1996.

xv. *Depository To Furnish Information*

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 laws and the Company in that behalf.

xvi. *Option To Opt Out In Respect Of Any Such Security*

If a beneficial owner seeks to opt out of a Depository in respect of any security, he shall inform the Depository accordingly. The Depository shall on receipt of such information make appropriate entries in its records and shall inform the Company. The Company shall within 30 (thirty) days of the receipt of intimation from a Depository and on fulfilment of such conditions and on payment of such fees as may be specified by the regulations, issue the certificate of securities to the beneficial owner or the transferee as the case may be.

xvii. *Overriding Effect Of This Article*

Provisions of the Articles will have full effect and force not withstanding anything to the contrary or inconsistent contained in any other Articles of these presents.

65. **NOMINATION FACILITY**

I. Every holder of shares, or holder of debentures of the Company may at any time, nominate, in the prescribed manner a person to whom his shares in or debentures of the Company shall rest in the event of his death.

II. Where the shares in or debentures of the Company or held by more than one person jointly, the joint holders may together nominate in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall rest in the event of death of all the joint holders.

III. Notwithstanding any thing contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise in respect of such shares in or debentures of the Company where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debentures holder of the Company or as the case may be on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or as the case may be all the joint holders in relation to such shares in or debenture of the Company to the exclusion of all the other persons, unless the nomination is varied or cancelled in the prescribed manner.

IV. Where the nominee is a minor it shall be lawful for the holder of shares or debentures, to make the nomination and to appoint in the prescribed manner any person to become entitled to shares in or debentures of the Company in the event of his death in the event of minority of the nominee.

Any person who becomes a nominee by virtue of the provisions of Section 109 A upon the production of such evidence as may be required by the Board and subject as hereinafter provided elect either

a. To be registered himself as holder of the shares or debentures as the case may be, or

b. To make such transfer of the share or debenture as the case may be, as the deceased shareholder or debenture holder, as the case may be could have made.

If the person being a nominee, so becoming entitled, elects to be registered himself as a holder of the share or debenture as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with a Death Certificate of the deceased share holder or debenture holder as the case may be.

All the limitations, restrictions and provisions of this Act, relating to the right to transfer and registration of transfer of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer where a transfer is signed by that shareholder or debenture holder, as the case may be.

A person being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture, except that he shall not, before being registered a member in respect of his share of debenture, be entitled in respect of it to exercise any right conferred by membership in relation to the meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture and if the notice is not complied with within 90 days, the Board may thereafter withhold payments of all dividends, bonus, or other monies payable in respect of the share or debenture, until the requirements of the notice have been complied with.

A Depository may in terms of Section 58 A at any time, make a nomination and above provisions shall as far as may be, apply to such nomination.

*66***.** **BUY BACK OF SHARES**

The Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and subject to such approvals as required under Section 77 A and other applicable provisions of the Act, The Securities and Exchange Board of India Act, 1992 and the Securities and
Exchange Board of India (Buy Back of Securities) Regulations 1998 and any amendments, modification(s), repromulgation (s) or re- enactment(s) thereof.

*67***.** **COPIES OF MEMORANDUM AND ARTICLES TO BE SENT TO MEMBERS**

Copies of the Memorandum and Articles of Association of the Company and other documents referred to in Section 39 of the Act shall be sent by the Company to every member at his request within seven days of the request on payment of such sum as may be prescribed.

SHARE WARRANTS

68. Rights to issue share warrants

a. The Company may issue share warrants subject to, and in accordance with provisions of Section 114 and 115 of the Act.

b. The Board may, in its discretion, with respect to any share which is fully paid up on application in writing signed by the person registered as holder of the share, and authenticated by such evidence (if any) as the Board may from time to time require as to the identity of the person signing the application, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require having been paid, issue a warrant.

69. *Rights of warrant holders*

a. The bearer of the share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right to signing a requisition, for calling a meeting of the Company, and of attending, and voting and exercising other privileges of a member at any meeting held after the expiry of two clear days from time of the deposit, as if his name were inserted in the Register or Members as the holder of the shares included in the deposited warrant.

b. Not more than one person shall be recognized as the depositor of the share warrant.

c. The Company shall, on two days written notice, return the deposited share warrant to the depositor.

*70.*a. Subject as herein otherwise expressly provided, no person shall, as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any other privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.

b. The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the shares included in the warrant, and he shall be member of the Company.

71. Board to make rules

The Board may, from time to time, make rules as to the terms on which it shall think fit, a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

72. *Rights to convert shares into stock & vice-versa*

The Company in General Meeting may, by an Ordinary Resolution, convert any fully paid-up shares into stock and when any shares shall have been converted into stock the several holders of such stock, may henceforth transfer their respective interest therein, or any part of such interest in the same manner and subject to the same Regulations as, and subject to which shares from which the stock arise might have been transferred, if no such conversion had taken place. The Company may, by an Ordinary Resolution reconvert any stock into fully paid up shares of any denomination. Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however such minimum shall not exceed the nominal amount of shares from which the stock arose.

73. *Rights of stock holders*

The holders of stock shall according to the amount of stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose; but no such privileges or advantages (except participation in the dividends and profits of the Company and in the assets on winding-up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred those privileges or advantages.

GENERAL MEETINGS

74. *Annual General Meetings*

The Company shall, in addition to any other meetings hold a General Meeting which shall be called as its Annual General Meeting, at the intervals and in accordance with the provisions of the Act.

75. *Extraordinary General Meetings*

The Board may, whenever it thinks fit, convene an Extraordinary General Meeting at such date, time and at such place as it deems fit, subject to such directions if any, given by the Board.

76. *Extraordinary Meetings on requisition*

The Board shall on, the requisition of members convene an Extraordinary General Meeting of the Company in the circumstances and in the manner provided under Section 169 of the Act.

77. *Notice for General Meetings*

All General Meetings shall be convened by giving not less than twenty- one days notice excluding the day on which the notice is served or deemed to be served (i.e. on expiry of 48 hours after the letter containing the same is posted) and the date of the meeting, specifying the place and hour of the meeting and in case of any special business proposed to be transacted, the nature of that business shall be given in the manner mentioned in Section 173 of the Act. Notice shall be given to all the share-holders and to such persons as are under Act and/or these Articles entitled to receive such notice from the Company but any accidental omission to give notice to or non-receipt of the notice by any member shall not invalidate the proceedings of any General Meeting.

78. *Shorter Notice admissible*

With the consent of all the members entitled to vote, at an Annual General Meeting or with the consent of the members holding 95 percent of such part of the paid-up share capital of the Company as gives a right to vote thereat, any general meeting may be convened by giving a shorter notice than twenty one days.

79. *Special and Ordinary Business*

a. All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of sanctioning of dividend, the consideration of the accounts, balance sheet and the reports of the Directors and Auditors, the election of Directors in place of those retiring by rotation and the appointment of and the fixing up of the remuneration of the auditors.

b. In case of special business as aforesaid, an explanatory statement as required under Section 173 of the Act shall be annexed to the notice of the meeting.

80. *Quorum for General Meeting*

Five members or such other number of members as the law for the time being in force prescribes, shall be entitled to be personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting.

81. *Time for quorum and adjournment*

If within half an hour from the time appointed for a meeting a quorum is not present, the meeting, if called upon the requisition of members, shall be dissolved and in any other case, it shall stand adjourned to the same day in the next week at the same time and place and if at the adjourned meeting also a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be quorum.

82. *Chairman of General Meeting*

The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

83. *Election of Chairman*

If there is no such Chairman or if at any meeting he is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as Chairman, the members present shall choose another Director as Chairman and if no Director be present or if all the Directors decline to take the chair then the members present shall choose someone of their number to be the Chairman.

84. *Adjournment of Meeting*

The Chairman may, with the consent given in the meeting at which a quorum is present (and shall if so directed by the meeting) adjourn that meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When the meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as nearly as may be in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of adjournment of the business to be transacted at an adjourned meeting.

85. *Voting at Meeting*

At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of Section 179 of the Act. Unless a poll is so demanded, a declaration by the Chairman that the resolution had, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution.

86. *Decision by poll*

If a poll is duly demanded, it shall be taken in such manner as the Chairman directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.

87. *Casting vote of Chairman*

In case of equal votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or a casting vote in addition to the vote or votes to which he may be entitled to as a member.

88. *Poll to be immediate*

a. A poll demanded on the election of Chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time not later than forty eight hours from the time of demand as the Chairman of the meeting directs.

b. A demand for a poll shall not prevent the continuance of a Meeting of the transaction of any business other than that on which a poll has been demanded. The demand for a poll may be withdrawn.

89. *Passing resolutions by Postal Ballot*

a. Notwithstanding any of the provisions of these Articles the Company may, and in the case of resolutions relating to such business as notified under the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 to be passed by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in the general meeting of the Company.

b. Where the Company decides to pass any resolution by resorting to postal ballot, it shall follow the procedures as prescribed under section 192A of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, as amended from time.

VOTE OF MEMBERS

90. *Voting rights of Members*

a. On a show of hands every member holding equity shares and present in person shall have one vote.

b. On a poll, every member holding equity shares therein shall have voting rights in proportion to his shares of the paid up equity share capital.

c. On a poll, a member having more than one vote, or his proxy or other persons entitled to vote for him need not use all his votes in the same way.

91. *Voting by joint-holders*

In the case of joint-holders the vote of the first named of such joint holders who tender a vote whether in person or by proxy shall be accepted to the exclusion of the votes of other joint holders.

92. *No right to vote unless calls are paid*

No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him have been paid, or in regard to which the Company has lien and has exercised any right of lien.

93. *Proxy*

On a poll, votes may be given either personally or by proxy.

94. *Instrument of proxy*

The instrument appointing a proxy shall be in writing under the hand of appointer or of his attorney duly authorized in writing or if appointed by a Corporation either under its common seal or under the hand of its attorney duly authorized in writing. Any person whether or not he is a member of the Company may be appointed as a proxy.

The instrument appointing a proxy and Power of Attorney or other authority (if any) under which it is signed must be deposited at the registered office of the Company not less than forty eight hours prior to the time fixed for holding the meeting at which the person named in the instrument proposed to vote, or, in case of a poll, not less than twenty four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

95. The form of proxy shall be two way proxy as given in Schedule IX of the Act enabling the share holder to vote for/against any resolution.

96. *Validity of proxy*

A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death of or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the shares in respect of revocation or transfer shall have been received by the Company at its office before the commencement of the meeting or adjourned meeting at which the proxy is used.

97. *Corporate Members*

Any corporation which is a member of the Company may, by resolution of its Board of Director or other governing body, authorize such person as it thinks fit to act as its representative at any meeting of the Company and the said person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could have exercised if it were an individual member of the Company.

DIRECTOR

98. Number of Directors

Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than twelve, including all kinds of Directors.

99. First Directors

The first Directors of the Company are:

1. V. Balasubramanian
2. Mahesh S. Desai
3. B. Sashikala
4. Neeta M. Desai

100. Share qualification not necessary

Any person whether a member of the Company or not may be appointed as Director and no qualification by way of holding shares shall be required of any Director.

101. Director's power to fill-up casual vacancy

Any casual vacancy occurring in the Board of Directors may be filled up by the Directors, and the person so appointed shall hold office upto the date, upto which Director in whose place he is appointed would have office if it has not been vacated as aforesaid

102. Additional Directors

The Board of Directors shall have power at any time and from time to time to appoint one or more persons as Additional Directors provided that the number of Directors and Additional Directors together shall not exceed the maximum number fixed. An additional Director so appointed shall hold office upto the date of the next Annual general Meeting of the Company and shall be eligible for re-election by the Company at that Meeting.

103. Alternate Director

The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than 3 months form the state in which the meetings of the Board are ordinarily held. An Alternate Director so appointed shall vacate office if and when the original Director return to the state in which the meetings of the Board are ordinarily held. If the terms of the office of the original Director is determined before he so returns to the state aforesaid any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the Alternate Director.

104. Remuneration of Directors

Every Director other than the Managing Director and the Whole-time Director shall be paid a sitting fee not exceeding such sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or any Committee thereof attended by him and shall be paid in addition thereto all travelling, hotel and other expenses properly incurred by him in attending and returning from the meetings of the Board of Directors or any committee thereof or General Meeting of the Company or in connection with business of the Company to and from any place.

105. *Remuneration for extra services*

If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from the town in which the Registered Office of the Company may be situated for any purposes of the Company or in giving any special attention to the business of the Company or as member of the Board, then subject to the provisions of the Act the Board may remunerate the Director so doing either by a fixed sum, or by a percentage of profits or otherwise and such remuneration, may be either in addition to our in substitution for any other remuneration to which he may be entitled.

106. *Continuing Director may act*

The continuing Directors may act notwithstanding any vacancy in the Board but if the number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or for summoning a general meeting of the Company but for no other purpose.

107. *Vacation of office of Director*

The Office of a Director shall be deemed to have been vacated under the circumstances enumerated under Section 283 of the Act.

108. *Equal power to Director:*

Except as otherwise provided in these Articles all the Directors of the Company shall have in all matters equal rights and privileges and be subject to equal obligations and duties in respect of the affairs of the Company.

ROTATION AND RETIREMENT OF DIRECTOR

109 *One-third of Directors to retire every year*

At the Annual General Meeting of the Company to be held in every year, one third of such of the Directors as are liable to retire by rotation for time being, or, if their number is not three or a multiple of three then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the Managing Director or Whole time Director, appointed or the Directors appointed as a Debenture Director and Special Director under Articles hereto shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one third shall retire from office under this Article.

110 *Retiring Directors eligible for re-election*

A retiring Director shall be eligible for re-election and the Company, at the Annual General Meeting at which a Director retires in the manner aforesaid may fill up the vacated office by electing a person thereto.

111 *Which Director to retire*

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lots.

112 *Retiring Director to remain in office till successors appointed*

Subject to the provisions of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating Director(s) is not filled up and the meeting has not expressly resolved not to fill up the vacancy and not to appoint the retiring director, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of the returning Director(s) is not filled up and the meeting has also not expressly resolved not to fill up the vacancy, then the retiring Director(s) or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned Meeting.

113 *Increase or reduction in the number of Directors*

Subject to the provisions of Section 252, 255, 259 of the Act, the Company in General Meeting may by Ordinary Resolution increase or reduce the number of its Directors.

114 *Power to remove Director by ordinary resolution*

Subject to the provisions of the Act, the Company may by an ordinary resolution in General Meeting remove any Director before the expiration of his period of office and may, by an ordinary resolution, appoint another person instead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected as Director.

115 *Right of persons other than retiring Directors to stand for Directorship*

A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as a Director not less than 14 days before the meeting has left at the office of the Company, a notice in writing under his hand signifying his candidature for the office of the Director or the intention of such member to propose him as a candidate for that office as the case may be, along with the prescribed deposit amount which shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as Directors.

116 Subject to the provisions of Section 297, 299, 300, 302 and 314 of the Act, the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or otherwise nor shall any such contract, or arrangement entered into by or on behalf of the Company with such Director or with any Company or partnership in which he shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of fiduciary relation thereby established but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest.

117 *Directors not liable for retirement*

The Company in General Meeting may, when appointing a person as a Director declare that his continued presence on the Board of Directors is of advantage to the Company and that his office as Director shall not be liable to be determined by retirement by rotation for such period until the happening of any event of contingency set out in the said resolution.

118 *Director for subsidiary Company*

Directors of this Company may be or become a Director of any Company promoted by this Company or in which it may be interested as Vendor, Shareholder or otherwise and no such Director shall be accountable for any benefits received as a Director or member of such Company.

119 *Meetings of the Board*

a. The Board of Directors shall meet at least once in every three calendar months for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit provided that at least four such meetings shall be held in every year.

b. The Managing Director may, at any time summon a meeting of the Board and the Managing Director or a Secretary or a person authorised in this behalf on the requisition of Director shall at any time summon a meeting of the Board. Notice in writing of every meeting of the Board shall be given to every Director for the time being in India, and at his usual address in India to every other Director.

120 Quorum

The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher, provided that where at any time the number of interested Directors is equal to or exceeds two-thirds of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time, The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting, that is to say, the total strength of Board after deducting therefrom the number of Directors, if any, whose places are vacant at the time.

121 Questions how decided

a. Save as otherwise expressly provided in the Act, a meeting of the Board for the time being at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under the Regulations of the Company for the time being vested in or exercisable by the Directors generally and all questions arising at any meeting of the Board shall be decided by a majority of the Board.

b. In case of an equality of votes, the Chairman shall have second or casting vote in addition to his vote as Director.

122 Right of continuing Directors when there is no quorum

The continuing Directors may act notwithstanding any vacancy in the Board but if and so long as their number is reduced below three, the continuing Directors or Director may act for the purpose of increasing the number of Directors to three or of summoning a General Meeting of the Company but for no other purpose.

123 Election of Chairman of Board

a. The Board may elect a Chairman of its meeting and determine the period for which he is to hold office.

b. If no such Chairman is elected or at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting the Directors present may choose one among themselves to b the Chairman of the Meeting.

124 Delegation of Powers

a. The Board may, subject to the provisions of the Act, delegate any of its powers to committees consisting of such members of its body as it thinks fit.

b. Any committee so formed shall, in the exercise of the power so delegated conform to any regulations that may be imposed on it by the Board.

125 Election of Chairman of Committee

a. If the Chairman of the Board is a member of the Committee, he shall preside over all meetings of the Committee, if the Chairman is not a member thereof, the committee may elect a Chairman of its meeting. If no such Chairman is elected or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the members present may choose one among themselves to be the Chairman of the Meeting.

b. The quorum of a committee may be fixed by the Board of Director

126 Questions how determined

a. A committee may meet and adjourn as it thinks proper.

b. Questions arising at any meeting of a committee shall be determined by the sole member of the committee or by a majority of votes as the members present as the case may be and in case of an equality of vote the Chairman shall have a second or casting vote, in addition to his vote as a member of the committee.

127 Validity of acts done by Board or a Committee

All acts done by any meeting of the Board, of a committee thereof, or by any person acting as a Director shall notwithstanding that it may be afterwards discovered that there was some defect in the appointment of any one or more of such Directors or of any person acting as aforesaid or that they or any of them were disqualified be as valid as if even such Director or such person has been duly appointed and was qualified to be a Director.

128 Resolution by Circulation

Save as otherwise expressly provided in the Act, a resolution in writing circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the committee then in India, not being less in number than the quorum fixed of the meeting of the Board or the Committee, as the case may be and to all other Directors or members at their usual address in India and approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote at the resolution shall be valid and effectual as it had been a resolution duly passed at a meeting of he Board or committee duly convened and held.

129.a. The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under the Act raise any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not, without the sanction of the Company at a General Meeting, exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specifies purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company, by the issue of debentures, perpetual or otherwise, including debenture convertible into shares of this or any other Company or perpetual annuities and to secure any such money so borrowed, raised or received mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.
Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated shall specify the total amount upto which moneys may be borrowed by the Board Directors.

b. The Directors may by resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of Directors or the Managing Director, if any, within the limits prescribed.

c. Subject to provisions of the above sub-clause, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the purposes of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think, fit and in particular, by promissory notes or by receiving deposits and advances with or without security or by the issue of bonds, perpetual or redeemable debentures (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as they may seem expedient.

d. To the extent permitted under the applicable law and subject to compliance with the requirements thereof, the Directors shall be empowered to grant loans to such entities at such terms as they may deem to be appropriate and the same shall be in the interests of the Company.

130. Assignment of debentures

Such debentures, debenture-stock, bonds or other securities may be assignable free from any equities between the Company and the person to whom the same may be issued.

131. Terms of Issue of Debentures

Any debentures, debenture stock, or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawings, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise, Debentures with a right of conversion into or allotment of shares shall be issued only with the consent of the Company in a General Meeting by a Special Resolution.

132. Debenture Directors

Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any Directors so appointed. A Director appointed under this Article is herein referred to as a “Debenture Director” and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares, not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

133. Nominee Directors

a. So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by the Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects or each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the Company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished on behalf of the Company remains outstanding, and if the loan or other agreement with such corporation so provides, the corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole- time or non whole- time (which Director or Director/s is/are hereinafter referred to as “Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).

b. The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

c. The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as they holds or continues to hold Debentures/shares in the

Company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall vacate such office immediately on the moneys owing by the Company to the Corporation are paid off or they ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished.

d. The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.

e. The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the nominee appointer and same shall accordingly be paid by the Company directly to the Corporation.

f. Provided that the sitting fees, in relation to such Nominee Director/s shall also accrue to the appointer and same shall accordingly be paid by the Company directly to the appointer.

134. Register of Charges

The Directors shall cause a proper register to be kept, in accordance with the Act, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified.

135. Subsequent assigns of uncalled capital

Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same, subject to such prior charges and shall not be entitled to obtain priority over such prior charge.

136. Charge in favour of Director for Indemnity

If the Director or any person, shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.

137. Powers to be exercised by Board only by Meeting

a. The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board:

i. Power to make calls on shareholders in respect of moneys unpaid on their shares;
ii. Power to issue debentures;
iii. Power to borrow money otherwise than on debentures:
iv. Power to invest the funds of the Company;
v. Power to make loans.

b. The Board of Directors may by a meeting delegate to any committee or the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above.

c. Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount upto which moneys may be borrowed by the said delegate.

d. Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, upto which the fund may invested and the nature of the investments which may be made by the delegate.

e. Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount upto which the loans may be made by the delegate, the purposes for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases.

MANAGING DIRECTOR(S)/ WHOLE-TIME DIRECTOR(S)

138.a. The Board may from time to time and with such sanction of the Central Government as may be required by the Act, appoint one or more of the Directors to the office of the Managing Director or whole-time Directors.

b. The Directors may from time to time resolve that there shall be either one or more Managing Directors or Whole time Directors.

c. In the event of any vacancy arising in the office of a Managing Director or Whole-time Director, the vacancy shall be filled by the Board of Directors subject to the approval of the members.

e. If a Managing Director or whole time Director ceases to hold office as Director, he shall ipso facto and immediately cease to be Managing Director/whole time Director.

f. The Managing Director or whole time Director shall not be liable to retirement by rotation as long as he holds office as Managing Director or whole-time Director.

139. Powers and duties of Managing Director or whole-time Director

The Managing Director/Whole-time Director shall subject to the supervision, control and direction of the Board and subject to the provisions of the Act, exercise such powers as are exercisable under these presents by the Board of Directors, as they may think fit and confer such power for such time and to be exercised as they may think expedient and they
may confer such power either collaterally with or to the exclusion of any such substitution for all or any of the powers of the Board of Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any such powers. The Managing Directors/ whole time Directors may exercise all the powers entrusted to them by the Board of Directors in accordance with the Board's direction.

140. Remuneration of Managing Directors/whole time Directors

Subject to the provisions of the Act and subject to such sanction of Central Government\Financial Institutions as may be required for the purpose, the Managing Directors\whole-time Directors shall receive such remuneration (whether by way of salary commission or participation in profits or partly in one way and partly in another) as the Company in General Meeting may from time to time determine.

141. Reimbursement of expenses

The Managing Directors\whole-time Directors shall be entitled to charge and be paid for all actual expenses, if any, which they may incur for or in connection with the business of the Company. They shall be entitled to appoint part time employees in connection with the management of the affairs of the Company and shall be entitled to be paid by the Company any remuneration that they may pay to such part time employees.

142. Business to be carried on by Managing Directors/ Whole time Directors

a. The Managing Directors\whole-time shall have subject to the supervision, control and discretion of the broad, the management of the whole of the business of the Company and of all its affairs and shall exercise all powers and perform all duties in relation to the Management of the affairs and transactions of Company, except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General Meeting or by Board of Directors and also subject to such conditions or restriction imposed by the Act or by these presents.

b. Without prejudice to the generally of the foregoing and subject to the supervision and control of the Board of Directors, the business of the Company shall be carried on by the Managing Director/ Whole time Director and he shall have all the powers except those which are by law or by these presents or by any resolution of the Board required to be done by the Company in General Meeting or by the Board.

c. The Board may, from time to time delegate to the Managing Director or Whole time Director such powers and duties and subject to such limitations and conditions as they may deem fit. The Board may from time to time revoke, withdraw, alter or vary all or any of the powers conferred on the Managing Director or Whole time Director by the Board or by these presents.

COMMON SEAL

143 Custody of Common Seal

The Board shall provide for the safe custody of the Common Seal for the Company and they shall have power from time to time to destroy the same and substitute a new seal in lieu thereof; and the Common Seal shall be kept at the Registered Office of the Company and committed to the custody of the Managing Director or the Secretary if there is one.

143 Seal how affixed

The seal shall not be affixed to any instrument except by authority of a resolution of the Board or a committee of the Board authorised by it in that behalf, and except in the presence of atleast one Director and of the secretary or such other person as the Board may appoint for the purpose. Every deed or other instrument to which the seal is required to be affixed shall, unless the same is executed by a duly constituted attorney for the
Company, be signed by that Director and of the secretary or such other person aforesaid in whose presence the seal shall have been affixed provided nevertheless that any instrument bearing the seal of the Company and issued for valuable consideration shall be binding on the Company notwithstanding any irregularity touching the authority issuing the same.

143 Right to dividend

a. The profits of the Company, subject to any special rights, relating thereto created or authorized to be created by these presents and subject to the provisions of the presents as to the Reserve Fund, shall be divisible among the members in proportion to the amount of capital paid up on the shares held by them respectively and the last day of the year of account in respect of which such dividend is declared and in the case of interim dividends on the close of the last day of the period in respect of which such interim dividend is paid.

b. Where capital is paid in advance of calls, such capital shall not, confer a right to participate in the profits.

143 Declaration of Dividends

The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

143 Interim Dividends

The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company.

143 Dividends to be paid out of profits

No dividend shall be payable except out of the profits of the year or any other undistributed profits except as provided by Section 205 of the Act.

144. *Reserve Funds*

a. The Board may, before recommending any dividends, set aside out of the profits of the Company such sums as it thinks proper as a reserve or reserves which shall at the discretion of the Board, be applied for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing dividends and pending such application, may, at the like discretion either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Board may, from time to time think fit.

b. The Board may also carry forward any profits when it may think prudent not to appropriate to Reserves.

145. *Deduction of arrears*

The Board may deduct from any dividend payable to any members all sums of money, if any, presently payable by him to the Company on account of the calls or otherwise in relation to the shares of the Company.

146. *Adjustment of dividends against calls*

Any General Meeting declaring a dividend may make a call on the members as such amount as the meeting fixed, but so that the call on each member shall not exceed the dividend payable to him and so that the call be made payable at the same time as the dividend and the dividend may, if so arranged between the Company and the members be set off against the call.

152. *Receipt of joint holder*

Any one of two or more joint holders of a share may give effectual receipt for any dividends, or other moneys payable in respect of such shares.

153. *Notice of dividends*

Notice of any dividend that may have been declared shall be given to the persons entitled to share thereto in the manner mentioned in the Act.

147. *Dividends not be bear interest*

No dividends shall bear interest against the Company.

155. *Transfer of shares not to pass prior to dividends*

Subject to the provisions of Section 206 A of the Act, any transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer.

156. *Unpaid or Unclaimed Dividend*

a. Where the Company has declared a dividend but which has not been paid or claimed within 30 days from the date of declaration, the Company shall transfer the total amount of dividend which remains unpaid or unclaimed within the said period of 30 days, to a special account to be opened by the Company in that behalf in any scheduled bank called "Virgo Unpaid Dividend Account ".

b. Any money transferred to the unpaid dividend account of the Company which remains unpaid or unclaimed for a period of seven years from the date of such transfer, shall be transferred by the Company to the Fund known as Investors Education and Protection Fund established under section 205C of the Act.

c. No unclaimed or unpaid dividend shall be forfeited by the Board.

CAPITALISATION OF PROFITS

157. Capitalisation of Profits

a. The Company in General Meeting, may, on recommendation of the Board resolve:

i. That it is desirable to capitalizate any part of the amount for the time being standing to the credit of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution; and

ii. That such sum be accordingly set free for distribution in the manner specified in the sub-clause (b) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

b. The sum aforesaid shall not be paid in cash but shall be applied, either in or towards:

i. Paying up any amounts for the time being unpaid on shares held by such members respectively

ii. Paying up in full, unissued share of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or

iii. Partly in the way specified in sub-clause (i) and partly that specified in sub clause (ii).

c. The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

d. A share premium account and a capital redemption reserve account may, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.

158. Power of Directors for declaration of bonus issue

a. Whenever such a resolution as aforesaid shall have been passed, the Board shall:

i. make all appropriations and applications of the undivided profits resolved to be capitalized thereby and all allotments and issues of fully paid shares, if any, and

ii. generally do all acts and things required to give effect thereto.

b. The Board shall have full power:

i. to make such provisions, by the issue of fractional certificates or by payments in cash or otherwise as it thinks fit, in the case of shares or debentures becoming distributable in fraction; and also

ii. to authorize any person, on behalf of all the members entitled thereto, to enter into an agreement with the Company providing for the allotment to such members, credited as fully paid up, of any further shares or debentures to which they may be entitled upon such capitalization or (as the case may require) for the payment of by the Company on their behalf, by the application thereto of their respective proportions of the profits resolved to the capitalised of the amounts or any parts of the amounts remaining unpaid on the shares.

c. Any agreement made under such authority shall be effective and binding on all such members.

ACCOUNTS

159. Books of Account to be kept

a. The Board of Directors shall cause true accounts to be kept of all sums of money received and expended by the Company and the matters in respect of which such receipts and expenditure takes place, of all sales and purchases of goods by the Company, and of the assets, credits and liabilities of the Company.

b. If the Company shall have a Branch Office, whether in or outside India, proper books of account relating to the transactions effected at the office shall be kept at that office, and proper summarized returns made upto date at intervals of not more than three months, shall be sent by Branch Office to the Company at its registered office or to such other place in India, as the Board thinks fit where the main books of the Company are kept.

1. All the aforesaid books shall give a fair and true view of the affairs of the Company or of its Branch Office, as the case may be with respect to the matters aforesaid, and explain its transactions.

160. Where Books of accounts to be kept

The Books of Account shall be kept at the Registered Office or at such other place in India as the Directors think fit.

161. Inspection by Members

No member (not being a Director) shall have any right of inspecting any account or books or documents of the Company except as conferred by statute.

162. Boards Report to be attached to Balance Sheet

a. Every Balance Sheet laid before the Company in General Meeting shall have attached to it a report by the Board of Directors with respect to the state of the Company's affairs, the amounts if any, which it proposes to carry to any Reserves in such Balance Sheet; and the amount, if any which it recommends to be paid by way of dividend, material changes and commitments, if any, effecting the financial positions of the Company which have occurred between the end of the financial year of the Company to which the Balance Sheet related and the date of report.

b. The report shall, so far as it is material for the appreciation of the state of the Company's affairs by its members and will not in the Board's opinion be harmful to the business of the Company or any of its subsidiaries deal with any changes which have occurred during the financial year in the nature of the Company's business, or in the Company's subsidiaries or in nature of the business carried on by them and generally in the classes of business in which the Company has an interest.

c. The Boards Report shall also include a statement showing the name of every employee of the Company who was in receipt of such sum as remuneration as may be prescribed by the Act or the Central Government from time to time during the year to which the Report pertains.

d. The Board shall also give the fullest information and explanation it its report in cases falling under the proviso to Section 222 on every reservation, qualification or adverse remark contained in the auditors Report.

e. The Board shall have the right to charge any person being a Director with a duty of seeing that the provisions of sub-clauses (1) to (3) of this Article are complied with.

AUDIT

163. Accounts to be audited

Every Balance Sheet and Profit & Loss Account shall be audited by one or more Auditors to be appointed as hereinafter set out.

a. The Company at the Annual General Meeting in each year shall appoint an Auditor or Auditors to hold office from the conclusion of that meeting until conclusion of the next Annual General Meeting and every Auditor so appointed shall be intimated of his appointment within seven days.

b. Where at an Annual General Meeting, no Auditors are appointed, the Central Government may appoint a person to fill the vacancy.

c. The Company shall within seven days of the Central Government's power under sub clause (c.) becoming exercisable, give notice of that fact to the Government.

d. The Directors may fill any casual vacancy in the office of an Auditor but while any such vacancy continues, the remaining auditors (if any) may act. Where such a vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in General Meeting.

e. A person, other than a retiring Auditor, shall not be capable of being appointed at an Annual General Meeting unless special notice of a resolution of appointment of that person to the office of Auditor has been given by a member to the Company not less than fourteen days before the meeting in accordance with Sec. 190 and the Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the members in accordance with provisions of Sec. 190 and all the other provision of Section 225 shall apply in the matter. The provisions of this sub-clause shall also apply to a resolution that a retiring auditor shall not be re-appointed.

f. The persons qualified for appointment as Auditors shall be only those referred to in Section 226 of the Act.

g. None of the persons mentioned in Section 226 of the Act as are not qualified for appointment as auditors shall be appointed as Auditors of the Company.

164. Audit of Branch Offices

The Company shall comply with the provisions of the Act in relation to the audit of the accounts of Branch Offices of the Company.

165. Remuneration of Auditors

The remuneration of the Auditors shall be fixed by the Board as authorized in General Meeting from time to time.

166. Service of document on the Company

A document may be served on the Company or an officer by sending it to the Company or officer at Registered Office of the Company by post under a certificate of posting or by Registered Post, or by leaving it at the Registered Office.

SERVICE OF DOCUMENTS AND NOTICE

167. How Document is to be served on members

a. A document (which expression for this purpose shall be deemed to have included and include any summons, notice requisition, process order, judgment or any other document in relation to or in winding up of the Company) may be served or sent to the Company on or to any member either personally or by sending it by post to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the service of notice to him.

b. All notices shall, with respect to any registered share to which persons are entitled jointly, be given to whichever of such persons is named first in the Register and the notice so given shall be sufficient notice to all the holders of such share.

c. *Where a document is sent by post*

i. Service thereof shall be deemed to be effected by properly addressing, paying and posting a letter containing the notice provided that where a member has intimated to the Company in advance that documents should be sent to him under a certificate of posting or by registered post without acknowledgement due and has deposited with the Company a sum sufficient to defray expenses of doing so, service of the documents shall not be deemed to be effected unless it is sent in the manner intimated by the member, and

ii. Unless the contrary is provided, such service shall be deemed to have been effected:

a. In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and

b. In any other case, at the time at which the letter would be delivered in ordinary course of post.

168. Members to notify address in India

Each registered holder of shares from time to time notify in writing to the Company such place in India to be registered as his address and such registered place of address shall for all purposes be deemed to be his place or residence.

169. Service on members having no registered address

If a member has no registered address in India, and has not supplied to the Company and address within India, for the giving of the notices to him, a document advertised in a newspaper circulating in the neighborhood of Registered Office of the Company shall be deemed to be duly served to him on the day of which the advertisement appears.

170. Service on persons acquiring shares on death or insolvency of members

A document may be served by the Company on the persons entitled to a share in consequence of the death or insolvency of a member by sending it through the post in a prepaid letter addressed to them by name or by the title or representatives of the deceased, assignees of the insolvent by any like description at the address (if any) in India supplied for the purpose by the persons claiming to be so entitled, or (until such an address has been so supplied) by serving the document in any manner in which the same might have been served as if the death or insolvency had not occurred.

171. Persons entitled to notice of General Meetings

Subject to the provisions of the Act and these Articles, notice of General Meeting shall be given:

i. To the members of the Company as provided by these presents

ii. To the persons entitled to a share in consequence of the death or insolvency of a member.

iii. To the Auditors for the time being of the Company; in the manner authorized by as in the case of any member or members of the Company.

172. Notice by advertisement

Subject to the provisions of the Act any document required to be served or sent by the Company on or to the members, or any of them and not expressly provided for by these presents, shall be deemed to be duly served or sent if advertised in a newspaper circulating in the District in which the Registered Office is situated.

173. Members bound by document given to previous holders

Every person, who by the operation of law, transfer or other means whatsoever, shall become entitled to any shares shall be bound by every document in respect of such share which, previously to his name and address being entered in the register, shall have been duly served on or sent to the person from whom he derived his title to such share.

174. Any notice to be given by the Company shall be signed by the Managing Director or by such Director or Officer as the Directors may appoint. The signature to any notice to be given by the Company may be written or printed or lithographed.

AUTHENTICATION OF DOCUMENTS

175. Authentication of documents and proceedings

Save as otherwise expressly provided in the Act or these Articles, a document or proceeding requiring authentication by the Company may be signed by a Director, the Managing Director, the Manager, the Secretary or an authorized officer of the Company and need not be under its seal.

WINDING UP

176. Application of assets

Subject to the provisions of the Act as to preferential payment the assets of the Company shall, on its winding up, be applied in satisfaction of its liabilities pari passu and, subject to such application shall be distributed among the members according to their rights and interests in the Company.

177. Division of assets of the Company in specie among members

If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with sanction of a special resolution divide among the contributories in specie or kind any part of the assets of the Company and any with like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories of any of them, as the liquidators with the like sanction shall think fit, in case any share to be divided as aforesaid involve as liability to calls or otherwise any persons entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing, direct the liquidators to sell his proportion and pay them the net proceeds, and the liquidators shall, if practicable, act accordingly.

INDEMNITY AND RESPONSIBILITY

178. Director's and others' right to indemnity

a. Subject to the provisions of the Act, the Managing Director and every Director, Manager, Secretary and other Officer or Employee of the Company shall be indemnified by the Company against any liability and it shall be the duty of Directors, out of the funds of the Company to pay, all costs and losses and expenses (including traveling expenses) which any such Director, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Managing Director, Director, Officer or Employee or in any way in the discharge of his duties.

b. Subject as aforesaid the Managing Director and every Director, Manager, Secretary or other Officer or Employee of the Company shall be indemnified against any liability incurred by them or in defending any proceeding whether civil or criminal in which judgment is given in their or his favour or in which he is acquitted or discharged or in connection with any application under Sec. 633 of the Act in which relief is given to him by the Court.

179. *Not responsible for acts of others*

a. Subject to the provisions of Sec. 201 of the Act no Director or other Officer of the Company shall be liable for the acts, receipt, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person, Company or Corporation, with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or over sight in his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office of in relation thereto, unless the same happens through his own willful act or default.

b. Without prejudice to the generality foregoing it is hereby expressly declared that any filing fee payable or any document required to be filed with Register of Companies in respect of any act done or required to be done by any Director or other Officer by reason of his holding the said office, shall be paid and borne by the Company.

SECRECY CLAUSE

180. *Secrecy*

No member shall be entitled to inspect the Company's works without the permission of the Managing Director or to require discovery of any information respectively any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, history of trade or secret process which may be related to the conduct of the business of the Company and which in the opinion of the Managing Director it will be inexpedient in the interest of the members of the Company to communicate to the public.

181. *Duties of Officers to observe secrecy*

Every Director, Managing Directors, Manager, Secretary, Auditor, Trustee, Members of Committee, Officer, Servant, Agent, Accountant or other persons employed in the business of the Company shall, if so required by the Director before entering upon his duties, or any time during his term of office, sign a declaration pledging himself to observe secrecy relating to all transactions of the Company and the state of accounts and in matters relating thereto and shall by such declaration pledge himself not to reveal any of such matters which may come to his knowledge in the discharge of his official duties except which are required so to do by the Directors or any meeting or by a Court of Law and except so far as may be necessary in order to comply with any of the provision of these Articles or law.

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 our Company or entered into more than two years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or to be entered into by our Company. These contracts, copies of which have been attached to the copy of this Draft Red Herring Prospectus, delivered to the Registrar of Companies, Maharashtra, Pune for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered office of our Company from 10.00 am to 4.00 pm on working days from the date of the Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Engagement Letter to the BRLMs from our Company and the Selling Shareholders appointing them as the BRLMs.
2. Issue Agreement dated July 6, 2010 among our Company, the Selling Shareholders and and the BRLMs.
3. Memorandum of Understanding dated July 6, 2010 among our Company, the Selling Shareholders and Registrar to the Issue.
4. Selling Shareholder Escrow Agreement dated [●] among our Company, the Selling Shareholders and Registrar to the Issue.
5. Escrow Agreement dated [•], 2010 among our Company, the BRLMs, the Escrow Banks, and the Registrar to the Issue.
6. Syndicate Agreement dated [•], 2010 among our Company and the BRLMs.
7. Underwriting Agreement dated [•], 2010 among our Company and the BRLMs.

Material Documents

1. Our Memorandum and Articles of Association, as amended from time to time.
2. Our Certificate of Incorporation.
3. Fresh certificate of incorporation consequent on change of name on conversion of Company from private to public limited company.
4. Board resolutions in relation to the Issue.
5. Shareholders' resolutions in relation to the Issue.
6. Certificates from Ramesh Ramu, chartered accountants dated July 6, 2010 certifying capital expenditure already incurred from internal accruals, in relation to the objects of the Issue.
7. Auditors report dated June 30, 2010 on Restated Financial Statements,
8. Statement of Tax Benefits dated June 30, 2010.
9. Share Purchase, Share Subscription and Shareholders Agreement dated August 24, 2006, entered into with Tano Mauritius India FVCI, clarificatory letter dated November 17, 2007 and Agreement dated June 18, 2010.
10. Approval from the FIPB dated [●].
11. Approval from the RBI dated [●].
12. Copies of annual reports of our Company for the last five financial years.
13. Consent of S.R. Batliboi & Associates, Chartered Accountants, for inclusion of its reports on the Restated Financial Statements as at and for the Fiscal 2010, 2009, 2008, 2007 and 2006.
14. Consents of Bankers to the Company, BRLMs, IPO Grading Agency, Registrar to the Issue, Escrow

Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Company and the BRLMs, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

15. Certificate by Ramesh Ramu dated July 6, 2010 in relation to certificate on end use of loans proposed to be repaid out of issue proceeds.

16. Initial listing applications dated [●] and [●] filed with BSE and NSE respectively.

17. In-principle listing approval dated [●] and [●], from BSE and NSE respectively.

18. Tripartite Agreement among NSDL, our Company and the Registrar to the Issue dated [●].

19. Tripartite Agreement among CDSL, our Company and the Registrar to the Issue dated [●].

20. Due diligence certificate dated July 8, 2010 to SEBI from the BRLMs.

Any of the contracts or documents mentioned in this Draft 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

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Mahesh Desai

V. Balasubramanian

Jagdish Desai

Kishore Kulkarni

Hetal Gandhi

N. Venkiteswaran

Dr. Dhananjay Kelkar

Rajaram Ajgaonkar

Manu Parpia

Abhay Nalawade

Dheerendra Joshi

Signed by the Company Secretary and Compliance Officer

Manoj Kohok

Signed by the Executive Director – Finance

Paresh Rajda

Date: July 8, 2010

Place: Pune, Maharashtra

DECLARATION OF THE SELLING SHAREHOLDER

We, the Selling Shareholders, certify that the statements made by the Selling Shareholders in this Draft Red Herring Prospectus about or in relation to the Selling Shareholders and their Equity Shares being offered pursuant to the Offer for Sale are true and correct.

SIGNED BY THE SELLING SHAREHOLDERS