

DRAFT RED HERRING PROSPECTUS

Dated [●], 2006

Please read section 60B of the Companies Act, 1956
(The Draft Red Herring Prospectus will be updated upon filing with the RoC)
100% Book Building Offer



(Our Company was incorporated as Mineral Sales Private Limited on October 18, 1961 under the Companies Act, 1956. The word 'private' in the name of our Company was deleted with effect from July 1, 1997 pursuant to Section 43A(1A) of the Companies Act, 1956. The name of our Company was subsequently changed to MSPL Limited by a special resolution of our members passed at the extra ordinary general meeting on November 16, 1998. The fresh certificate of incorporation consequent upon the change of name was granted on December 15, 1998, by the Registrar of Companies, Maharashtra at Mumbai. Our Company became a public limited company pursuant to a special resolution of our shareholders passed at the extra ordinary general meeting on December 11, 2000.)

Registered Office: Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020, India

Tel: (91 22) 2203 0989; Fax: (91 22) 2413 3766

Corporate Office: Nehru Co-operative Colony, Hospet 583 203, Karnataka, India

Tel: (91 8394) 232 003; Fax: (91 8394) 232 333

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Contact Person/Compliance Officer: Srikar Bhattbhatt

PUBLIC OFFER OF 13,356,522 EQUITY SHARES OF RS. 5 EACH THROUGH OFFER FOR SALE BY MR. NARENDRAKUMAR A. BALDOTA, MR. RAHULKUMAR N. BALDOTA, MR. SHRENIKKUMAR N. BALDOTA, MRS. LAVINA R. BALDOTA AND MRS. VASANTI A. BALDOTA (THE "SELLING SHAREHOLDERS") FOR CASH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) AGGREGATING RS. [●] MILLION (HEREINAFTER REFERRED TO AS THE "OFFER").

THE OFFER SHALL HAVE A GREEN SHOE OPTION OF 2,003,478 EQUITY SHARES OF RS. 5 EACH AT A PRICE OF Rs. [●] PER EQUITY SHARE FOR CASH AGGREGATING Rs. [●] MILLION. THE OFFER WOULD CONSTITUTE 17.39% OF THE FULLY DILUTED POST OFFER PAID-UP CAPITAL OF MSPL LIMITED ("COMPANY"), ASSUMING NO EXERCISE OF THE GREEN SHOE OPTION AND UP TO 20.00% ASSUMING THE GREEN SHOE OPTION IS EXERCISED IN FULL

PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE OF FACE VALUE RS. 5 EACH.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 5 AND THE FLOOR PRICE IS [●] TIMES THE FACE VALUE AND THE CAP PRICE IS [●] TIMES THE FACE VALUE

THE OFFER SIZE IS SUBJECT TO CHANGE AS A RESULT OF ANY PRE-OFFER PRIVATE PLACEMENT BY THE SELLING SHAREHOLDERS

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

In terms of Rule 19 (2)(b) of the SCRR (as defined herein), this being an Offer for less than 25% of the post-Offer capital, the Offer is being made through the 100% Book Building Process wherein at least 60% of the Offer will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. If at least 60% of the Offer cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

RISK IN RELATION TO THE FIRST OFFER

This being the first public Offer 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. 5 per Equity Share and the Offer Price is [●] times the face value. The Offer Price (as determined by the Selling Shareholders, in consultation with the Book Running Lead Manager and Senior Co-Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares offered by way of book building) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing. We and the Selling Shareholders have not opted for the grading of this Offer from a SEBI registered credit rating agency.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Offer 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 Offer. For taking an investment decision, investors must rely on their own examination of the Offer and the Offer including the risks involved. The Equity Shares offered in the Offer 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 the section titled "Risk Factors" beginning on page 9.

SELLING SHAREHOLDERS AND COMPANY'S ABSOLUTE RESPONSIBILITY

The Selling Shareholders and the Company 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 Offer, which is material in the context of the Offer, 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 BSE and the NSE. We have received in-principle approval from BSE and NSE for the listing of our Equity Shares pursuant to letters dated [●] and [●], respectively. For purposes of this Offer, the Designated Stock Exchange is the BSE.

BOOK RUNNING LEAD MANAGER**SENIOR CO - BOOK RUNNING LEAD MANAGER****REGISTRAR TO THE OFFER**

DSP Merrill Lynch Limited
Mafatlal Centre, 10th Floor
Nariman Point
Mumbai 400 021 India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1182
Email: msp1_offer@ml.com
Website: www.dspml.com
Contact Person: Mr. N.S. Shekhar

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021 India
Tel: (91 22) 5634 1100
Fax: (91 22) 2284 0492
Email: msp1.offer@kotak.com
Website: www.kotak.com
Contact Person: Mr. Sunil Amin

Karvy Computershare Private Limited
"Karvy House", 46, Avenue 4
Street No.1, Banjara Hills
Hyderabad 500 034, India
Tel: (91 40) 2331 2454
Fax: (91 40) 2331 1968
Email: msp1_offer@karvy.com
Website: www.karvy.com
Contact Person: Mr. Murali Krishna

BID/OFFER PROGRAM**BID/OFFER OPENS ON**

[●], 2006

BID/OFFER CLOSURES ON

[●], 2006

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SECTION I- GENERAL

DEFINITIONS AND ABBREVIATIONS

| Term | Description |
|---|--|
| “MSPL” or “MSPL Limited” or “the Company” or “our Company” or “we” or “us” or “our” | MSPL Limited, a public limited company incorporated under the Indian Companies Act, 1956 |

Company Related Terms

| Term | Description |
|---|--|
| Articles | Articles of Association of our Company |
| Auditors | The statutory auditors of our Company, S.B.Chhajer & Company and Deloitte Haskins & Sells, Chartered Accountants |
| Board/ Board of Directors | Board of Directors of our Company |
| BIOM | Banashankari Iron Ore Mine |
| BRH | Bharat Rayan Haravu Iron Ore Mine |
| Promoter Group Company/ Baldota Group Company/ Group Company/ Group | A company or any other related entity which is primarily owned by the members of the Baldota family. |
| IYLI | Iyli Gurnath Iron Ore Mine |
| PIOM | Pathikonda Iron Ore Mine |
| PVS/ PVS Mines | P. Venganna Setty & Brother |
| Registered Office of the Company | Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020 |
| RMMPL | Ramgad Minerals and Mining Private Limited |
| SIOM | Sachidananda Iron Ore Mine |
| VIOM | Vyasankere Iron Ore Mine |
| VOCL | Vijaya Oxygen Company Limited |

Offer Related Terms

| Term | Description |
|-------------------------------|---|
| Banker(s) to the Offer | ICICI Bank Limited, Kotak Mahindra Bank, Standard Chartered Bank, State Bank of India and The Hongkong and Shanghai Banking Corporation Limited and |
| Bid | An indication to make an offer during the Bidding Period by a prospective investor to subscribe to the Equity Shares of our Company at a price within the Price Band including all revisions and modifications thereto |
| Bid / Offer Closing Date | The date after which the Syndicate will not accept any Bids for the Offer, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper with wide circulation |
| Bid / Offer Opening Date | The date on which the Syndicate shall start accepting Bids for the Offer, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper with wide circulation |
| Bid Amount | The highest value of the optional Bids indicated in the Bid cum Application Form and payable by the Bidder on submission of the Bid in the Offer |
| Bid Price | The highest price at which the optional Bids have been made as indicated in the Bid cum Application Form |
| Bid cum Application Form | The form in terms of which the Bidder shall make an offer to purchase Equity Shares of our Company in terms of the Red Herring Prospectus |
| Bidder | Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form |
| Bidding Period/ Offer Period | The period between the Bid/ Offer Opening Date and the Bid/ Offer Closing Date inclusive of both days and during which prospective Bidders can submit their Bids |
| Book Building Process/ Method | Book building route as provided in Chapter XI of the SEBI Guidelines, in terms of which this Offer is being made |
| BRLM | The Book Running Lead Manager, in this case being DSP Merrill Lynch Limited |
| CAN/ Confirmation of | Means the note or advice or intimation of allocation of Equity Shares sent to the |

| Term | Description |
|------------------------------|--|
| Allocation Note | Bidders who have been allocated Equity Shares after discovery of the Offer Price in accordance with the Book Building Process |
| Cap Price | The higher end of the Price Band, above which the Offer Price will not be finalized and above which no Bids will be accepted |
| Cut-off Price | The Offer Price finalised by the Selling Shareholders in consultation with the BRLM and the SCBRLM |
| DSPML | DSP Merrill Lynch Limited, having its registered office at Mafatlal Centre, 10 th Floor, Nariman Point, Mumbai 400 021, India |
| Designated Date | The date on which funds are transferred from the Escrow Account to the Public Offer Account after the Prospectus is filed with the RoC, following which the Selling Shareholders shall give delivery instructions for transfer of Equity Shares to successful Bidders |
| Designated Stock Exchange | BSE |
| 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 on the price at which the Equity Shares are offered and the size (in terms of value) of the Offer |
| Equity Shares | Equity shares of our Company of Rs. 5 each unless otherwise specified in the context thereof |
| Escrow Account | Account opened with the Escrow Collection Bank(s) for the Offer and in whose favour the Bidder 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, the BRLM, the SCBRLM, the Syndicate Member and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable refunds of the amounts collected to the Bidders on the terms and conditions thereof |
| Escrow Collection Bank(s) | The banks which are clearing members and registered with SEBI as Banker to the Offer with whom the Escrow Account will be opened and in this case being ICICI Bank Limited, Kotak Mahindra Bank, Standard Chartered Bank, State Bank of India and The Hongkong and Shanghai Banking Corporation Limited |
| 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 Offer Price will be finalized and below which no Bids will be accepted |
| Green Shoe Option/GSO | An option to the BRLM, SCBRLM and Selling Shareholders in consultation with the Stabilising Agent, to allot Equity Shares in excess of the Equity Shares included in the Offer and operate a post-listing price stabilisation mechanism in accordance with Chapter VIII-A of the SEBI Guidelines |
| Green Shoe Option Portion | The portion of the Offer being 2,003,478 Equity Shares of Rs. 5 each aggregating up to Rs. [•] million, subject to change as a result of any pre-Offer placement by the Selling Shareholders |
| Green Shoe Amount | The maximum amount of funds to be received by the Selling Shareholders in case of further allotment pursuant to a final document to be filed with RoC |
| Green Shoe Lenders | Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota, Mr. Shrenikkumar N. Baldota, Mrs. Lavina R. Baldota and Mrs. Vasanti A. Baldota |
| GSO Bank Account | The bank account opened by the Stabilising Agent under the Stabilization Agreement |
| GSO Demat Account | The demat account opened by the Stabilising Agent under the Stabilization Agreement |
| KMCC | Kotak Mahindra Capital Company Limited, having its registered office at 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India |
| Margin Amount | The amount paid by the Bidder at the time of submission of his/her Bid, being 10% to 100% of the Bid Amount |
| Mutual Fund Portion | 5% of the QIB Portion equal to a minimum of [•] Equity Shares (assuming no over allocation towards GSO) and a minimum of [•] Equity Shares (assuming full over allocation towards GSO) available for allocation to Mutual Funds only |
| Mutual Funds | A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended |
| 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 |
| Non Institutional Portion | The portion of the Offer being up to [•] Equity Shares (assuming no over allocation towards GSO) or up to [•] Equity Shares (assuming full over allocation towards GSO) available for allocation to Non Institutional Bidders |
| Offer | This offer for sale of 13,356,522 Equity Shares of Rs. 5 each at the Offer Price by the Company under the RHP and the Prospectus, subject to change as a result of any pre-Offer private placement by the Selling Shareholders |

| Term | Description |
|--|--|
| Offer Price | The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus. The Offer Price will be decided by the Selling Shareholders in consultation with the BRLM and the SCBRLM on the Pricing Date |
| Offer Size | 13,356,522 Equity Shares of Rs. 5 each to be issued at the Offer Price of Rs. [●] each for cash aggregating up to Rs. [●] million, subject to change as a result of any pre-Offer private placement by the Selling Shareholders |
| Over Allotment Shares | Equity Shares allotted pursuant to the Green Shoe Option |
| Pay-in Date | Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable |
| Pay-in-Period | (a) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Offer Opening Date and extending until the Bid/ Offer Closing Date; and (b) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Offer Opening Date and extending until the closure of the Pay-in Date |
| Price Band | Price band of a minimum price (floor of the price band) of Rs. [●] and the maximum price (cap of the price band) of Rs. [●] and includes revisions thereof |
| Pricing Date | The date on which the Selling Shareholders in consultation with the BRLM and the SCBRLM finalizes the Offer Price |
| Promoter (s) | Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota |
| Prospectus | The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Offer Price that is determined at the end of the Book Building process, the size of the Offer and certain other information |
| Public Offer Account | Account opened with the Bankers to the Offer to receive monies from the Escrow Account on the Designated Date |
| QIB Margin Amount | An amount representing at least 10% of the Bid Amount |
| QIB Portion | The portion of the Offer being a minimum of [●] Equity Shares (assuming no over allocation towards GSO) or a minimum of [●] Equity Shares (assuming full over allocation towards GSO) to be allotted to QIBs |
| Qualified Institutional Buyers or QIBs | Public financial institutions as specified in Section 4A of the Companies Act, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million |
| Refund Account | Account opened with an Escrow Collection Bank from which refunds of the whole or part of the Bid Amount, if any, shall be made |
| Registrar/ Registrar to the Offer | Registrar to the Offer, in this case being, Karvy Computershare Private Limited |
| Retail Individual Bidder(s) | Individual Bidders (including HUFs and NRIs) who have Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Offer |
| Retail Portion | The portion of the Offer being up to [●] Equity Shares (assuming no over allocation towards GSO) or up to [●] Equity Shares (assuming full over allocation towards GSO) available for allocation to Retail Bidder(s) |
| Revision Form | The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous Revision Form(s) |
| RHP or Red Herring Prospectus | The Red Herring Prospectus which will be filed with RoC in terms of Section 60B of the Companies Act, at least 3 days before the Bid/ Offer Opening Date |
| SCBRLM | Senior Co-Book Running Lead Manager to the Offer, in this case being Kotak Mahindra Capital Company Limited |
| Selling Shareholders | Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota, Mr. Shrenikkumar N. Baldota, Mrs. Lavina R. Baldota and Mrs. Vasanti A. Baldota |
| Stabilising Agent or SA | DSPML |
| Stabilization Agreement | Agreement entered into by the Selling Shareholders, the Company, the Green Shoe Lender, the Green Shoe Transferors, and the Stabilising Agent on February 10, 2006 in relation to the Green Shoe Option. |
| Stabilisation Period | The period not exceeding 30 days from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares in the Offer unless terminated earlier by the Stabilising Agent |
| Stock Exchanges | BSE and NSE |
| Syndicate | The BRLM, SCBRLM and the Syndicate Member |
| Syndicate Agreement | Agreement among the Syndicate, the Company and the Selling Shareholders in |

| Term | Description |
|------------------------------------|--|
| | relation to the collection of Bids in this Offer |
| Syndicate Member | Kotak Securities Limited |
| TRS/ Transaction Registration Slip | The slip or document issued by the Syndicate to the Bidder as proof of registration of the Bid |
| Underwriters | The BRLM, SCBRLM and the Syndicate Member |
| Underwriting Agreement | The Agreement between the members of the Syndicate, Selling Shareholders and our Company to be entered into on or after the Pricing Date |

In this Draft Red Herring Prospectus, unless the context otherwise requires, “allotment” refers to the transfer of Equity Shares pursuant to the Offer.

Conventional, General Terms and Abbreviations

| Term | Description |
|----------------------------|--|
| A/c | Account |
| Act or Companies Act | Companies Act, 1956, as amended from time to time |
| AGM | Annual General Meeting |
| AS | Accounting Standards issued by the Institute of Chartered Accountants of India |
| AY | Assessment Year |
| BSE | Bombay Stock Exchange Limited |
| CAGR | Compounded Annual Growth Rate |
| CDSL | Central Depository Services (India) Limited |
| Depositories | NSDL and CDSL |
| Depositories Act | Depositories Act, 1996 as amended from time to time |
| DP/ Depository Participant | A depository participant as defined under the Depositories Act, 1996 |
| EBITDA | Earnings Before Interest Tax Depreciation and Amortisation |
| EGM | Extraordinary General Meeting |
| EPS | Earnings Per Share i.e., profit after tax for a fiscal year divided by the outstanding number of Equity Shares at the end of that fiscal year |
| EUR | Euro |
| FDI | Foreign Direct Investment |
| FEMA | Foreign Exchange Management Act, 1999, as amended from time to time, read with rules and regulations thereunder and amendments thereto |
| FII(s) | Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000), as amended from time to time, registered with SEBI under applicable laws in India |
| Financial Year/ Fiscal/ FY | Period of twelve months ended March 31 of that particular year |
| FIPB | Foreign Investment Promotion Board |
| GDP | Gross Domestic Product |
| GoI/ Government | Government of India |
| HNI | High Networth Individual |
| HUF | Hindu Undivided Family |
| I.T. Act | The Income Tax Act, 1961, as amended from time to time |
| Indian GAAP | Generally Accepted Accounting Principles in India |
| IPO | Initial Public Offering |
| Memorandum | Memorandum of Association of our Company |
| MICR | Magnetic Ink Character Recognition |
| Mn / mn | Million |
| MoU | Memorandum of Understanding |
| NA | Not Applicable |
| NAV | Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit & Loss account, divided by number of issued equity shares |
| NEFT | National Electronic Fund Transfer |
| NOC | No Objection Certificate |
| NR | Non-resident |

| Term | Description |
|---------------------------------|---|
| NRE Account | Non Resident External Account |
| NRI | Non Resident Indian, is a person resident outside India, as defined under FEMA and the Foreign Exchange Management Act (Transfer or Offer of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time |
| NRO Account | Non Resident Ordinary Account |
| NSDL | National Securities Depository Limited |
| NSE | National Stock Exchange of India Limited |
| OCB | A company, partnership, society or other corporate body owned directly or indirectly to the extent of atleast 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 Offer of Foreign Security by a Person resident outside India) Regulations, 2000, as amended |
| P/E Ratio | Price/Earnings Ratio |
| PAN | Permanent Account Number allotted under the IT Act |
| PIO | Persons of Indian Origin |
| QIB | Qualified Institutional Buyer, as defined under the SEBI Guidelines |
| RBI | Reserve Bank of India |
| RONW | Return on Net Worth |
| Rs. | Indian Rupees |
| RTGS | Real Time Gross Settlement |
| 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, 1992, as amended from time to time |
| SEBI Act | Securities and Exchange Board of India Act 1992, as amended from time to time |
| SEBI Guidelines | SEBI (Disclosure and Investor Protection) Guidelines, 2000, as amended from time to time |
| Sec. | Section |
| Stock Exchange(s) | BSE and/ or NSE as the context may refer to |
| UIN | Unique Identification Number |
| US / USA | United States of America |
| USD or \$ or US \$ or US Dollar | United States Dollar |

Industry Related Terms

| Term | Description |
|-----------------|---|
| Air Act | Air (Prevention and Control of Pollution) Act, 1974, as amended |
| Behre Dolbear | Behre Dolbear International Limited |
| BESCOM | Bangalore Electricity Supply Company |
| BFQ | Banded Ferruginous Quartzite |
| BHQ | Banded Hematite Quartzite |
| BMQ | Banded Magnetite Quartzite |
| CDM | Clean Development Mechanism projects, certified pursuant to the United Nations Framework Convention on Climate Change |
| CER | Certified Emission Reduction |
| CVRD | Companhia Vale do Rio Doce S.A. |
| C-WET | Centre of Wind Energy Technology |
| DMT | Dry Metric Tons |
| DNES | Department of Non Conventional Energy Sources, Government of India |
| DTA | Domestic Tariff Area |
| EHTP | Electronic Hardware Technology Park |
| Electricity Act | Electricity Act, 2003, as amended from time to time |
| EOU | Export Oriented Unit |
| FIMI | Federation of Indian Mineral Industries |
| FOB | Free On Board |
| GESCOM | Gulbarga Electricity Supply Company |
| IBM | Indian Bureau of Mines |

| Term | Description |
|-----------------|--|
| IISI | International Iron and Steel Institute |
| IREDA | Indian Renewable Energy Development Agency Limited |
| ISO | International Organization for Standardization |
| JORC | Joint Ore Reserves Committee |
| KPTCL | Karnataka Power Transmission Corporation Limited |
| KREDL | Karnataka Renewable Energy Development Limited |
| MC Rules | Mineral Concession Rules, 1960, as amended from time to time |
| MEDA | Maharashtra Energy Development Agency |
| MMDR Act | Mines and Minerals (Development and Regulations) Act, 1957, as amended from time to time |
| MNES | Ministry for Non Conventional Energy Sources, Government of India |
| MSEB | Maharashtra State Electricity Board |
| MSEDCL | Maharashtra State Electricity Distribution Company Limited |
| MT | Metric ton |
| OHSAS | Occupational Health and Safety Assessment Series |
| PPA | Power Purchase Agreement |
| Rated Capacity | The capacity of the wind turbine generator to generate the maximum electrical output at its rated wind speed |
| RoM/Run-of-Mine | Iron ore mined in its natural unprocessed state at the pit head prior to treatment of any sort |
| STP | Software Technology Park |
| Water Act | Water (Prevention and Control of Pollution) Act, 1974, as amended from time to time |
| WMT | Wet Metric Tons |
| WTG | Wind Turbine Generator |

CERTAIN CONVENTIONS; USE OF MARKET DATA

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated summary financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines included in this Draft Red Herring Prospectus. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off.

There are significant differences between Indian GAAP and US 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 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.

All references to "India" contained in this Draft Red Herring Prospectus are to the Republic of India, all references to the "US", "USA", or the "United States" are to the United States of America, and all references to "UK" are to the United Kingdom.

All references to "Rupees" or "Rs." are to Indian Rupees, the official currency of the Republic of India.

In this Draft Red Herring Prospectus all figures have been expressed in "millions", except where specified, including in the section "Outstanding Litigation and Material Developments", where certain numbers have been presented in absolute terms, the section "Our Industry", wherein certain numbers have been expressed in billions and the section "Our Promoters", where certain numbers have been expressed in absolute terms.

For additional definitions, please refer to the section titled "Definitions and Abbreviations" on page 1. In the section entitled "Main Provisions of the Articles of Association", defined terms have the meaning given to such terms in the Articles of Association of the Company.

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

FORWARD-LOOKING STATEMENTS

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

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following:

- Decline in exports to China;
- Decline in iron ore prices;
- Decline in our mineral resources;
- Our ability to obtain approvals and clearances necessary to operate or grow our business;
- Our ability to respond to competition;
- Challenges relating to our expansion plans;
- Our dependence on a limited number of customers for our iron ore and wind business;
- Our dependence on key personnel;
- Conflicts of interest with affiliated companies;
- Regulatory actions that apply to our business;
- Technological failures and natural disasters; and
- Developments affecting the Indian economy and the economies of the regional markets we serve.

For further discussion of factors that could cause our actual results to differ, see the section titled “Risk Factors” and “Management Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 9 and 220, respectively. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Neither our Company, nor the BRLM nor the SCBRLM nor any member of the Syndicate nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company, the BRLM and the SCBRLM 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

An investment in our Equity Shares involves a high degree of risk. You should carefully consider all of the information in this Draft Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. You should read this section in conjunction with the sections titled “Our Business” and “Management Discussion and Analysis of Financial Conditions and Results of Operations of Restated Financial Statements Under Indian GAAP” beginning on pages 81 and 220 as well as other financial information contained in this Draft Red Herring Prospectus. If any of the following risks actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment.

Risks Related to our Iron Ore Mining and Exports Business

We rely on export authorisations from the Government of India to conduct our high grade iron ore export business; a reduction in or withdrawal of these authorisations could adversely affect our results of operations or financial condition.

Approximately 98.2% of our iron ore sales, accounting for approximately Rs. 5,657.17 million in revenues, or approximately 93.9% of our total sales, in fiscal 2005 and approximately 93.7% of our iron ore sales, accounting for approximately Rs. 5,873.89 million in revenues, or 84.9% of total sales, in fiscal 2006, are the result of direct exports or our sales to MMTC for export. All exports from India of iron ore with an Fe content greater than 64% (except iron ore originating from Goa or the Redi region in Maharashtra State), must be authorised by the Government of India, while iron ore with an Fe content below 64% does not currently require authorisation prior to export. The Government of India grants these authorisations on application for a specified quantity of products exported each year. A significant portion of our current sales are of iron ore with Fe content greater than 64% that require prior Government authorisation.

Prior to April 1, 2006, we had one export oriented unit, or EOU, license, which allowed us to export up to a total of 2.0 million metric tons of iron ore with an Fe content of above 64% without seeking yearly Government authorisations, along with providing us certain tax advantages related thereto, until March 31, 2009. Pursuant to our acquisition of the assets and liabilities of MSPL Exports as part of our corporate restructuring, effective April 1, 2006, we have an additional EOU license that authorizes the export of an additional 2.6 million metric tons, also effective through March 31, 2009. However, yearly export volumes for iron ore with Fe content greater than 64% in excess of the EOU authorised volumes are subject to Government authorisation for a pre-specified quantity. Certain press reports have indicated that the Indian Steel Alliance has urged the Government to curb or end exports of high grade iron ore from India in order to encourage growth of the Indian steel industry. We cannot assure you that such decisions will not be taken by the Government of India. If the Government of India were to reduce or withdraw these authorisations or place restrictions or otherwise limit or stop the export of iron ore from India, our export volumes, our results of operations and financial condition, could be adversely affected.

Other ventures promoted by our Promoters are engaged in a similar line of business as us, and as a result there may be a conflict of interest.

Promoter Group Companies such as Ramgad Minerals and Mining Private Limited (“RMMPL”) and P. Venganna Setty & Brother (“PVS”) are engaged in a similar line of business as us, including mining of iron ore and wind power generation. These entities have mining leases registered in their names. Although pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we have entered into run-of-mine agreements with such entities for the exclusive purchase of the iron ore mined at their mines, we cannot assure you that our Promoters will not favour the interests of these or other Promoter Group Companies over our interests.

Our mining and export business is dependent on iron ore commodity prices, which are cyclical and volatile.

Our financial results are sensitive to the market prices of iron ore, which are cyclical and volatile. Sales of iron ore accounted for 95.6% and 90.5% of our total sales and 90.8% and 80.9% of our total income in fiscal 2005 and fiscal 2006, respectively. Absent offsetting factors, significant and sustained adverse movements in these iron ore prices will have a material impact on our ongoing financial performance. In

addition, because there is no futures market for iron ore, we have not entered into transactions that seek to hedge or mitigate our exposure to movements in these iron ore prices, and we do not currently intend to enter into such transactions in the future.

Changes in world market prices of iron ore could affect the results of our iron ore mining and export activities. The changes in these prices result from factors, which are beyond our control, such as iron ore demand, transportation costs, the available supply of various grades and types of iron ore and, consequently, the outcome of yearly contract price negotiations between the largest international iron ore miners and exporters, such as CVRD, Rio Tinto and BHP Billiton, with large steel producers in Asia and Europe. Any sustained reduction in iron ore prices could impact our revenues adversely impacting our profitability. Iron ore prices have varied significantly in the past and could vary significantly in the future as well.

Driven primarily by strong demand from Chinese steel makers, together with a modest expansion in other markets, the global iron ore market experienced high demand and according to the Iron Ore Manual, 2005, contract prices of iron ore grew by 71.5% during the long-term contract pricing periods encompassing calendar year 2005, in respect of European steel mills, and Japanese fiscal year 2005, in respect of Japanese steel mills. Recent press releases by large iron ore miners indicate that they have concluded price negotiations with certain European and Japanese steel mills, for a 19% increase in prices for iron ore fines for 2006, as compared to 2005. We cannot guarantee that a similar price increase will be agreed with Chinese steel companies or that iron ore demand and prices will remain at current levels or that iron ore prices will increase in the future. Prolonged declines in world market prices for iron ore, or a failure for price increases to match inflation levels, would have a material adverse effect on our results of operations and financial condition. Please refer to “Management Discussion and Analysis of Financial Condition and Results of Operations of Restated Financial Statements Under Indian GAAP—Factors Affecting our Results of Operations—Global Demand for Iron Ore and Spot Market Prices” on page 222.

Due to the dependence of the iron ore industry on the global steel industry, fluctuations in the demand for steel could adversely affect our business.

Sales prices and volumes in the iron ore mining industry depend mainly on the prevailing and expected level of demand for iron ore in the world steel industry. The world steel industry is cyclical. A number of factors, the most significant of which is the prevailing level of worldwide demand for steel products, influence the world steel industry. During periods of sluggish or declining regional or world economic growth, demand for steel products generally decreases, which usually leads to corresponding reductions in demand for iron ore. The prices of steel products are influenced by many factors, including demand, worldwide production capacity, capacity-utilisation rates, raw-material costs, exchange rates, trade barriers and improvements in steel-making processes. Accordingly, any significant decrease in demand for steel products or decline in the price of these products could result in reduced iron ore demand and iron ore prices which could significantly reduce our revenues, thereby materially adversely affecting our results of operations and financial condition.

Our iron ore export business is highly dependent on demand from the Chinese market.

In recent years, China has been the main driver of our sales increases and the principal source of revenue for our iron ore mining and export business. All of our direct iron ore exports are, and since 1996, have been, made to China. In addition, we believe that the iron ore we sell to MMTC for export is exported exclusively to China. Approximately 98.2% of our iron ore sales, accounting for approximately Rs. 5,657.17 million in revenues, or approximately 93.9% of our total sales, in fiscal 2005 and approximately 93.7% of our iron ore sales, accounting for approximately Rs. 5,873.89 million in revenues, or 84.9% of total sales, in fiscal 2006, are the result of our direct exports or our sales for export to MMTC. If demand from the Chinese export market decreases, or if we lose sales to competitors in the Chinese export market or iron ore export spot prices to China reduce significantly, our results of operation and financial condition could be adversely affected.

The recent growth of the Chinese economy, and associated demand for steel in China, is the primary driver of import demand for iron ore in China. A weakened economy in China could reduce demand and impact iron ore prices adversely, thus adversely affecting our results of operations and financial condition.

As our competitors adjust their supply to meet Chinese iron ore demand, we may be unable to maintain our position or pricing in the Chinese export market, which would adversely affect our revenues.

China is currently our sole direct export market, and we believe that iron ore we sell to MMTC for export is exclusively sold to China. While we rely on memoranda of understanding for the supply of iron ore to some of the large Chinese steel mills, these memoranda of understanding specify only the quantity while the prices are on spot basis. All other direct export sales are also agreed on spot basis. Currently, spot prices are at a higher price than sales made pursuant to long-term sales contracts, and they have typically been at a premium to contract prices. The Chinese iron ore import market has grown significantly in the last three years, as a result of rapid Chinese economic growth and a concomitant rise in steel production. According to the International Iron and Steel Institute (“IISI”), in 2004, approximately 58.8% of Chinese iron ore demand was supplied through imports. As Chinese iron ore demand has increased and given the low Fe content of Chinese iron ore, spot market iron ore import sales have also grown to help satisfy demand not met through long-term contracts and domestic production.

Given the increasing importance of China in the world iron ore trade, our competitors, particularly the three large international players, CVRD, Rio Tinto and BHP Billiton, which together control long-term contract pricing on the seaborne iron ore export market worldwide, may be able to increase their supply to meet market demand and enter into new long-term contracts with Chinese steel mills and other customers for higher quantities, causing demand for the spot market iron ore or spot market iron ore prices to decrease. Our competitors may also be able to supply more iron ore with greater Fe content than we provide. In case either or both of these eventualities occur, we may be unable to maintain our position in the Chinese export market, in terms of volumes or pricing, which would, in turn, adversely affect our results of operation and financial condition.

We have a limited customer base for our iron ore and need to secure additional markets.

We sell primarily to customers in China, either directly or by sales to MMTC for export to China. During fiscal 2006, all of our export sales, including sales through MMTC, have been made to sixteen steel mills and traders in China. If, for some reason, our relationship with any of these customers ends and we are unable to secure alternative relationships, our results of operations and financial condition may be adversely affected.

We rely heavily on short-term contracts and spot market sales.

We currently have no long-term contracts to sell iron ore. Long-term contracts are typically entered into for some period of years with respect to volume and are negotiated as to price on an annual basis. As a result, if we are unable to obtain new orders to replace our short-term arrangements as we complete our obligations under existing arrangements, or if spot prices decline significantly and we are unable to enter into long-term contracts for iron ore sales under such circumstances, our results of operations and financial condition may be adversely affected.

We are dependent on transportation infrastructure and related facilities in connection with the sale of our iron ore.

We depend on transportation infrastructure and related facilities for the transportation of iron ore to our customers. Transportation costs associated with sales currently represent a significant cost of sales of iron ore. An increase in transportation costs, for whatever reason, or a decrease in the currently prevailing prices for iron ore may render our mining and export operations uneconomical and our results of operations and financial condition may be adversely affected.

Where possible, we prefer to use railway transportation for our iron ore, because it is less expensive than road transport and because it provides more efficient logistics. However, because railway prices are controlled by government monopoly, they are subject to change and may rise. A significant rise in the cost of rail transport may raise our transportation costs or could render it uneconomic to transport iron ore to customers and may adversely affect our results of operations and financial condition.

We currently sell iron ore for export from various Indian ports including Chennai, Marmagao, Panjim, New Mangalore, Karwar, Kakinada, Vishakhapatnam, Ennore, Paradeep, Haldia and Belekeri. Given

geographical proximity and railway accessibility, as well as port charges, Chennai, Panjim and Mormugao are less expensive ports from which to ship iron ore. However, they do not have sufficient capacity for all our iron ore exports, and we have in the past been required to utilise more expensive ports in order to ship iron ore. Further, port capacity for exports of iron ore is typically restricted during the first and second quarters of each fiscal year when ports on the west coast, including Mormugao, Belekari, Karwar and Panjim, are closed to traffic as a result of the monsoon season. If additional capacity is not created at these ports, we will be required to continue to utilise, and possibly increase our use, of more expensive ports to ship iron ore, which may raise our transportation costs or could render it uneconomic to export some or all of our iron ore by ports and may adversely affect our results of operations and financial condition.

We currently use truck haulage, which is more expensive than rail haulage, to transport some of the iron ore we export directly to port. We do so because rail capacity is not always sufficient for our needs and because certain ports are inaccessible by rail or because we can access nearby ports by road less expensively than we can access more distant ports by rail. If we increase our production and if rail haulage capacity and capacity at ports served by rail do not increase concomitantly, or if rail haulage capacity or the capacity of ports served by rail decreases, we may be required to use additional truck haulage, which may increase our cost of sales and negatively affect our results of operations and financial condition.

Any transport or port strikes or suspension of operations at ports due to natural disasters may also adversely affect our results of operations and financial condition.

Our business is exposed to the effects of exchange rate fluctuations.

Our assets, earnings and cash flows are influenced by movements in exchange rates of other currencies against the Rupee, particularly movements in the US dollar. All of our direct exports are denominated in US dollars. In addition, our sales to MMTC for export are made in Rupees, but linked to the US dollar. Total exports, including both direct exports and exports through MMTC, accounted for 89.1% and 75.9% of our total income in fiscal 2005 and fiscal 2006, respectively.

The exchange rate between the rupee and U.S. dollar has fluctuated substantially in recent years and may continue to fluctuate significantly in the future. Because our financial statements and the majority of our costs are in Rupees, appreciation of the Rupee against the US dollar without offsetting improvement in US dollar denominated iron ore prices, could adversely affect our results of operations and financial condition.

The mining industry is an intensely competitive industry, and we may have difficulty effectively competing with other mining companies in the future.

Intense competition characterises the worldwide iron ore industry. We compete with a number of large international mining companies. In particular, three competitors together control long-term contract prices on the worldwide seaborne iron ore export market. Some of these competitors have substantially more resources and a greater marketing scale than we do. Competition from foreign or other Indian iron ore producers may result in our losing market share and revenues. Competitive activity in the markets we serve can have a significant impact on the price we realise for our products, and could therefore have a material adverse effect on our results of operations or financial condition.

Our reserve estimates may be materially different from mineral quantities that we may actually recover, our estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine.

Our classified ore reserves, which have been classified pursuant to the Joint Ore Reserves Committee (“JORC”) code by Behre Dolbear International Limited (“Behre Dolbear”), are estimated quantities of ore that have the potential to be economically mined and processed under present and anticipated conditions to extract their mineral content. There are numerous uncertainties inherent in estimating quantities of reserves and in projecting potential future rates of mineral production, including many factors beyond our control. Reserve estimation is a subjective process of estimating deposits of minerals that cannot be measured in an exact manner, and the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment. Estimates of different engineers may vary, and results of our mining and production subsequent to the date of an estimate may lead to revision of estimates. Reserve estimates and estimates of mine life may require revision based on actual production

experience and other factors. For example, fluctuations in the market price of ore reduced recovery rates or increased production costs due to inflation or other factors may render proven and probable reserves containing relatively lower grades of mineralisation uneconomic to exploit and may ultimately result in a restatement of reserves. If our reserve estimates differ materially from mineral quantities that we may actually recover, estimates of mine life may prove inaccurate and market price fluctuations and changes in operating and capital costs may render certain ore reserves or mineral deposits uneconomical to mine. If this occurs, our results of operations and financial condition may be adversely affected.

We are unable to classify any reserves at four of the mines from which we plan to take iron ore. If we are unable to convert the iron ore resources at these mines to reserves, our future prospects will be adversely affected.

Under the JORC code, resources may only be categorized as reserves when they meet certain criteria in respect of feasibility, entitlement, product marketability and other factors. Based on its review of mining assets, Behre Dolbear has been unable to classify reserves at the following mines: BRH iron ore mine (“BRH”), the Banashankari iron ore mine (“BIOM”), an iron ore mine in the Singhbhum District in the State of Jharkhand (the “Jharkhand mine”) and the Kumaraswamy deposit (“Kumaraswamy”). We have entered into a run-of-mine purchase contract in respect of the Jharkhand mine and BIOM with third parties, and we have applied to obtain a lease in respect of Kumaraswamy. Pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we also have a run-of-mine purchase contract in respect of BRH.

Behre Dolbear has classified certain resources at BRH and BIOM as measured and indicated resources under the JORC code; however, the measured and indicated resources at BRH and BIOM cannot be classified as reserves because government approvals for mining must be completed and because they are not currently being mined. We cannot assure you that the necessary approvals will be granted or the other steps taken to operationalise the mine that would permit conversion of these resources to reserves will be completed. If this conversion does not occur, our future prospects will be adversely affected.

Under the JORC code, there are no measured or indicated resources classifiable at the Jharkhand mine or Kumaraswamy because, among other reasons, there is no recent data about the mines of the type required to classify any resources at Jharkhand mine and Kumaraswamy as indicated or measured resources. We cannot assure you that any resources at these mines will be converted to reserves. If this conversion does not occur, our future prospects will be adversely affected.

A substantial portion of the iron ore we plan to sell will be controlled by other Promoter Group Companies or third parties, which could adversely affect our profitability and financial condition.

We currently own the rights to only one operational mine, the Vysanakere iron ore mine (“VIOM”). We have entered into run-of-mine purchase contracts with third parties in respect of the Jharkhand mine and BIOM, and with acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we purchase iron ore for processing and sale pursuant to run-of-mine purchase contracts with Promoter Group Companies over whom we have no control. While the terms of the run-of-mine purchase contracts are for life of the mining lease, we cannot assure you that our Promoter Group Companies or the third party leaseholders with whom we have entered into these contracts will not breach or terminate this arrangement, or seek a revision in the contracts or otherwise take steps which may harm our ability to obtain iron ore pursuant to these contracts and adversely affect our results of operations and financial condition.

Additionally, the mining and raising of iron ore in respect of these mines is carried out by our Promoter Group Companies and there can be no assurance that these arrangements can be continued in the future, or the impact, if any, that changes in the regulatory or economic environment, may have on such arrangements. Please refer to the section “Regulations and Policies” beginning on page 108.

We depend and will continue to depend, on obtaining and maintaining leases to mining sites, some of which are in the process of renewal, and which may not be renewed, and on regulatory clearances and approvals, which may not be granted. If such leases are not renewed or such approvals are not granted, our results of operations and financial condition, as well as our mining prospects and future growth may be adversely affected.

We depend, and will continue to depend on obtaining and maintaining interests in mines with valid lease interests and regulatory approvals for mining. We have a leasehold interest in VIOM, and have run-of-mine purchase contracts in respect of third party mines, BIOM and the Jharkhand mine, which are not operational. We have also applied for a mining lease for an area in Kumaraswamy Range. Pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we also have run-of-mine contracts in respect of four additional mines - Sachidananda iron ore mine (“SIOM”), IYLI Gurunath iron ore mine (“IYLI”), Pathikonda iron ore mine (“PIOM”) and BRH - each of which are also leased on similar terms by Promoter Group Companies. Of these, only VIOM, SIOM, IYLI and PIOM are currently operational. Operationalising mines and maintaining operationalised mines requires obtaining and maintaining the leasehold rights and obtaining approval of a five-year mining plan, which contains annual extraction limits, as well as forest clearance in respect of the mine and environmental approvals in respect of the specific plans described in the mining plan.

Lease terms in respect of certain of the mines in which we have, or plan to have, an interest have expired. These mines are PIOM, BRH, IYLI, BIOM and Jharkhand. Pursuant to Rule 24A(6) of the Mineral Concession Rules, 1960, as amended, if a lessee applies for renewal one year prior to expiration of the lease, the lease rights continue until the relevant State Government acts on the application. Timely applications for renewal were made the case in respect of PIOM, BRH, BIOM and Jharkhand. In the case of IYLI, however, the applications for renewal was not made in compliance with Rule 24A(6) of the Mineral Concession Rules, 1960, as amended; however, the Central Government has allowed us to operate IYLI pursuant to Rule 24A(6) of the Mineral Concession Rules, 1960, as amended. However, we cannot assure you that the government will renew any of the leases that have expired.

Moreover, we and the Promoter Group Companies have not yet obtained forest or environmental clearances in respect of four of the mines and mining plan clearances in respect of two of the mines. The following table sets forth the lease, mining plan, forest clearance and environmental approval status of each of the eight mines in which we currently have, or are planning to have, an interest:

| Mine | Leaseholder | Lease Status | Mining Plan | Operating Status | Forest Clearance | Environmental Approvals |
|-------------|---|---|--|------------------|----------------------|---|
| VIOM | MSPL | Current | Approved | Operational | Yes | Yes. |
| SIOM | RMMPL | Current | Approved | Operational | Yes | Yes |
| IYLI | RMMPL | Expired and applied for renewal; Operating in reliance on MCR 24A(6) | Approved | Operational | Yes | Yes |
| PIOM | PVS | Expired and applied for renewal; Operating in reliance on MCR 24A(6) | Approved | Operational | Yes | Yes |
| BRH | RMMPL | Expired and applied for renewal | Approved | Not operational | Applied for approval | Applied for approval |
| BIOM | Third party | Expired and applied for renewal | Approved | Not operational | Applied for approval | Applied for approval |
| Jharkhand | Third party | Expired and applied for renewal | Approved; Revised plan with greater permitted extraction under preparation | Not operational | Applied for approval | Application to be made on approval of mining plan |
| Kumaraswamy | Lease applied for by MSPL. Recommended by the State of Karnataka, pending Central | Applied for | None | Not operational | No | No |

For further information, see “Business—Iron Ore Mining and Export Business—Mining Assets” on page 86.

If any of the leases that have expired are not renewed by the Government, or if the appropriate approvals and clearances for mining are not obtained and maintained, our results of operations and financial condition, as well as our mining prospects and future growth could be adversely affected.

If our 100% EOUs are unable to maintain their status as EOUs, we will lose the tax benefits of such status and our profitability may be adversely impacted.

Exports by our 100% EOU enjoy tax-free status for all iron ore exports up to 2.0 million metric tons annually. Pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we have acquired a second 100% EOU, and will enjoy tax-free status in respect of the export of iron ore up to an additional 2.6 million metric tons annually. EOU status for each of these units has been granted until March 31, 2009. If the Government of India does not continue the EOU program, modifies or discontinues the tax benefits for which EOUs are eligible, chooses not to renew our EOU status or if we otherwise are not able to claim the tax benefits currently available to us, we would incur an increase in our effective tax rate, which would adversely impact our profitability.

We may not be able to replenish our reserves, which could adversely affect our mining prospects.

We engage in mineral exploration and development, which is highly speculative in nature, involves many risks and frequently is nonproductive. Our exploration and development programs, which involve significant capital expenditures, may fail to result in the expansion or replacement of reserves depleted by current production, or we may fail to obtain mining leases and related mining authorisations. If we do not develop new reserves, we will not be able to sustain our current level of production beyond the remaining life of our existing mine or the mines in respect of which we currently have run-of-mine purchase contracts.

We face rising extraction costs over time as reserves deplete.

Reserves are gradually depleted in the ordinary course of a given mining operation. For example, we anticipate that SIOM has less than two years of remaining mine life at current extraction levels. As mining progresses, distances to the primary crusher and to waste deposits become longer and pits become steeper. As a result, over time, we usually experience rising unit extraction costs with respect to each mine. Our mine and the mines in respect of which we currently have run-of-mine purchase contracts have operated for long periods, and we are likely to experience rising extraction costs per unit in the future at these operations, which may adversely affect our results of operations and financial condition.

We are exposed to a number of operating risks.

The business of mining and processing iron ore is subject to many risks and hazards, including industrial accidents, mine collapses or cave-ins, periodic interruptions due to inclement or hazardous weather conditions, power interruption, critical equipment failure, fires, flooding and unusual or unexpected geological or mining conditions. Such risks could result in an interruption of our mining operations or operations of mines in respect of which we have run-of-mine agreements, damage to our mines or the mines in respect of which we have run-of-mine agreements and related processing facilities, personal injury, environmental damage, monetary losses and possible legal liability. In addition, we are dependent on roadways, railways and shipping to transport our ore and concentrate, and any disruption to this transportation could have a material adverse effect on our operations.

Although we believe we have adequate insurance coverage, the insurance we maintain against risks that are typical in our business may not provide complete coverage for any losses we incur in connection with these risks. Insurance against some risks (including liabilities for environmental pollution or certain hazards or interruption of certain business activities) may not be available at a reasonable cost or at all. As a result,

accidents or other negative developments involving our mining or processing facilities could have a material adverse effect on our results of operations and financial condition.

We rely on third parties to provide us with facilities and services that are integral to our mining and export business.

We rely on third-party contractors to provide certain facilities and services required for our operations, such as rail, port and road transportation. The loss or expiration of these contracts or any inability to renew them or negotiate contracts with other providers at comparable rates could harm our business. Our reliance on others to provide essential services to us also gives us less control over costs and the efficiency, timeliness and quality of contract services.

We are also exposed to movements in the prices charged by external suppliers, such as fuel, electricity and other energy providers, railway, sea freight and road transport service providers, which are critical to our business, as well as movements in wages, royalties, taxes and other governmental charges relating to our mining and processing operations. A significant increase in one or more of these cost items for a sustained period could have an adverse effect on our results of operations and financial condition. In addition, unforeseen adverse changes in quality or reductions in the quantity of supplies provided to us by our external suppliers may also adversely affect our results of operations and financial condition.

Our operations are subject to stringent environmental laws and regulations which could expose us to significant increased compliance costs and litigation relating to environmental and health and safety issues.

Due to the hazardous nature of iron ore mining, and the associated by-products, residues and tailings generated from these processes, all our operations are subject to environmental laws and health and safety regulations. There is a risk that our past, present or future operations have not met or will not meet environmental requirements and that the modifications we are currently seeking or may need to seek in the future will not be granted. If we are unsuccessful in these efforts or otherwise breach these environmental requirements, we may incur fines or penalties, be required to curtail or cease operations or be subject to significantly increased compliance costs or significant costs for rehabilitation or rectification works that have not been previously planned at one or more of our sites. In addition, environmental regulation of our by-products is generally becoming more onerous. Increased environmental regulation of our products and activities or any changes to the environmental regulations we currently face could have an adverse effect on our results of operations and financial condition.

Costs associated with rehabilitating land disturbed during the mining process and addressing environmental, health and community issues are estimated and provided for based on the most current information available. Estimates may, however, be insufficient or further issues may be identified. Any underestimated or unidentified rehabilitation costs will reduce earnings and could materially and adversely affect our results of operations.

An increase in the prices of mining equipment may adversely affect our business.

Due to the significant expansion of mining investments worldwide and the surge in steel prices, mining equipment prices have increased significantly. Increases in the cost of mining equipment may increase mining cost and could have a negative effect on the profitability margins of our mining business and, consequently, may adversely affect our results of operations and financial condition.

Risks Related to our Wind Power Operations

Changes in weather patterns may affect our ability to operate our wind farms.

We operate wind power generation facilities. Income from our wind division accounted for 3.7% and 8.5% our total income in fiscal 2005 and fiscal 2006, respectively. Changing global environmental and weather conditions may affect the reliability of the data relating to any of our properties. Expert advisers make energy production forecasts on the basis of long term average levels of wind and the amount of energy that could be produced from such wind. Fluctuations in the level of wind occur on a short term basis (daily, monthly and seasonal variations) and on a long term basis (climate change). In addition, sudden or

unexpected changes in environmental and meteorological conditions could reduce the productivity of our wind farms. Climatic weather patterns, whether seasonal or for an extended period of time, that result in lower, inadequate and/or inconsistent wind speed to propel the wind turbines may render our wind farms incapable of generating adequate, or any, electrical energy.

The viability of future wind farm projects at sites that we have identified is primarily dependent on the wind patterns at these sites conforming to the patterns that were used to determine the suitability of these sites for wind farm projects. Although both the Government of India and we conduct wind resource assessments based on long-term wind patterns at identified sites, there can be no assurance that wind patterns at a particular site will remain constant. Changes in wind patterns at particular sites that we have previously identified as suitable for wind farm projects, and which have been acquired and developed by us, could affect our results of operations and financial condition.

The decrease in or elimination of government initiatives and incentives relating to wind energy, may have a material adverse effect on our business and results of operations.

In recent years, the Indian government has enacted legislation and has established policies that support the expansion of renewable energy sources, such as wind power, and such support has been a significant contributing factor in the growth of the wind power industry. Support for investments in wind power is provided through fiscal incentive schemes and public grants to the owners of wind power systems, for example through preferential tariffs on power generated by wind farms or tax incentives, including in respect of certain capital investments, promoting investments in wind power. Various state governments have also provided wind power generators with wheeling facilities and have also allowed wind power generators to bank power with the grid, due to wind being an intermittent source of power. Further, the international attention being paid to reducing carbon dioxide emissions and the possibility of trading carbon dioxide emission quotas taking place has led to extra duties being applied to those sources of energy, primarily fossil fuels, which cause carbon dioxide pollution. The imposition of these duties has indirectly supported the expansion of power generated from renewable energy and, in turn, the wind power industry in general.

If this direct and indirect government support for wind power was terminated or reduced, this would make producing electricity from wind power less competitive. There can be no assurance that any such government support will continue at the same level or at all. Our ability to profitably generate wind power could therefore decline sharply, which would adversely affect our results of operations and financial condition.

The construction and operation of wind power projects has faced opposition from local communities and other parties.

The construction and operation of wind power plants in a number of countries has, in the past, faced opposition from the local communities where these plants are located and from special interest groups. Wind farms may cause noise and are considered by some to be aesthetically unappealing. Certain environmental organisations have expressed opposition to wind turbines on the allegation that wind farms cause the killing of birds and have adverse effects on other fauna and flora. Some communities have claimed that the local climate has been adversely affected by the operation of wind farms. Although we have never encountered opposition to the construction or operation of our wind farms, we cannot assure you that we will not encounter such opposition in the future. Significant opposition to the construction of our wind farms may adversely affect our results of operations and financial condition.

Our wind power division is substantially dependent on revenues from sales to three Indian customers.

From the inception of our wind power division until June 9, 2005, all the electricity generated by our two wind farms in the State of Karnataka was sold to a single customer, Karnataka Power Transmission Corporation Ltd. ("KPTCL"), pursuant to a PPA that required us to sell to KPTCL, and required KPTCL to purchase from us, 100% of the electricity produced at our wind farms in the State of Karnataka. Effective June 10, 2005, when KPTCL ceased to trade, we have been operating on the same terms with Bangalore Electricity Supply Company ("BESCOM") and Gulbarga Electricity Supply Company ("GESCOM") and these two entities have purchased 100% of the electricity produced at our wind farms in the State of Karnataka. We have executed PPAs with BESCOM for the supply of 51.25 MW of electricity. We have not

yet executed the PPAs with GESCOM. We have entered into a PPA with the Maharashtra State Electricity Board ("MSEB") in respect of the output of our Satara units in the State of Maharashtra. Effective June 6, 2005, with MSEB ceasing to trade, we have started operating on the same terms with Maharashtra State Electricity Distribution Company Limited ("MSEDCL") and have entered into a PPA with MSEDCL. With respect to our newly commissioned units in Dhule, we supply electricity to MSEDCL on tariffs specified by Maharashtra State Electricity Regulatory Commission ("MERC") and are in the process of finalising a PPA with MSEDCL. As a result, our wind power division is largely dependent on revenue from sales to three customers. We anticipate that the contribution of revenues from these three Indian customers, i.e., BESCOM, GESCOM and MSEDCL will continue to comprise a substantial portion if not all of the revenues of our wind power division, which, in fiscal 2005 and fiscal 2006, accounted for 3.4% and 8.4%, respectively of our total sales. If these arrangements were discontinued, we might be required to undertake substantial expense to build access lines with other customers. Consequently, our future success, to a large extent, will depend on continued demand for and our ability to provide renewable energy to these customers or their successors. If such demand does not arise, or we are unable to meet such demand, our results of operations and financial condition could be harmed.

We rely on third party suppliers for the on-going maintenance of our wind power generation equipment.

We have entered into a long-term arrangement with a third party for maintenance of our wind power generation equipment. If the third party becomes unwilling or unable to perform its obligations under this contract, and if we are unable to find a suitable alternative at similar costs, our wind power generation operations may suffer and our results of operations and financial condition may be adversely affected.

We may not be able to establish new off-take arrangements for our wind power generation facilities with BESCOM or GESCOM or after the expiration of our PPAs, including with MSEDCL on terms acceptable to us.

All the electricity generated by our two wind farms in the State of Karnataka was sold to a single customer, KPTCL, pursuant to PPA that required us to sell to KPTCL, and required KPTCL to purchase from us, 100% of the electricity produced at our wind farms in the State of Karnataka. Since June 10, 2005, when KPTCL ceased to trade, we have operated on the same terms with BESCOM and GESCOM as we did with KPTCL. We have executed PPAs with BESCOM for the supply of 51.25 MW of electricity. We have not yet executed the PPAs with GESCOM. We cannot assure you that we will be able to execute new arrangements with GESCOM on the similar terms as our PPA with KPTCL or BESCOM, or on terms that are beneficial to us. We have entered into a PPA with the MSEB in respect of the output of the Satara units in the state of Maharashtra. Effective June 6, 2005, with MSEB ceasing to trade, we have started operating on the same terms with MSEDCL and have entered into a PPA with MSEDCL. With respect to our newly commissioned units in Dhule, we supply electricity to MSEDCL at a price of Rs. 3.50 per KWH as specified by MERC and are in the process of finalising a PPA with MSEDCL.

Additionally, on the expiry of the respective PPA, we cannot assure you that respective state governments will extend their PPAs with us. It is likely that any decision in this regard will depend upon a variety of factors, some of which are beyond our control, including the demand for power, the availability of alternative sources of supply and the competitiveness of the various potential power producers. Accordingly, we cannot assure you that, once the existing PPAs expire, we will be able to establish new off-take arrangements for our facilities on terms acceptable to us, or at all, which could adversely affect our business and results of operations.

We may face difficulties enforcing our rights under the PPAs since doing so would require us to litigate against government entities.

In the past there have been instances of certain state governments refusing to perform their obligations under their agreements or guarantees until such disputes or counterclaims have been fully resolved, in cases of disputes and counterclaims between transmission companies, electricity boards and generation companies caused by a variety of factors. In addition, state governments may face political or public pressure not to fulfill their obligations to us, which could in turn result in our inability to fulfill our obligations to others. Accordingly, we cannot assure you that, in the event of a default under a PPA, the government entity guaranteeing payment thereunder will fulfill its obligations under the relevant guarantee

in a timely manner or at all. Any failure by any government entity to fulfill its obligations to us could have an adverse effect on our cash flows, income, business prospects and results of operations.

Environmental damage on our properties may cause us to incur significant financial expenses.

Environmental damage may result from the development of our wind farms. The construction of wind turbines involves excavation and the installation and use of concrete platforms. Increasing pressure may come to bear on our Company to remove obsolete turbines and to complete reclamation work in the event that our wind farm is abandoned. The costs to complete reclamation work and remove obsolete turbines may be significant. Environmental regulators may impose restrictions on our operations which would limit our ability to generate revenues. We may also be assessed for significant financial penalties for any environmental damage caused. Financial losses and liabilities as a result of environmental damage could affect our results of operations and financial conditions.

We may not obtain certification for our projects as Clean Development Mechanism projects, which may adversely affect our wind power prospects.

We are seeking to have 78.9 MW of our current wind power projects certified as Clean Development Mechanism (“CDM”) projects pursuant to United Nations Framework Convention on Climate Change. If our projects are certified as CDM projects, we would be eligible to earn Certified Emission Reduction (“CER”) credits by helping to reduce greenhouse gas emissions, which could be resold to provide an additional revenue source for wind power division. Together with RMMPL and PVS, we have finalised a validation report in respect of this application and have filed this application to be registered as a CDM. If we are unable to obtain such certification, it may adversely affect our wind power prospects.

Risks Related to Our Group

Plans by another Promoter Group Company to enter into the steel manufacturing business may divert resources from the export business.

A Promoter Group Company, AARESS Iron and Steel Limited, which is controlled by certain of our Promoters has plans to enter the steel manufacturing business. Steel manufacturing is dependent on iron ore.

We were granted an approval to operate a steel plant and pellet plant with a capacity of 1.0 million tons and 1.2 million tons, respectively, by the Government of Karnataka. Presently, we propose to set up only the pellet plant. Pursuant to a resolution dated January 4, 2006, our Board has approved the transfer of the approval for the manufacture of steel, to AARESS Iron and Steel Company Limited, a Promoter Group Company. The Government of Karnataka, as set forth in its letter dated March 22, 2006, has approved the transfer of the approval for the establishment of a steel plant with a capacity of 1.0 million tons from our Company to AARESS Iron and Steel Limited.

Our Promoters could seek to obtain iron ore from us at a lower rate than we might obtain through the export market, or seek to have us divert iron ore that we might sell on the export market to meet AARESS Iron and Steel Limited’s needs. If this occurs, our results of operations and financial condition could be adversely affected.

Our Promoters are actively involved in the management of other business operations in our Promoter Group, which may take time and attention away from their management of us.

Our Promoters are actively involved in the management of both our business and of other business operations in our Promoter Group. Attention to the other Promoter Group Companies may distract or dilute management attention from our business, which could adversely affect our results of operations and financial condition.

General Risks Related to our Business

We may fail to obtain or renew necessary licenses and permits or fail to comply with the terms of our licenses and permits.

Our business depends on the continuing validity of certain licenses and the issuance of certain new licenses and our compliance with the terms thereof. Regulatory authorities exercise considerable discretion in the timing of license issuance, renewal and monitoring licensees' compliance with license terms. Requirements imposed by these authorities may be costly and time-consuming and may result in delays in the commencement or continuation of exploration or production operations. Further, private individuals and the public at large possess rights to comment on and otherwise engage in the licensing process, including through intervention in courts and political pressure. We require certain approvals, licenses, registrations and permissions to operate our business, some of which have expired and for which we have either made or are in the process of making an application to obtain the approval or the renewal of such approval. Accordingly, the licenses we need may not be issued or renewed, or if issued or renewed, may not be issued or renewed in a timely fashion, or may involve requirements which restrict our ability to conduct our operations or to do so profitably. For more information, see the section titled "Government Approvals" on page 257.

Our success depends in large part upon our senior management, directors and key personnel and our ability to retain them and attract new key personnel when necessary.

We are highly dependent on our senior management, our directors and our other key personnel. Our future performance will depend upon the continued services of these persons. Although we maintain keyman insurance for our wholtime directors, Mr. Rahul Kumar N. Baldota and Mr. Shrenikkumar N. Baldota, we do not maintain keyman life insurance for certain of the senior members of our management team, our other directors or our other key personnel. Competition for senior management in our industry is intense, and we may not be able to retain our senior management personnel or attract and retain new senior management personnel in the future. The loss of any of the members of our senior management, our directors or other key personnel may adversely affect our results of operations and financial condition.

Our Promoters and principal shareholders will hold a majority of our Equity Shares after the Offer and can therefore determine the outcome of shareholder voting.

After the completion of this Offer, our Promoters and principal shareholders will hold approximately 82.61% (80.00% assuming that the Greenshoe Option is exercised in full) of our Equity Shares. So long as our Promoters and our principal shareholders own a majority of our Equity Shares, they will be able to elect our entire Board of Directors and control most matters affecting us, including the appointment and removal of our officers, our business strategy and policies, any determinations with respect to mergers, business combinations and acquisitions or dispositions of assets, our dividend policy and our capital structure and financing. Further, the extent of their shareholding in us may result in delay or prevent a change of management or control of our company, even if such a transaction may be beneficial to our other shareholders.

Certain of our Promoter Group Companies have incurred losses.

The following Promoter Group Companies incurred losses during the past three years. These are not expected to have a negative impact on our business. For details see the section titled "Our Promoters" on page 134.

(In Rs. million)

| Name of the Entity | Profit/Loss after Tax | | |
|------------------------------------|-----------------------|----------------|----------------|
| | March 31, 2003 | March 31, 2004 | March 31, 2005 |
| Mahakali Gases | - | - | (1.31) |
| Mahalakshmi Gases | (1.21) | 0.92 | (0.76) |
| Baldota Brothers (<i>In Rs.</i>) | (464,709) | (247,066) | (711,719) |
| L.R. Industries | 0.02 | (0.19) | (0.18) |

| | | | |
|---|--------------------------|----------|----------|
| Baldota Brothers Private Limited (In Rs.) | (34,943) | (28,193) | (19,265) |
| Vijaya Oxygen Company Limited (In Rs.) | (154,066) ⁽¹⁾ | 9,845 | (38,730) |

(1) For a eighteen month period ending March 31, 2003

We have provided guarantees to a Promoter Group Company.

As of March 31, 2006, we have issued guarantees of Rs. 143.8 million to the State Bank of India on behalf of RMMPL in respect of the credit facilities extended by them to RMMPL. In addition we have also sought an approval from the Department of Company Affairs, Government of India under the Companies Act to provide a further guarantee of Rs. 1,372.5 million of RMMPL's borrowings in respect of their wind power generation investments, which is not currently reflected in our contingent liabilities. To the extent we are required to pay this guarantee, or any future guarantee we may give on behalf of RMMPL or other promoter group companies, and these guarantees become actual liabilities, our future operations and financial conditions may be adversely affected.

The financial statements of certain of our Promoter Group Companies are unaudited.

The financial statements for certain of our Promoter Group Companies are unaudited. The financial statements have not been audited as there is no statutory requirement under the relevant statutes under which these entities are organised to have audited financial statements. Additionally, the report on the financial statements of P.Venganna Setty & Brother for the fiscal years ended March 31, 2001, 2002, 2003 and 2004 are based on the unaudited financial statements of those years. The auditors have carried out only a limited review of the same, and have not expressed an audit opinion on the financial statements. See "Our Promoters" on page 134 and "Financial Statements" on page 152.

We have entered into certain transactions with related parties.

MSPL Exports, whose assets and liabilities we have acquired effective April 1, 2006, has executed run of mine purchase agreements with PVS in respect of PIOM and RMMPL in respect of the SIOM, IYLI and the BRH. The right to purchase the iron ore under these run of mine purchase contracts has passed on to us effective April 1, 2006, as a result of our acquisition of the assets and liabilities of MSPL Exports. Such agreements may require prior Government approval under the Companies Act. Pursuant to such agreements, we pay the respective Promoter Group Companies. For details see "History and Certain Corporate Matters" and "Our Business" on page 116 and page 81, respectively. For more detailed information on our related party transactions, see page 146.

We have also entered into certain transactions with the relatives of our Promoters and Directors, including providing certain loans to them. See "Related Party Transactions" on page 146.

We require the approval of the Government of India to enter into purchase contracts with Promoter Group Companies and there can be no assurance that we will obtain the same

We need to obtain approval from the Government of India under the Companies Act to make purchases of iron ore pursuant to run-of-mine purchase contracts with Promoter Group Companies, as a result of our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006. We are in the process of making an application to the Government of India for obtaining such approval. In the interim period until we obtain Government of India approval, we intend to carry out such iron ore purchases on a cash basis to comply with provisions of the Companies Act. Our inability to obtain such approvals may adversely affect our financial performance and the results of our operations.

We are subject to restrictive covenants in certain debt facilities provided to us by our lenders.

There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short term and long term borrowings. These restrictive covenants require us to obtain either

the prior permission of such banks or financial institutions or require us to inform them of various activities, including, among others, alteration of our capital structure, raising of fresh capital, undertaking new projects or undertaking any merger, amalgamation, restructuring or change in management. Although we have received consent from our lenders for this Offer, these restrictive covenants may also affect some of the rights of our shareholders, including payment of dividends.

Any additional financing we require to fund our planned capital expenditures, if met by way of additional debt financing, may 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.

There are a number of legal proceedings against us, our directors and our Promoters

We, our directors and our Promoters are parties to certain legal proceedings initiated by or against us that are incidental to our business and operations. These legal proceedings are pending at different stages of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. Furthermore, if significant claims are determined against us and we are required to pay all or a portion of the disputed amounts, this may have a material adverse effect on our business and profitability.

There is a criminal case filed against one of our directors, Mr. Rahulkumar N. Baldota.

There are three civil cases filed against the Company involving an amount of Rs. 16.81 million along with interest.

There are six writ petitions filed against the Company challenging grant or recommendation of grant of mining leases in favour of the Company.

There are three cases filed by ex-employees against the Company involving an amount of Rs. 19,744 along with interest.

For details, see section titled “Outstanding Litigation and Material Developments” on page 245.

We are involved in certain tax cases, which if determined against us could have a material adverse impact on us.

There are seven disputes relating to excise duty assessments in which the aggregate amount (excluding interest thereon) claimed against us is Rs. 2.19 million. We may incur liability if orders against us are passed in one, some or all of such cases. For details please refer to the section titled “Outstanding Litigation and Material Developments - Tax Cases” on page 247 of this Red Herring Prospectus.

There are a number of legal proceedings against our Promoter Group Companies

There are two cases pending against RMMPL. For details, see section titled “Outstanding Litigation and Material Developments” on page 251.

There are seven cases pending against VOCL. For details, see section titled “Outstanding Litigation and Material Developments” on page 252.

There are thirteen excise duty claims pending against R.S. Enterprises. For details, see section titled “Outstanding Litigation and Material Developments” on page 255.

One of our directors, who is also our Promoter, has one criminal case pending against him.

One Mr. Anand Singh has filed a criminal complaint against Mr. Rahulkumar N Baldota and others alleging that he was assaulted. The investigating authorities filed a ‘B’ report before the Magistrate stating that the complaint is false. The matter is still pending.

Any further issuance of Equity Shares by us or sale of Equity Shares by our Promoters or any other major shareholder may adversely affect the trading price of our Equity Shares.

Any future issuance of our Equity Shares by us could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by our Promoters or any other major shareholder may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares.

Our contingent liabilities and capital commitments could adversely affect our financial condition.

As of March 31, 2006, our contingent liabilities and capital commitments were as follows:

(Rs. in million)

| | |
|--|----------------|
| <i>Contingent Liabilities</i> | |
| Foreign currency bills discounted | 772.77 |
| Guarantees given to banks on behalf of Promoter Group Company | 143.80 |
| Claims against the company not acknowledged as debt | |
| - Income tax matters | 3.89 |
| - Central Excise matters | 1.04 |
| - Lease Rental demanded by Forest Department | 13.23 |
| - Other matters | 2.01 |
| Subtotal | 936.74 |
| <i>Capital Commitments</i> | |
| Estimated amount of contracts remaining to be executed on capital accounts not provided for (net of advance) | 742.56 |
| Subtotal | 742.56 |
| Total | 1679.30 |

The Company has entered into a Business Transfer Agreement (“BTA”) dated February 6, 2006, as supplemented on April 1, 2006, to acquire all assets and liabilities of MSPL Exports, a partnership firm, with effect from April 1, 2006. The total consideration payable as per the BTA and as per the supplemental agreement is Rs 500 million out of which the Company has already paid an amount of Rs. 260 million through March 31, 2006.

If these contingent liabilities and capital commitments materialise, fully or partly, our financial condition could be adversely affected. For more details of our contingent liabilities and capital commitments, please see the section titled “Outstanding Litigation and Material Developments” beginning on page 245.

The entire proceeds of the Offer will be to the account of the Selling Shareholders

As the Offer consists of only an offer for sale by the Selling Shareholders, the entire proceeds of the Offer will be paid to the Selling Shareholders and the Company will not receive any proceeds from the Offer.

External Risk Factors

Our operations are subject to extensive domestic regulations and may be adversely affected by change in regulations or present or future violations or enforcement actions

Mining

Our operations are subject to extensive regulations, including regulations relating to pollution and protection of the environment and worker health and safety. National, state and local authorities regulate the mines that we operate or from which we purchase, or plan to purchase or enter into run of mine arrangements, with respect to matters such as labour conditions, royalties, permit and licensing requirements, planning and development, tax registrations, mining leases, supply of water, environmental compliance (including, for example, compliance with waste and waste water treatment and disposal, air emissions, discharges and forest and soil conservation requirements), plant and wildlife protection, reclamation and restoration of properties after operations are complete and the effects that mining and refining operations have on groundwater quality and availability.

Numerous governmental permits, approvals and leases are required for our operations. We are required to prepare and present to national, state or local authorities data pertaining to the effect or impact that any proposed exploration, mining or production activities may have upon the environment. The costs, liabilities and requirements associated with complying with these laws and regulations or complying with changes in requirements or the manner in which they are applied or the cost of rehabilitation of site operations which have been closed down may be substantial and time-consuming and may delay the commencement or continuation of exploration, mining or production activities. Failure to comply with these laws and regulations or to obtain or renew the necessary permits, approvals and leases may result in the loss of the right to mine. There can be no assurance that compliance with these laws and regulations or changes thereto or the cost of rehabilitation of site operations which have been closed down or the failure to obtain necessary permits, approvals or leases or successful challenges to the grant of such permits, approvals and leases will not adversely affect our results of operations or financial condition. We incur and expect to continue to incur significant capital and operating costs to comply with environmental regulations. We could also incur significant costs, including clean up costs, fines and civil and criminal sanctions, if we fail to comply with environmental laws and regulations or the terms of consents and approvals.

New legislation or regulations may be adopted in the future that may materially and adversely affect our operations, our cost structure or our customers' ability to use our products. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require us or our customers to change operations significantly or incur increased costs which could have an adverse effect on our results of operations or financial condition.

In addition, a violation of health and safety laws relating to a mine, or processing plant or a failure to comply with the instructions of the relevant health and safety authorities could lead to, among other things, a temporary shutdown of all or a portion of the mine or processing plant, a loss of the right to mine or operate the processing plant or the imposition of costly compliance procedures. If health and safety authorities require us to shut down all or a portion of a mine or processing plant or to implement costly compliance measures, whether pursuant to existing or new health and safety laws and regulations, such measures could have a material adverse effect on our results of operations or financial condition.

Further under the Mineral Concession Rules, 1960, as amended, a mining lease for a mineral or prescribed group of associated minerals cannot exceed a total area of 10 square kilometres. In a state (province), one person cannot acquire one or more mining leases covering a total area of more than 10 square kilometres. This rule limits our ability to acquire or apply for additional mining leases. Although the Government of India may in the interest of development of any mineral relax the aforesaid requirement, there is no assurance that such a relaxation would be forthcoming in a timely manner or at all or might be subject to conditions that could adversely affect our results of operations and financial condition. For further details on the applicable legislation see "Regulations and Policies" on page 108.

Energy Production

The operation of wind farms is subject to regulation by various government agencies at the national, state (or provincial) and municipal level. Tax incentives exist in the jurisdictions in which we operate. These laws and tax regimes may change and no longer be favorable to us, which may affect our profitability. Changes in governmental policies and laws, including laws and regulations relating to income, capital, corporate or local taxes and the removal of tax incentives related to our industry could harm our energy production business and our results of operations. Currently, there are laws which are favourable to wind-energy producers. However, we cannot assure you that such favourable status will continue. If such favourable laws do not remain in place, our wind business may be harmed and our results of operations and financial condition may be adversely affected.

The statutory and regulatory framework for the Indian power sector has changed significantly in recent years and the impact of these changes is unclear. There are likely to be more changes in the next few years. The Electricity Act, 2003, as amended (the "Electricity Act"), puts in place a framework for reforms in the power sector, but in many areas the details and timing are yet to be determined. The Electricity Act, which came into force in June 2003, removes certain licensing requirements for power generators, provides for open access to transmission and distribution networks and removes restrictions on the right to build captive generation plants, which could result in increased competition for us. These reforms provide opportunities for increased private sector involvement in power generation. Furthermore, there could be additional changes in terms of tariff policies, the unbundling of the SEBs, restructuring of companies in the power sector, open access and parallel distribution, and licensing requirements for, and tax incentives applicable to, companies in the power sector. In addition, the new Government that was formed in May 2004 has announced in its "Common Minimum Programme" that it plans to undertake a review of the Electricity Act. We presently do not know what the nature or extent of this review will be, and cannot assure you that such review will not impact our financial condition and results of operations. For further details see "Regulations and Policies" on page 108.

A change in Chinese regulations in respect of the import to China of iron ore may adversely impact our operations and results of operations.

Our mining and export business depends on demand from the Chinese market for iron ore. Our ability to export iron ore to China depends on Chinese regulations by various government agencies related to import of iron ore. If changes in governmental policies and law make it more costly or burdensome to export iron ore to China or otherwise impact the price realisation for export of iron ore, whether by setting price caps or otherwise, or prohibit our export of iron ore to China, we may not be able to export iron ore to China in a cost-effective manner, or at all, which could adversely affect results of operations and financial condition.

A slowdown in global economic growth could cause our business to suffer.

Any slowdown in the global economy, including in the Chinese economy, could impact demand for steel which consequently might adversely impact iron ore volumes and prices. This could adversely affect our results of operations.

We may be subject to industrial unrest, slowdowns and increased wage costs, which could adversely impact our operations and financial condition.

India has stringent labour legislation that protects the interests of workers, including legislation that sets forth detailed procedures for dispute resolution and employee removal and legislation that imposes certain financial obligations on employers during employment and upon retrenchment. Under Indian law, workers also have a right to establish trade unions. Although our employees are not currently unionised, we cannot assure you that they will not unionise in the future. If some or all of our employees unionise or if we experience unrest or slowdowns, it may become difficult for us to maintain flexible labour policies and we may experience increased wage costs and employee numbers. We also depend on third party contractors for the provisions of various services associated with our business. Such third party contractors and their employees/workmen may also be subject to these labour legislations. Any industrial unrest, slowdowns which our third party contractors may experience could disrupt the provision of services to us and may adversely impact our operations and financial condition.

We have recently experienced unrest at VIOM which resulted in temporary disruption to our mining operations and damage to property and equipment.

On May 13, 2006, certain miscreants forcibly entered VIOM and damaged property and equipment. We experienced temporary disruptions for a few hours in our mining operations at such mine. The estimated depreciated value of the fully damaged vehicles and equipments was approximately Rs. 33.30 million. These assets are adequately insured and the Company is in the process of filing the insurance claims. We have ordered replacement machinery of Rs. 42.46 million and intend to order additional replacement machinery worth Rs. 13.90 million. We have taken steps to address such issues by taking measures such as increasing the security on the mine and at our offices. However, there can be no assurance that such incidents will not happen again or that we are and will be adequately protected against such incidents, which may adversely affect our business, financial condition and results of operations.

An increase in fuel costs may adversely affect our business.

Our operations rely heavily on logistics and transport of iron ore to ports. Fuel costs impact our transport costs, which are a major component of our total costs in our mining business, and indirectly affect numerous other areas of our business. An increase in fuel costs could result in higher transport charges and could significantly and adversely affect our results of operation and financial condition.

Our business could be adversely impacted by economic, political and social developments in India and particularly in the regional markets that we serve.

Our performance and growth are dependent on the health of the Indian economy and in particular the economies of the regional markets we serve. These economies could be adversely affected by various factors, such as political and regulatory action including adverse changes in liberalization 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 these economies could adversely impact our business and financial performance and the price of our Equity Shares.

Force majeure events, natural calamities in India, China or other countries could adversely affect the financial markets, result in a loss of customer confidence and adversely affect our business, operations and financial condition

Natural calamities that are beyond our control, such as the recent floods in Mumbai, Chennai and Bangalore, *tsunami*, which affected several parts of Southeast Asia, including India and Sri Lanka, on December 26, 2004, and other calamities which may involve India, China or other countries, could adversely affect worldwide financial markets and could lead to economic disruptions. In turn such events may also lead to disruption in port services and therefore in the supply of iron ore to China, and could adversely affect our business, financial performance and results of operations.

We have limited protection of the "MSPL" logo and name.

We have applied for a trademark for the name "MSPL Limited" and for the "MSPL" logo that appears on the cover page of this Draft Red Herring Prospectus. Our application may not be allowed or competitors may challenge the validity or scope of this application or the trademark if the application is approved. If we fail to successfully obtain or enforce our trademark, we may need to change our logo. Any such change could materially adversely impact our business and require us to incur additional costs. This could have an adverse effect on our business. For further details see "Government Approvals" on page 257.

The price of the Equity Shares may be volatile, and you may be unable to resell your Equity Shares at or above the Offer Price or at all.

Prior to the Offer, there has been no public market for our Equity Shares, and an active trading market on the Indian Stock Exchanges may not develop or be sustained after the Offer. The Offer Price of the Equity Shares may bear no relationship to the market price of the Equity Shares after the Offer. The market price of the Equity Shares after this Offer may be subject to significant fluctuations in response to, among other

factors, our results of operations and performance; subsequent corporate actions taken by us, performance of our competitors, market conditions specific to the iron ore or wind-power generation industries, and the market perception about investments in the iron ore or wind-power generation industries.

Any downgrading of India's debt rating by an independent agency may adversely affect our ability to raise additional financing on the same or better terms than we currently enjoy.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely impact 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 business and future financial performance, our ability to obtain financing for capital expenditures, and the price of our Equity Shares.

Notes:

1. Offer for sale of 13,356,522 Equity Shares of Rs. 5 each for cash at a price of Rs. [●] per Equity Share including a share premium of Rs. [●] per Equity Share aggregating Rs. [●] million, including a Green Shoe Option of 2,003,478 Equity Shares of Rs. 5 each at a price of Rs. [●] per Equity Share for cash aggregating Rs. [●] million. The Offer would constitute 17.39% of the fully diluted post Offer paid-up capital of our Company, assuming no exercise of the Green Shoe Option and up to 20.00% assuming the Green Shoe Option is exercised in full.
2. The networth of the Company was Rs. 3,546.85 million as of March 31, 2006 as per our restated financial statements included in this Draft Red Herring Prospectus.
3. The net asset value per Equity Share of Rs. 5 each was Rs. 46.18 as of March 31, 2006, as per our restated financial statements included in this Draft Red Herring Prospectus. Pursuant to a resolution of our shareholders at the EGM on December 23, 2005, the Equity Shares of face value of Rs. 10 each were sub-divided into Equity Shares of Rs. 5 each.
4. The average cost of acquisition of our Equity Shares by our Promoters is Rs. 0.03 per Equity Share. The average cost of acquisition of Equity Shares by our Promoter has been calculated by taking the average of the amount paid by him to acquire the Equity Shares issued by us, including bonus shares. For details please see the section titled "Capital Structure" on page 52.
5. In terms of Rule 19 (2)(b) of the SCRR, this being an Offer for less than 25% of the post-issue capital, the Offer is being made through the 100% Book Building Process wherein at least 60% of the Offer will be allocated on a proportionate basis to Qualified Institutional Buyers ("QIBs"), out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allocation on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. If at least 60% of the Offer cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.
6. Our Promoter and Directors are interested in our Company by virtue of their shareholding in our Company. See "Capital Structure" and "Our Management" beginning on page 52 and page 124, respectively.
7. None of our Directors have either directly or indirectly undertaken any transactions in our Equity Shares in the six months preceding the date of this Red Herring Prospectus except as stated in "Capital Structure" on page 56.
8. Certain of our Promoter Group Companies also have contracts with our Company in relation to their business. See "Our Business" beginning on page 81.
9. Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.

10. Any clarification or information relating to the Offer shall be made available by the BRLM, the SCBRLM 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 the BRLM, the SCBRLM and the Syndicate Member for any complaints pertaining to the Offer.
11. For details of our related party transactions, please refer to the section titled “Related Party Transactions” on page 146.
12. Investors may note that in case of over-subscription in the Offer, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Bidders shall be on a proportionate basis. For more information, please refer to the section titled “Basis of Allocation” on page 295.
13. Investors are advised to refer to the section titled “Basis for Offer Price” on page 61.

SECTION III – INTRODUCTION

SUMMARY

Business Overview

We are an iron ore mining, processing and exporting company with over four decades of experience in the industry. According to the Federation of Indian Mineral Industries (“FIMI”), we were the first private company in India to receive a license for the export of high grade iron ore (having Fe content of 64% or more). We are predominantly exporters of high-grade processed iron ore. We are a flagship company of the Baldota Group of Companies (“Group Companies”), which are primarily owned by the Baldota family. For further details on the Group Companies, please refer to the section titled “Our Promoters” on page 134.

We have obtained ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999 certifications from Bureau Veritas Quality International. According to Bureau Veritas Quality International, we were the first unit certified in the mining sector in India for upgrades to ISO 9001:2000 and ISO 14001:2004 status. We have received numerous awards from the Government of India and the Government of the State of Karnataka, including CAPEXIL special export awards for contributions to Indian iron ore exports in each of the last six fiscal years from 1999 to 2005 and the Indira Priyadarshini Vriksha Mitra Award in 2004 for our work in afforestation. We were awarded the Karnataka Renewable Energy Development Limited (“KREDL”) award for highest investment in the field of renewable energy in the State of Karnataka.

We are also a three-star export house status holder with over four decades of experience in iron ore mining. Rs. 5,657.17 million, or 93.9% of our total sales in fiscal 2005 and Rs. 4,783.25 million, or 69.1% of our total sales in fiscal 2006, were derived from direct exports of iron ore, all of which were made to China. In addition, Rs. 1,090.64 million, or 15.7% of our total sales, in fiscal 2006 were derived from sales to MMTC, which we believe are for export to China.

We currently operate in the State of Karnataka in the Bellary-Hospet sector. We are the leaseholder for the Vyasankere iron ore mine with a leasehold area of 347.2 hectares and a current permissible mining excavation of 2.5 million metric tons. We operate three processing units, two of which are registered as EOU, with tax-free status through fiscal year 2009 in respect of the export of all grades of iron ore, up to 4.6 million metric tons per year. We are also an 88% partner in P. Venganna Setty & Brother, a partnership firm holding the lease for the Pathikonda iron ore mine, with a lease area of 123.84 hectares. We have also obtained approval from the Government of the State of Karnataka to establish a pellet making plant in Karnataka, and we hope to operationalise the plant during fiscal 2008.

We are also actively growing our mining business by seeking to acquire additional mining assets and have recently reorganised our Group in an effort to capture the value of the Group’s iron ore business in our Company.

Pursuant to our corporate restructuring initiative, we entered into an agreement dated February 6, 2006, as supplemented on April 1, 2006, with MSPL Exports, a group partnership firm involved in the processing and export of iron ore, to acquire all assets and liabilities of MSPL Exports. The acquisition became effective from April 1, 2006. MSPL Exports was registered as an EOU with tax-free status through fiscal year 2009 in respect of the export of all grades of iron ore up to 2.6 million metric tons per year. It had a processing plant with a processing capacity of 475 metric tons per hour. From April 1, 2006, it operates as a second EOU unit for us, augmenting our EOU status by 2.6 million metric tons per year. We have also obtained the benefits of the fiscal concessions in respect of the additional EOU capacity. As MSPL Exports did not hold any mining leases, iron ore for processing and export is supplied to us pursuant to run-of-mine purchase contracts through four mines currently held under lease by RMMPL and PVS Mines, both of which are Group Companies. Under the run-of-mine purchase contracts, the mine leaseholders will supply the entire production of the mines to us on an exclusive basis for the term of the lease of individual mines, with the agreement co-extensive with renewal in leases on these mines. All these supplier mines operate in the Bellary-Hospet sector. For details on the key terms of the run-of-mine purchase contracts, please refer to “Run of Mine Purchase Agreements” on page 100.

We have also entered into a run-of-mine purchase contracts in respect of Banashankari iron ore mine in the Bellary-Hospet sector in the State of Karnataka with a third-party leaseholder. BIOM is not currently operational, although the leaseholder is in the process of obtaining forest and environmental clearance for mining. In addition, on December 14, 2005, we entered into a run-of-mine purchase contract with a third-

party leaseholder in a mining area in the west Singhbhum district in the State of Jharkhand. The leaseholder is currently in the process of obtaining renewal of its mining lease, preparing a revised mining plan for higher production level and seeking statutory approvals. On receiving all clearances, we plan to set up an on-site processing plant for processing the run-of-mine of the Jharkhand mine and selling processed iron ore, both domestically and in the export market.

In addition to our iron ore operations, we also own and operate wind farms with a current installed capacity of 105.6 MW. Our wind farms are situated in Harapanahalli, with a capacity of 46.25 MW, and Chitradurga, with a capacity of 38.35 MW, each in the State of Karnataka and in Satara, with a capacity of 1 MW, in the State of Maharashtra and a newly commissioned capacity of 20 MW in Dhule in the State of Maharashtra. We are in the process of commissioning ten turbines of 600 kilowatt capacity each near Harihar in Karnataka. We have already taken delivery of these turbines and we are currently in the process of commissioning them.

The respective contributions to total income of our divisions for the financial years 2003, 2004, 2005 and 2006 are set forth below:

| | | Year ended March 31, | | | |
|---------------------|----------------------|-------------------------|----------|----------|---------|
| | | 2003 | 2004 | 2005 | 2006 |
| Mining Division | Rs millions | 1,055.59 | 3,116.61 | 6,018.92 | 6954.97 |
| | As % of total income | 91.7% | 96.4% | 94.8% | 89.8% |
| Wind Power Division | Rs millions | 10.22 | 30.83 | 233.35 | 657.95 |
| | As % of total income | 0.9% | 1.0% | 3.7% | 8.5% |
| Gas Division | Rs millions | 85.53 | 85.23 | 97.46 | 131.47 |
| | As % of total income | 7.4% | 2.6% | 1.5% | 1.7% |

The table above captures only the revenues derived from MSPL, including its share of the partnership profit from PVS Mines. MSPL Exports had its first export consignment effected in November 2005 and, had revenues of Rs. 1,823.24 million in fiscal 2006. . In addition, pursuant to the corporate restructuring, our gas division has been sold effective April 1, 2006.

Our Strengths

We plan to continue to capitalise on what we believe to be our key strengths:

High Grade Iron Ore Products. The iron ore supply in respect of mines for which we have or have applied for mining leases, as well as the mines with which we enjoy run-of-mine purchase contracts, consists principally of hematite ore with a Fe content of predominantly greater than 64%. The greater the Fe content of the iron ore, the more efficient it is to process the ore. In addition, our iron ore has other characteristics, which we believe contribute to its quality, such as:

- higher reducibility allows greater productivity for our ultimate customers, the steel producers;
- low moisture content, which means lower transportation and distribution costs; and
- low rates of impurities such as silica, phosphorus, alumina and sulphur.

We believe our high grade products and ore quality gives us a strong competitive advantage and helps us to command premium pricing, stimulate demand for our products and enjoy customer loyalty.

Proximity to China. China is currently the largest consumer of iron ore in the world and a key driver of the seaborne iron ore trade. We have been directly exporting our products to China since 1996 and Chinese consumers of our iron ore are familiar with our brand and products. Today our exports to China represent 100% of our direct exports. We believe that our geographic proximity to China allows us to ship products to customers in China faster, and at less cost, than our

Brazilian competitors. We believe this allows us to charge higher FOB prices to China than these competitors.

100% EOU Benefits. Exports from India of iron ore with an Fe content of greater than 64% requires an export license, except for iron ore mined at Goa and Redi, Maharashtra, or sold through MMTC for export. As per FIMI, we were the first private company licensed to export iron ore from India when we obtained clearance to export in 1996. Based on the volume of our export sales, we have obtained Three Star Export House status from the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, which provides us with more rapid approval of license application, as well as other benefits in connection with our export of iron ore.

We currently have one unit registered as a 100% EOU, which grants us a license, effective April 1, 2005 through March 31, 2009, to export 2.0 million metric tons of iron ore annually. Pursuant to our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, we have also acquired MSPL Exports' 100% EOU registration, with a license effective through March 31, 2009, to export 2.6 million metric tons of iron ore annually. We also enjoy several fiscal concessions in connection with our EOU status, such as:

- Our earnings from export sales through EOUs, will enjoy tax free status until March 31, 2009, contributing to net earnings;
- We are not required to pay any customs duty on the import of plant and machinery to be used for the EOUs; and
- We receive other tax benefits.

For additional details of the fiscal concessions resulting from our EOU status, please refer to "Regulations and Policies—Export Oriented Unit (EOU) scheme" on page 111.

Access to Iron Ore Reserves. We have access to reserves of high grade iron ore. We currently operate VIOM and, with our acquisition of the assets of and liabilities of MSPL Exports effective April 1, 2006, we have run-of-mine purchase contracts in respect of three iron ore mines with proved and probable reserves estimated pursuant to the JORC code: SIOM, IYLI and PIOM.

We appointed Behre Dolbear to review, validate and classify our iron resources in accordance with the JORC code. Behre Dolbear in their report dated February 9, 2006 has assessed the reserves at VIOM, SIOM, IYLI and PIOM mines as follows:

| Deposit Name | Iron Ore Reserves (million metric tons) | | |
|--------------|---|-------------|-------------------|
| | Proved | Probable | Proved + Probable |
| VIOM | 20.83 | 8.53 | 29.36 |
| SIOM | 1.53 | - | 1.53 |
| IYLI | 6.74 | 0.26 | 7.0 |
| PIOM | 3.28 | 0.78 | 4.06 |
| Total | 32.38 | 9.57 | 41.95 |

- **Iron Ore Mining Asset Accretion and Development.** In addition to the existing iron ore reserves described above, we are also in the process of acquiring and developing additional iron ore assets. In particular, we have applied for a lease for the Kumaraswamy area in Sandur Taluka, Bellary district in the State of Karnataka. We have also entered into a run-of-mine purchase contract in respect of a mine in the west Singhbhum district of the State of Jharkhand. Additionally, we currently enjoy a run-of-mine purchase contract in respect of BIOM, and with our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, we also enjoy a run-of-mine purchase contract in respect of the Bharat Rayan Haravu iron ore mine. Both BIOM and BRH are

non operational mines and in respect of each of them, certain regulatory approvals are pending. We will continue to consider acquiring new iron ore mining assets both domestically and internationally as opportunities arise.

In addition to acquiring mining assets, we also seek to optimise our mining assets through research and development of various techniques. For example, we have established research and development facilities to improve lower grade ores into saleable higher grade iron ore products. Marginal low grade ores (with Fe content of 58 – 60%) are beneficiated through a wet process to upgrade them to saleable products with an Fe content of approximately 63%.

Wind Power Generation Operations. Our wind power generation operations provide us with a more diversified revenue stream. According to the Directory of Indian Wind Power, published by Consolidated Energy Consultants Limited, as at March 31, 2005, we had the largest installed wind generation capacity in India.

We benefit from our wind farm locations which are exposed to a relatively high wind speed. Higher wind speeds generate more power using the same equipment than lower wind speeds. We also benefit from a favourable regulatory environment, including certain tax benefits. Pursuant to the Electricity Act, electricity companies are required to sell a certain proportion of electricity generated from non-conventional energy resources, such as wind power. As a result, regulation has created a potential for additional markets for our products.

Experienced Management Team. Our management team consists of people who have extensive experience in the mining and natural resource industries. Our management team combines extensive operations, management and technical skills with marketing and sales capability.

Our Strategy

We strive to become a leading player in the Indian iron ore market and a leading exporter of iron ore from Asia. In order to meet this objective, our business strategy is focused on the following.

Targeting Volume Growth by Acquiring, Developing and Optimising Mineral Assets. To capitalize on the growing demand for high grade iron ore, and on currently strong pricing levels, we intend to increase our production volumes in the coming years to become a larger participant in the regional iron ore market. We expect that we will achieve growth in volumes, driven by:

- centralisation, with our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, of the iron ore sales of related Group entities in MSPL, through the run-of-mine purchase contracts;
- operationalisation of the Kumaraswamy mine following Government approval of our application, the approval of our mining plan by the Indian Bureau of Mines (“IBM”), the receipt of forest clearance and environmental approvals and establishment of a processing plant; and
- operationalisation of the Jharkhand mine following approval by IBM of a new mining plan based on higher proposed production of up to 5.0 million metric tonnes per year, and the receipt of forest clearance approval and environmental approval and establishment of a processing plant.

We intend to apply for EoU registration for the proposed processing plants for the Kumaraswamy mine and the Jharkhand mine.

In addition, we intend to consider additional opportunities to acquire and operationalise additional mineral assets as they become available. We have in the past applied, and may in the future apply, for prospecting or mining leases for minerals other than iron ore. Although we have no present plans to engage in the mining of minerals other than iron ore, including gold and diamonds, we may in the future do so if appropriate opportunities present themselves.

We also intend to pursue trading of iron ore. As part of trading activities, we intend to purchase processed iron ore from third parties and export such iron ore to overseas markets under the export promotion capital goods scheme. In this regard, we are in discussions with a party to procure iron ore for export, and may be required to make an advance payment to such third party.

Our Promoters, pursuant to an undertaking dated February 10, 2006, have undertaken that in the event that any of the Promoters, Promoter Group Companies or any other entity (including any individual) over which our Promoters have a direct or indirect control obtains a new mining lease for iron ore, that entity shall enter into a run-of-mine contract or other similar arrangement in similar form, directly or indirectly, with us. We anticipate that such contracts will be similar to the run-of-mine purchase contracts which RMMPL and PVS have entered with us, pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, except in case of captive mining leases specifically awarded for the manufacture of iron and steel.

Diversify Our Markets. Our high grade iron ore and emphasis on customer satisfaction provides us a platform for maintaining and improving our relationships with current and prospective customers. Our ability to diversify our customer base in China or seek customers in other export markets has been restricted by our production capabilities and demand from our current customer base. While this is expected to continue even after our planned increase in production and export volumes in the future, we intend to seek a diversification in our customer base by targeting a greater number of customers in China as well as seeking to develop a customer base in other countries in Asia, including Japan and South Korea.

We also intend to take advantage of anticipated growth in the domestic Indian iron ore market as Indian steel production increases. The National Steel Policy of 2005, prepared by the Government of India, envisages 110 million metric tons and 190 million metric tons of annual domestic consumption of crude steel and iron ore, respectively, by 2020.

Investing in Additional Connectivity for the Distribution of our Iron Ore Products. In order to more efficiently and cost-effectively transport our iron ore products for sale, we plan to invest in additional connectivity. We have ordered eight rakes, with an estimated capacity of 3,700 metric tons per rake for railway transport, of which five rakes have already been delivered to us. The railway rakes will provide us with ready capacity for additional iron ore, allowing us to increase our transport to port by train and reduce our need to use more costly road transport.

Working toward Zero-Waste Management in all Mining and Processing Operations. We have put in place systems that we hope will help us to recover 100% of the minerals available through systematic mining, processing and stocking of minerals under our “Zero-Waste Management” plan. We have two objectives as part of our “Zero Waste Management Plan”:

- To reach 100% recovery of iron ore during extraction, processing and transportation by avoiding admixtures and spillages; and
- To identify and recover associated rocks that would otherwise be waste rocks and identify the minerals present in the rocks to find alternative uses for those rocks in any industry.

As we implement Zero Waste Management, we plan to develop or adapt our processing plants to take 100% recovery of iron ore.

We have also identified several minerals which may have alternative uses and are working to implement sales of these minerals. For example, we have supplied minerals like laterites and gabbro to cement plants in the vicinity for use as a binding agent and we have also supplied phyllite rocks, which are a mixture of silicates and alumina, to the tile industry as a base material.

Taking Advantage of the Carbon Credit Opportunity in our Wind Division. We are seeking to have 78.9 MW of our current wind power projects certified as Clean Development Mechanism projects pursuant to the United Nations Framework Convention on Climate Change. If our projects are registered as CDM projects, we would be eligible to earn Certified Emission Reduction credits because our wind generation activities help to reduce greenhouse gas emissions. Because these CERs can be resold to industrialised countries that are required to reduce their greenhouse gas emissions under the terms of the Kyoto treaty, CERs may provide an additional revenue source to our wind power division.

The Company, together with RMMPL and PVS, has finalised a validation report in respect of its wind operations and have jointly submitted an application to register its wind power projects, 78.9 MW in case of MSPL, as CDMs.

Industry Overview

See the section titled “Industry Overview” on page 70.

THE OFFER

| | | |
|--|---|--|
| Equity Shares offered: | | |
| Offer by the Selling Shareholders (excluding the Green Shoe Option Portion)* | | 13,356,522 Equity Shares of face value of Rs. 5 each |
| <i>Of which</i> | | |
| A) Qualified Institutional Buyers (QIBs)portion | | At least [●] Equity Shares of face value of Rs. 5 each <i>(Allocation on a proportionate basis)</i> |
| <i>of which</i> | | |
| | Available for allocation to Mutual Funds only | [●] Equity Shares of face value of Rs. 5 each <i>(Allocation on a proportionate basis)</i> |
| | Balance for all QIBs including Mutual Funds | [●] Equity Shares of face value of Rs. 5 each <i>(Allocation on a proportionate basis)</i> |
| B) Non-Institutional Portion | | Up to [●] Equity Shares of face value of Rs. 5 <i>(Allocation on a proportionate basis)</i> |
| C) Retail Portion | | Up to [●] Equity Shares of face value of Rs. 5 <i>(Allocation on a proportionate basis)</i> |
| Green Shoe Option Portion* | | 2,003,478 Equity Shares of face value Rs. 5 each |
| Offer by the Selling Shareholders (including the Green Shoe Option Portion)* | | 15,360,000 Equity Shares of face value Rs. 5 each |
| Equity Shares outstanding prior to the Offer | | 76,800,000 Equity Shares of face value of Rs. 5 each |
| Equity Shares outstanding after the Offer (assuming the Green Shoe Option is fully exercised) | | 76,800,000 Equity Shares of face value of Rs. 5 each |
| Equity Shares outstanding after the Offer (assuming the Green Shoe Option is not exercised) | | 76,800,000 Equity Shares of face value of Rs. 5 each |
| Use of Proceeds | | The Company will not receive any proceeds from the Offer. |

* The Selling Shareholders are exploring possibilities of transferring Equity Shares to certain investor(s), which may include domestic venture capital funds prior to filing of the Red Herring Prospectus with the RoC. In such a case, the size of the Offer would be reduced to the extent of such transfer. Further, the Green Shoe Portion would also be reduced in proportion to the reduction of the Offer Size.

GREEN SHOE OPTION

The Selling Shareholders intend to establish an option for allocating Equity Shares in excess of the Equity Shares that are included in the Offer in consultation with the BRLM, the SCBRLM and the Stabilising Agent and to operate a price mechanism in accordance with the applicable SEBI Guidelines. The Green Shoe Lenders will transfer the Equity Shares to the Stabilising Agent to enable the Green Shoe Option mechanism.

The Selling Shareholders have appointed DSP Merrill Lynch Limited, as the Stabilising Agent, for performance of the role of Stabilising Agent as envisaged in Chapter VIIIA of the SEBI Guidelines. The primary responsibility of the Stabilising Agent shall be to stabilize the post-listing price of the Equity Shares. To this end the Stabilising Agent shall determine the timing of the purchase of the Equity Shares, the quantity to be bought and the price at which to purchase the Equity Shares. Stabilising will be conducted in accordance with applicable laws and regulations. Stabilising may be discontinued at any time and will not continue for a period exceeding 30 days from the date when trading permission is obtained from the Stock Exchanges. The Stabilising Agent will borrow Equity Shares from Green Shoe Lenders. The Equity Shares borrowed from Green Shoe Lenders or purchased in the market for stabilizing purposes will be in demat form only.

The Green Shoe Lenders have agreed to lend the following number of Equity Shares for the purpose of the Green Shoe Option:

| Name of the Green Shoe Lender | No. of Equity Shares |
|-------------------------------|----------------------|
| Mr. Shrenikkumar N. Baldota | 978,261 |
| Mr. Rahulkumar N. Baldota | 521,739 |
| Mrs. Lavina R. Baldota | 260,870 |
| Mrs. Vasanti A. Baldota | 177,391 |
| Mr. Narendrakumar A. Baldota | 65,217 |
| TOTAL | 2,003,478 |

The Selling Shareholders, also acting as the Green Shoe Transferors, have agreed to transfer Equity Shares to the Stabilising Agent, in case the Green Shoe Option is exercised by Stabilising Agent, as follows.

| Name of the Green Shoe Transferor | No. of Equity Shares |
|-----------------------------------|----------------------|
| Mr. Shrenikkumar N. Baldota | 978,261 |
| Mr. Rahulkumar N. Baldota | 521,739 |
| Mrs. Lavina R. Baldota | 260,870 |
| Mrs. Vasanti A. Baldota | 177,391 |
| Mr. Narendrakumar A. Baldota | 65,217 |
| TOTAL | 2,003,478 |

The Selling Shareholders are acting as both the Green Shoe Lenders and the Green Shoe Transferors. There is no conflict of interest for Selling Shareholders in acting as Green Shoe Lenders and the Green Shoe Transferors. On February 10, 2006, the Selling Shareholders, in their capacities as a Green Shoe Lender and the Green Shoe Transferor entered into a Stabilization Agreement with DSP Merrill Lynch Limited as the Stabilising Agent.

The terms of the Stabilization Agreement provide that:

Stabilisation Period

“Stabilisation Period” shall mean the period commencing from the date the Company and the Selling Shareholders obtain trading permission from the Stock Exchanges and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.

Procedure for Over Allotment and Stabilisation

- i) The monies received from the applications for Equity Shares in the Offer against the over allotment shall be kept in the GSO Bank Account, which is a distinct account separate from the Public Offer Account and shall be used only for the purpose of stabilization of the post listing price of the Equity Shares.
- ii) The Stabilising Agent shall borrow the Equity Shares on a pro rata basis from all the Green Shoe Lenders. The allocation of the Over Allotment Shares shall be done in conjunction with the allocation of Offer so as to achieve pro-rata distribution. A shortfall in demand in any category shall be made available to the residual categories and the basis of allocation shall be approved by the Designated Stock Exchange.
- iii) Upon such allocation, the Stabilising Agent shall transfer the Over-Allotment Shares from the GSO Demat Account to the respective depository accounts of successful Bidders in the Offer as intimated by the Registrar to the Offer.
- iv) For the purpose of purchasing the Equity Shares, the Stabilising Agent shall use the funds lying to the credit of GSO Bank Account.
- v) The Stabilising Agent shall solely determine the timing of buying the Equity Shares, the quantity to be bought and the price at which the Equity Shares are to be bought from the market for the purposes of stabilization of the post-listing price of the Equity Shares.
- vi) The Equity Shares purchased from the market by the Stabilising Agent, if any, shall be credited to the GSO Demat Account and shall be returned to the Green Shoe Lenders immediately on the expiry of the Stabilisation Period but in no event later than the expiry of two working days thereafter.
- vii) In the event the Equity Shares lying to the credit of the GSO Demat Account at the end of the Stabilisation Period but before the transfer to the Green Shoe Lenders is less than the Over Allotment Shares, upon being notified by the Stabilising Agent, the Green Shoe Transferors shall within two business days of the end of the Stabilisation Period transfer Equity Shares in dematerialized form in an amount equal to such shortfall to the credit of the GSO Demat Account. The Equity Shares transferred by the Green Shoe Transferors shall be returned by the Stabilising Agent to the Green Shoe Lenders in final settlement of Equity Shares borrowed, within two working days of them being credited into the GSO Demat Account, time being of essence in this behalf. In the event of the Green Shoe Option not being exercised in full, the number of Equity Shares to be returned to the Green Shoe Lenders would be in the same proportion as the number of shares transferred by the Green Shoe Transferors to the Green Shoe Option Portion.
- viii) Upon the return of Equity Shares to the Green Shoe Lenders pursuant to and in accordance with sub-clauses (vi) and (vii) above, the Stabilizing Agent shall close the GSO Demat Account.
- ix) The Equity Shares returned to the Green Shoe Lenders under this clause shall be subject to remaining lock-in-period, if any, as provided in the SEBI Guidelines.

GSO Bank Account

The monies received from the applications for Equity Shares in the Offer against the over allotment shall be kept in the GSO Bank Account. For the purpose of stablisation of post listing price of Equity Shares, the Stabilising Agent shall use the funds lying to the credit of GSO Bank Account.

The Stabilising Agent shall remit from the GSO Bank Account to Green Shoe Transferors, an amount, in Indian Rupees, arrived at by multiplying the number of Equity Shares transferred as referred in (vii) above by the Green Shoe Transferors to the GSO Demat Account at the Offer Price within one business day of the receipt of the Equity Shares in the GSO Demat Account. The amount left in this account, if any, after this remittance and deduction of expenses including depository, brokerage and transfer fees and net of taxes, if any, incurred by the Stabilising Agent in connection with the activities under this Agreement, shall be transferred to the Investor Protection Fund of the Stock Exchanges in equal parts. Upon the return of Equity Shares to the Green Shoe Lenders, the GSO Bank Account will be closed by the Stabilising Agent.

Reporting

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

Rights and obligations of the Stabilising Agent

- Open a special bank account “Special Account for GSO proceeds of MSPL” or GSO Bank Account and deposit the money received against the over-allotment in the GSO Bank Account.
- Open a special account for securities “Special Account for GSO shares of MSPL” or GSO Demat Account and credit the Equity Shares bought by the Stabilising Agent, if any, during the Stabilisation Period to the GSO Demat account.
- Stabilise the market price only in the event of the market price falling below the Offer Price as per SEBI Guidelines, including determining the price at which Equity Shares to be bought and timing etc.
- On exercise of Green Shoe Option, to request the Green Shoe Transferors to transfer Equity Shares and to transfer funds from the GSO Bank Account to Green Shoe Transferors within a period of five working days of close of the Stabilisation Period.
- On expiry of the Stabilisation Period, to return the Equity Shares to the Green Shoe Lenders either through market purchases as part of stabilising process or through transfer of Equity Shares from the Green Shoe Transferor.
- To submit daily reports to the Stock Exchanges during the Stabilisation Period and to submit a final report to SEBI.
- To maintain a register of its activities and retain the register for three years. Net gains on account of market purchases in the GSO Bank Account to be transferred net of all expenses and net of taxes, if any, equally to the Investor Protection Fund of BSE and NSE.

Rights and obligations of the Green Shoe Transferor

- On expiry of the Stabilisation Period if the Stabilising Agent does not buy from the market, Equity Shares to the extent of Equity Shares over-allotted by the Selling Shareholders, then the Green Shoe Transferors shall transfer shares to the GSO Demat Account to the extent of such shortfall.
- If no shares are bought from the market, then to transfer Equity Shares to GSO Demat Account to the entire extent of over-allotted Equity Shares.

Rights and obligations of the Green Shoe Lenders

- The Green Shoe Lenders undertake to execute and deliver all necessary documents and give all necessary instructions to procure that all rights, title and interest in the Equity Shares forming part of the Green Shoe Option shall pass to the Stabilising Agent/GSO Demat Account free from all liens, charges and encumbrances.
- Before the opening of the Offer, to transfer the Equity Shares forming part of the Green Shoe Option to the GSO Demat account.

- The Green Shoe Lenders will not recall or create any lien or encumbrance on the Equity Shares forming part of the Green Shoe Option until the completion of the settlement under the Stabilisation.

Fees and Expenses

- The Company shall pay to each Green Shoe Lender a fee of Re. 1 each, aggregating Rs. 5 for all the Green Shoe Lenders.
- The Company will pay the Stabilising Agent a fixed fee of Re. 1 plus applicable service tax for providing the stabilizing services.

The Stabilizing Agent shall deduct, from the GSO Bank Account, brokerages, demat cost incurred by the Stabilising Agent in discharge of its activities under this Agreement, and other cost including the Managers fees for over allocation made in respect of the shares purchased from the market by the Stabilizing Agent. However, these expenses would be subject to availability of any proceeds in the GSO Bank Account and as per the guidelines of SEBI in this regard.

Procedure for Green Shoe Option

After listing of Equity Shares, in case the market price of the Equity Shares fall below the Offer Price, then the Stabilisation Agent, at its sole and absolute discretion, may start purchasing Equity Shares from the market with the objective of stabilization of the market price of the Equity Shares. The Stabilising Agent, at its sole and absolute discretion, would decide the quantity of Equity Shares to be purchased, the purchase price and the timing of purchase. The Stabilisation Agent, at its sole and absolute discretion, may spread orders over a period of time or may not purchase any Equity Shares under certain circumstances where it believes purchase of Equity Shares may not result in stabilisation of market price.

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

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

Example of working of green shoe option (Investors should note that the following is solely for the purpose of illustration and is not specific to this Offer):

For example, in case of a public issue, by way of an offer for sale, of 100,000 equity shares at a price of Rs. 100 each where a Green Shoe Option of 10% of the offer size is given:

- Offer size - 100,000 equity shares aggregating Rs. 10,000,000
- Green shoe - 10,000 equity shares aggregating Rs. 1,000,000

In this case 10,000 shares corresponding to the green shoe will be borrowed from green shoe lenders. After the offer has closed and assuming bids have been received for 110,000 equity shares the issuer company in consultation with the book running lead managers will allot a total of 110,000 equity shares aggregating Rs. 11,000,000 to valid applicants.

After listing of the equity shares on the exchanges the following two cases that may arise:

Market price of equity shares falls below the offer price of Rs. 100 during the stabilisation period:

In such a case the stabilising agent at its discretion may buy shares from the market to stabilise the price. The stabilising agent can buy shares up to the total number of shares borrowed from the green shoe lender which is the size of the green shoe i.e. 10,000 equity shares, as the stabilising agent deems fit. The stabilising agent may buy shares at its discretion during the period the green shoe option is valid. The stabilising agent may in certain instances decide not to buy shares from the market. In the current illustration, say the green shoe period is 30 days in which the stabilising agent bought 2,345 shares. After

the stabilisation period has ended the stabilising agent will return the shares bought from the market to the green shoe lender viz. 2,345 shares and the green shoe transferor shall transfer equity shares to the green shoe account for the balance shares which have to be returned to the lender viz. 7,655 equity shares (10,000 less 2,345). Therefore, the 10,000 shares which were borrowed from the lender will be duly returned.

In this case the total shares issued by the company will be 107,655 shares and the offer size will be Rs. 10,765,500.

Market price of equity shares rises above the Offer price during the stabilisation period:

In such a case the stabilising agent will not need to stabilise the price and will not buy any equity shares from the market. At the end of the stabilization period, the green shoe transferor will transfer 10,000 equity shares to the green shoe account which will be duly returned to the green shoe lender.

In this case the total shares issued by the company will be 110,000 shares and the issue size will be Rs. 11,000,000.

SELECTED FINANCIAL INFORMATION

The following table sets forth summary financial information derived from our restated financial statements as of and for the fiscal years ended March 31, 2002, 2003, 2004, 2005 and 2006, which are included in this Draft Red Herring Prospectus under the section titled "Financial Statements" on page 152. The restated financial statements have been prepared in accordance with the SEBI Guidelines and have been restated as described in the auditors' report attached thereto. The summary financial information presented below should be read in conjunction with the financial statements included in this Draft Red Herring Prospectus, the notes thereto and the section titled "Management Discussion and Analysis of Financial Condition and Results of Operations of Restated Financial Statements Under Indian GAAP" on page 220.

Select Income Statement Data for the years ended March 31, 2002, 2003, 2004, 2005 and 2006

(Rs. in millions, unless otherwise stated)

| Particulars | Year ended 31 March | | | | |
|--|---------------------|----------|----------|----------|----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| Sales (Net off Excise Duty) | | | | | |
| Iron Ore | 967.62 | 1,024.84 | 3,048.73 | 5,762.58 | 6,265.50 |
| Wind | 0.32 | 4.18 | 21.61 | 207.24 | 586.14 |
| Gas | 66.85 | 56.75 | 51.64 | 56.19 | 70.82 |
| Total Sales | 1,034.79 | 1,085.77 | 3,121.98 | 6,026.01 | 6,922.46 |
| Share of Partnership Profits | - | - | - | 109.62 | 162.22 |
| Other Income | 39.33 | 65.57 | 110.69 | 214.10 | 659.71 |
| Total Income | 1,074.12 | 1,151.34 | 3,232.67 | 6,349.73 | 7,744.39 |
| EXPENDITURE: | | | | | |
| Purchase of products for sale | 78.60 | 87.56 | 164.39 | 280.88 | 378.02 |
| Royalty on mining iron ore | 20.34 | 24.11 | 36.45 | 41.42 | 65.67 |
| Manufacturing and other expenses | 139.13 | 263.17 | 446.97 | 432.28 | 1,000.37 |
| Wages & Salaries | 48.79 | 53.07 | 87.80 | 229.78 | 113.87 |
| Port charges and other expenses | 136.41 | 134.04 | 204.72 | 260.28 | 389.22 |
| Railway freight, handling and transport expenses | 457.01 | 431.07 | 1,018.46 | 1,764.44 | 1,963.47 |
| Keyman Insurance | - | - | 118.22 | 818.22 | 256.63 |
| Miscellaneous Expenditure written off | - | 0.15 | 0.15 | 0.15 | 0.29 |
| Total Expenditure before Interest, Depreciation and Tax | 880.28 | 993.17 | 2,077.16 | 3,827.45 | 4,167.54 |
| EBITDA* | 154.51 | 92.75 | 1,044.97 | 2,198.71 | 2,755.21 |
| Interest Expense | 16.80 | 11.99 | 15.39 | 57.57 | 160.64 |
| Depreciation (including impairment) | | | | | 750.53 |

| Particulars | Year ended 31 March | | | | |
|---|---------------------|----------|----------|----------|----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| | 35.93 | 39.50 | 92.72 | 334.88 | |
| Total Expenditure | 933.01 | 1,044.66 | 2,185.27 | 4,219.90 | 5,078.71 |
| Net profit before Tax | 141.11 | 106.68 | 1,047.40 | 2,129.83 | 2,665.68 |
| Provision for Tax | 1.96 | 25.47 | 299.42 | 721.63 | 475.93 |
| Net profit after Tax (before adjustments) | 139.15 | 81.21 | 747.98 | 1,408.20 | 2,189.75 |
| Net profit after Tax (as restated) | 89.72 | 73.19 | 810.94 | 1,408.20 | 2,189.75 |
| Net Profit Margin^{^^}(before adjustments) | 13.45% | 7.48% | 23.96% | 23.37% | 31.63% |
| EBITDA Margin* | 14.93% | 8.53% | 33.47% | 36.48% | 39.80% |
| Basic and diluted EPS (in Rs.) (Nominal Value Rs. 5 per share)# | 1.17 | 0.95 | 10.56 | 18.65 | 28.30 |

*EBITDA: Earnings before Interest, Tax, Depreciation & Amortization (excludes other income, misc. expenditure written off)

*EBITDA Margin: (EBITDA/Net Sales)*100 (Sales is net of excise duty)

^{^^}Net Margin: (Net Profit after Tax/Net Sales)*100 (Sales is net of excise duty)

adjusting for the change in the capital structure as follows:

- Stock split of 1:10 in 2005-2006
- Bonus of 1:3 in the year 2005-2006
- Stock split of 1:2 in 2005-2006

Select Balance Sheet Data as at March 31, 2002, 2003, 2004, 2005 and 2006

(Rs. in millions, unless otherwise stated)

| | As at March 31, | | | | |
|---|-----------------|---------------|-----------------|-----------------|-----------------|
| | 2002 | 2003 | 2004 | 2005 | 2006 |
| | Rs. million | | | | |
| Sources of Funds | | | | | |
| Share capital | 96.00 | 96.00 | 96.00 | 96.00 | 384.00 |
| Reserves & Surplus (Including Deferred Government Grant) Networth | 256.91 | 288.99 | 882.43 | 1,953.57 | 3,164.99 |
| | 352.91 | 384.99 | 978.43 | 2,049.57 | 3,548.99 |
| Loan Funds | | | | | |
| Secured Loans | 124.46 | 133.99 | 450.97 | 1,618.30 | 3,373.12 |
| Unsecured Loans | 12.70 | 0.15 | 3.32 | 171.12 | 352.40 |
| Deferred Tax Liability (Net) | - | 24.71 | 118.76 | 620.92 | 1,007.92 |
| Total Sources of Funds | 490.07 | 543.84 | 1,551.48 | 4,459.91 | 8,282.43 |
| Application of Funds | | | | | |
| Gross Block | 356.86 | 421.27 | 1,272.98 | 4,543.45 | 5,973.21 |
| Less Depreciation | 151.47 | 188.61 | 234.93 | 604.07 | 1,339.79 |
| Net Block | 205.39 | 232.66 | 1,038.05 | 3,939.38 | 4,633.42 |
| Capital Work-In- Progress | 0.14 | 37.32 | 16.45 | 168.88 | 1,128.34 |
| Investments in Partnership firm | 4.80 | 16.24 | 36.89 | 192.23 | 578.06 |
| Other Investments | 18.57 | 36.95 | 119.74 | 617.64 | 1,208.57 |
| Net Current Assets | 261.17 | 219.35 | 339.18 | (459.24) | 731.90 |
| Miscellaneous Expenditure (to the extent not written off) | - | 1.32 | 1.17 | 1.02 | 2.14 |
| Total Application of Funds | 490.07 | 543.84 | 1,551.48 | 4,459.91 | 8,282.43 |
| Debt to Equity ratio[^] | 0.39 | 0.35 | 0.46 | 0.87 | 1.05 |

[^]Debt to Equity ratio: Total Debt/(Shareholders Equity Less Miscellaneous Expenditure)

GENERAL INFORMATION

Our Company was incorporated as Mineral Sales Private Limited on October 18, 1961 under the Companies Act, 1956. The word 'private' in the name of our Company was deleted with effect from July 1, 1997 pursuant to Section 43A(1A) of the Companies Act, 1956. The name of our Company was subsequently changed to MSPL Limited by a special resolution of our members passed at the extra ordinary general meeting on November 16, 1998. The fresh certificate of incorporation consequent upon the change of name was granted on December 15, 1998, by the Registrar of Companies, Maharashtra at Mumbai. Our Company became a public limited company pursuant to a special resolution of our shareholders passed at the extra ordinary general meeting on December 11, 2000.

Registered Office

MSPL Limited

Baldota Bhavan
117, Maharshi Karve Road
Mumbai 400 020, India
Tel: (91 22) 2203 0989
Fax: (91 22) 2413 3766
Website: www.mspllimited.com
Registration Number: 12160 of 1961-62

Corporate Office

MSPL Limited

Nehru Co-operative Colony
Hospet 583 203
Karnataka,
India
Tel: (91 8394) 232 003
Fax: (91 8394) 232 333

Address of Registrar of Companies, Maharashtra at Mumbai

100, Everest
Marine Drive
Mumbai 400 002,
India
Phone: (91 22) 2281 2639
Fax: (91 22) 2281 1977
E-mail: rocbom.sb@sb.nic.in

Board of Directors of the Company

| Name, Designation, Occupation | Age (years) | Address |
|--|--------------------|---|
| Mr. Narendrakumar A. Baldota Managing Director <i>Business</i> | 65 | Chinar, Baldota Colony Hospet, Karnataka 583 203, India |
| Mr. Rahul Kumar N. Baldota Executive Director <i>Business</i> | 38 | Chinar, Baldota Colony Hospet, Karnataka 583 203, India |
| Mr. Shrenikkumar N. Baldota Executive Director <i>Business</i> | 34 | Chinar, Baldota Colony Hospet, Karnataka 583 203, India |
| Mr. R H Sawkar Independent Non Executive Director <i>Service</i> | 71 | No. 292, 5th Block 38th Cross, Jayanagar Bangalore 560 041, India |
| Mr. M Ravindra Independent Non Executive Director <i>Service</i> | 66 | Flat 1B, PGP Manor 29, Barnaby Road, Kilpauk Chennai 600 010, India |
| Mr. Anirudha R Barwe Independent Non Executive Director <i>Professional Banker</i> | 67 | B-1, Bageshree Shankar Ghanekar Marg Prabhadevi Mumbai 400 025, India |

For further details of our directors, see the section titled "Our Management" on page 124.

Company Secretary and Compliance Officer

Srikar Bhattbhatt

MSPL Limited
Nehru Co-operative Colony
Hospet 583 203
Karnataka, India
Tel: (91 8394) 232 003
Fax: (91 8394) 232 333
Email: investors@mspllimited.com
Website: www.mspllimited.com

Investors can contact the Compliance Officer or the Registrar in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary account or refunds etc.

Domestic legal advisors to the Company

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

5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg, Lower Parel
Mumbai 400 013, India
Tel: (91 22) 2496 4455
Fax: (91 22) 2496 3666

Legal advisors to the BRLM and SCBRLM

International Legal Advisors

Dorsey and Whitney LLP

21 Wilson Street
London, England EC2M 2TD
Tel: (44 20) 7588 0800
Fax: (44 20) 7588 0555

Domestic Legal Advisors

S&R Associates

K 40, Connaught Circus
New Delhi 110 001, India
Tel: (91 11) 4289 8000
Fax: (91 11) 4289 8001

Book Running Lead Manager

DSP Merrill Lynch Limited

Mafatlal Centre, 10th Floor
Nariman Point
Mumbai 400 021, India
Tel: (91 22) 2262 1071
Fax: (91 22) 2262 1182
Email: mspl_offer@ml.com
Website: www.dspml.com
Contact Person: Mr. N.S. Shekhar

Senior Co – Book Running Lead Manager

Kotak Mahindra Capital Company Limited

3rd Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021, India
Tel: (91 22) 6634 1100
Fax: (91 22) 2284 0492
Email: mspl.offer@kotak.com
Website: www.kotak.com
Contact Person: Mr. Sunil Amin

Syndicate Member

Kotak Securities Limited

1st Floor, Bakhtawar
229, Nariman Point
Mumbai 400 021, India
Tel : (91 22) 5634 1100
Fax : (91 22) 5630 3927
Email: ulhas.sawant@kotak.com
Website: www.kotak.com
Contact Person: Mr. Ulhas Sawant

Registrar to the Offer

Karvy Computershare Private Limited

“Karvy House”, 46, Avenue 4
Street No.1, Banjara Hills
Hyderabad 500 034, India
Tel: (91 40) 2331 2454
Fax: (91 40) 2331 1968
Email: mspl_offer@karvy.com
Website: www.karvy.com
Contact Person: Mr. Murali Krishna

Bankers to the Offer and Escrow Collection Banks

ICICI Bank Limited

Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
India
Tel: (91 22) 2265 5285
Fax: (91 22) 22611138
Email: sidhartha.routray@icicibank.com

Kotak Mahindra Bank

501-3, 5th Floor
Raheja Towers
M.G.Road
Bangalore 560 001, India
Tel: (91 80) 2559 4655
Fax: (91 80) 2558 9388
Email: Ibrahim.sharief@kotak.com

Standard Chartered Bank

270, D.N.Road
Fort, Mumbai 400 001
India
Tel: (91 22) 2268 3965
Fax: (91 22) 2209 6069
Email:
banhid.bhattarcharya@standardchartered.com

State Bank of India

New Issues and Securities Services Division
Mumbai Main Branch
Mumbai Samachar Marg
P.B. No. 13, Fort
Mumbai 400 023, India
Tel: (91 22) 2265 1579
Fax: (91 22) 22670745
Email: anuradha.kurma@sbi.co.in

The Hongkong and Shanghai Banking Corporation Limited

52/60, Mahatma Gandhi Road
Mumbai 400 001, India
Tel: (91 22) 2268 1673
Fax: (91 22) 2273 1388
Email: dhirajbajaj@hsbc.co.in

Bankers to the Company

State Bank of India

97, Station Road
Hospet 583201
India
Tel: (91 8394) 228 470
Fax: (91 8394) 228 729
Email: sbihpt@sancharnet.in

Joint Auditors

M/s. S. B. Chhajer & Co.

202, Inder Tower
Kakasaheb Gadgil Marg
Off. Gokhale Road (S)
Dadar (West), Mumbai 400 025
India

Deloitte Haskins & Sells

Maker Towers E
Cuffe Parade
Mumbai 400 005, India
Tel: (91 22) 2218 6412
Fax: (91 22) 2216 0740

Tel: (91 22) 3048 6309
 Fax: (9122) 2432 8162
 Email: sbcmumbai@gmail.com

Email arunkhanna@deloitte.com

Statement of Inter-Se Allocation of Responsibility

The responsibilities and co-ordination for various activities in this Offer are as under:

| Activity | Responsibility | Co-ordinator |
|---|----------------|--------------|
| Capital Structuring with relative components and formalities such as type of instruments, etc. | DSPML & KMCC | DSPML |
| Due-diligence of the company including its operations/management/business plans/legal, etc. Drafting and design of the Draft RHP and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLM and the SCBRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, the RoC and SEBI, including finalisation of Prospectus and the RoC filing | DSPML & KMCC | DSPML |
| Drafting and approval of all publicity material other than statutory advertisements as mentioned above, including roadshow presentation, corporate advertisement, brochures, etc. | DSPML & KMCC | DSPML |
| Appointment of intermediaries viz. Registrar(s), Banker(s), Printer(s), and advertising agency to the Offer. | DSPML & KMCC | DSPML |
| Non-Institutional and Retail Marketing of the Offer, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> • Formulating marketing strategies, preparation of publicity budget • Finalize Media and Public Relations strategy • Finalizing centers for holding conferences for brokers, etc. • Follow-up on distribution of publicity material including form, prospectus and deciding on the quantum of the Issue material • Finalize collection centers | DSPML & KMCC | DSPML |
| Domestic Institutional marketing of the Offer, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules | DSPML & KMCC | KMCC |
| International Institutional marketing of the Offer, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"> • Institutional marketing strategy including road-show marketing presentation • Finalizing the list and division of investors for one to one meetings, and • Finalizing road show schedule and investor meeting schedules | DSPML & KMCC | DSPML |
| Pricing, Managing the Book, co-ordination with Stock Exchanges for Book Building software, bidding terminals and mock trading finalisation of pricing in consultation with the Selling Shareholders | DSPML & KMCC | DSPML |
| Post bidding activities including management of escrow accounts, co-ordination of allocation, intimation of allocation and making of refunds to bidders, etc. The post issue activities for the Offer will involve essential follow-up steps including finalisation of trading and dealing of | DSPML & KMCC | KMCC |

| Activity | Responsibility | Co-ordinator |
|--|----------------|--------------|
| instruments and dispatch of certificates and demat and delivery of shares with the various agencies connected with the work such as the Registrar(s) to the Offer and the bank handling refund business. The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with our company | | |

Monitoring Agency

There is no requirement for a monitoring agency, since this is an offer for sale.

Credit Rating

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

IPO Grading

We and the Selling Shareholders have not opted for the grading of this Offer from a SEBI registered credit rating agency.

Trustees

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

Book Building Process

Book building process, with reference to the Offer, refers to process of collection of Bids on the basis of the Red Herring Prospectus within the Price Band. The Offer Price is finalized after the Bid/Offer Closing Date. The principal parties involved in the Book Building Process are:

1. The Company;
2. The Selling Shareholders;
3. The Book Running Lead Manager and the Senior Co-Book Running Lead Manager;
4. The Syndicate Member, who is an intermediary registered with SEBI or registered as a broker with BSE/NSE and eligible to act as an Underwriter. The Syndicate Member is appointed by the BRLM and the SCBRLM; and
5. Registrar to the Offer.

This being an Offer for less than 25% of the post-Offer capital of the Company, the Offer is being made through the 100% Book Building Process in accordance with the SEBI Guidelines read with Rule 19(2)(b) of the SCRR, wherein at least 60% of the Offer will be allocated on a proportionate basis to QIBs, out of which 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 Offer Price. If at least 60% of the Offer cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

Pursuant to recent amendments to SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/Offer Closing Date. Please refer to the section titled “Terms of the Offer” on page 269 for more details.

We will comply with the SEBI Guidelines and any other ancillary directions issued by SEBI for this Offer. In this regard, we have appointed the BRLM and the SCBRLM to manage the Offer and procure

subscriptions to the Offer.

While the process of Book Building under SEBI Guidelines is not new, investors are advised to make their own judgment about investment through this process prior to making a Bid or Application in the Offer.

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 Offer*)

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

| Bid Quantity | Bid Price (Rs.) | Cumulative Quantity | Subscription |
|--------------|-----------------|---------------------|--------------|
| 500 | 24 | 500 | 16.67% |
| 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 Selling Shareholders are able to transfer the desired number of shares is the price at which the book cuts off i.e. Rs. 22 in the above example. The Selling Shareholders, in consultation with the BRLM and the SCBRLM, will finalise the offer price at or below such cut off price, i.e. at or below Rs. 22. All bids at or above this offer 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 section titled “Offer Procedure - Who Can Bid” on page 276);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. If your Bid is for Rs. 50,000 or more, ensure that you have mentioned your PAN and attached copies of your PAN card to the Bid cum Application Form (see section titled “Offer Procedure - ‘PAN’ or ‘GIR’ Number” on page 292); and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

Withdrawal of the Offer

The Selling Shareholders, in consultation with the BRLM and the SCBRLM, reserve the right not to proceed with the Offer anytime after the Bid/Offer Opening Date without assigning any reason therefor.

Bid/Offer Programme

Bidding Period/Offer Period

| | |
|----------------------------|------------|
| BID/OFFER OPENS ON | ● |
| BID/OFFER CLOSES ON | ● |

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

The Selling Shareholders reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price

Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Offer Opening Date.

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

Underwriting Agreement

After the determination of the Offer Price and allocation of our Equity Shares but prior to the filing of the Prospectus with RoC, the Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Offer. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to conditions to closing, as specified therein.

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

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

| Name and Address of the Underwriters | Indicated Number of Equity Shares to be Underwritten | Amount Underwritten (Rs. In mn) |
|--|--|---------------------------------|
| DSP Merrill Lynch Limited Mafatlal Centre, 10th Floor Nariman Point Mumbai 400 021 India | [•] | [•] |
| Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 India | [•] | [•] |
| Kotak Securities Limited 1st Floor, Bakhtawar 229, Nariman Point Mumbai 400 021 India | [•] | [•] |

The above mentioned is indicative underwriting and this would be finalized after the pricing and actual allocation of the Equity Shares.

The above Underwriting Agreement is dated [•].

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

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

In the event that Kotak Securities Limited fails to satisfy its underwriting obligations discussed above, then KMCC shall be liable to discharge the underwriting obligations of Kotak Securities Limited.

CAPITAL STRUCTURE

Our Share capital as at the date of filing of this Draft Red Herring Prospectus with SEBI (before and after the Offer) is set forth below:

(Rs. in million, except share data)

| | Aggregate value at nominal price | Aggregate Value at Offer Price |
|---|----------------------------------|--------------------------------|
| A. Authorized Capital | | |
| 100,000,000 Equity Shares of Rs. 5 each | 500.00 | |
| B. Issued, Subscribed And Paid-Up Capital before the Offer | | |
| 76,800,000 Equity Shares of Rs. 5 each fully paid-up | 384.00 | |
| C. Present Offer in terms of this Draft Red Herring Prospectus | | |
| 13,356,522 Equity Shares of Rs. 5 each fully paid-up * | 66.78 | [●] |
| D. Green Shoe Option in terms of this Draft Red Herring Prospectus | | |
| 2,003,478 Equity Shares of Rs. 5 fully paid up | 10.02 | [●] |
| E. Equity Capital after the Offer | | |
| 76,800,000 Equity Shares of Rs. 5 each fully paid-up | 384.00 | |
| F. Securities Premium Account | | |
| Before the Offer | Nil | |
| After the Offer | Nil | |

* The present Offer has been authorized by the Board of Directors in their meeting on January 4, 2006, and by the Selling Shareholders by their respective letters dated February 6, 2006.

- a) Pursuant to a resolution of our shareholders at the EGM on November 20, 1987, the authorised share capital of the Company was increased from Rs. 500,000 comprising 5,000 Equity Shares of Rs. 100 each to Rs. 2,000,000 comprising 20,000 Equity Shares of Rs. 100 each.
- b) Pursuant to a resolution of our shareholders at the EGM on August 8, 1991, the authorised share capital of the Company was increased from Rs. 2,000,000 comprising 20,000 Equity Shares of Rs. 100 each to Rs. 5,000,000 comprising 50,000 Equity Shares of Rs. 100 each.
- c) Pursuant to a resolution of our shareholders at the EGM on September 14, 1996, the authorised share capital of the Company was increased from Rs. 5,000,000 comprising 50,000 Equity Shares of Rs. 100 each to Rs. 50,000,000 comprising 500,000 Equity Shares of Rs. 100 each.
- d) Pursuant to a resolution of our shareholders at the EGM on February 8, 1999, the authorised share capital of the Company was increased from Rs. 50,000,000 comprising 500,000 Equity Shares of Rs. 100 each to Rs. 100,000,000 comprising 1,000,000 Equity Shares of Rs. 100 each.
- e) Pursuant to a resolution of our shareholders at the EGM on August 14, 2002, the authorised share capital of the Company was increased from Rs. 100,000,000 comprising 1,000,000 Equity Shares of Rs. 100 each to Rs. 300,000,000 comprising 3,000,000 Equity Shares of Rs. 100 each.
- f) Pursuant to a resolution of our shareholders at the EGM on June 30, 2005, the authorised share capital of the Company was increased from Rs. 300,000,000 comprising 3,000,000 Equity Shares of Rs. 100 each to Rs. 500,000,000 comprising 5,000,000 Equity Shares of Rs. 100 each.
- g) Pursuant to a resolution of our shareholders at the EGM on July 30, 2005, the equity shares of face value of Rs. 100 each were sub-divided into equity shares of Rs. 10 each.
- h) Pursuant to a resolution of our shareholders at the EGM on December 23, 2005, the equity shares of face value of Rs. 10 each were sub-divided into equity shares of Rs. 5 each.

The Selling Shareholders are exploring possibilities of transferring Equity Shares to certain investor(s), which may include domestic venture capital funds prior to filing of the Red Herring Prospectus with the RoC. In such a case, the size of the Offer would be reduced to the extent of such transfer. Further, the Green Shoe Portion would also be reduced in proportion to the reduction of the Offer Size.

Notes to Capital Structure

1. Share Capital History of our Company

| Date of Issue/ Allotment | Number of Equity Shares | Cumulative Number of Equity Shares | Issue Price per Equity Share (Rs.) | Face Value per Equity Share (Rs.) | Consideration (cash, bonus, consideration other than cash) | Reasons for allotment | Cumulative Share Premium (Rs.) | Cumulative Share Capital (Rs.) |
|--------------------------|-------------------------|------------------------------------|--|-----------------------------------|--|----------------------------------|--------------------------------|--------------------------------|
| October 18, 1961 | 40 | 40 | 100 | 100 | Cash | Subscription | Nil | 4,000 |
| July 9, 1962 | 960 | 1,000 | 100 | 100 | Cash | First Allotment | Nil | 100,000 |
| September 14, 1968 | 1,500 | 2,500 | 100 | 100 | Cash | Rights Issue | Nil | 250,000 |
| March 9, 1977 | 1,500 | 4,000 | 100 | 100 | Cash | Rights Issue | NIL | 400,000 |
| November 2, 1987 | 1,000 | 5,000 | 100 | 100 | Cash | Rights Issue | Nil | 500,000 |
| June 22, 1988 | 1,700 | 6,700 | 100 | 100 | Cash | Rights Issue | Nil | 670,000 |
| January 28, 1989 | 3,300 | 10,000 | 100 | 100 | Cash | Rights Issue | Nil | 1,000,000 |
| August 21, 1991 | 10,000 | 20,000 | 100 | 100 | Cash | Rights Issue | Nil | 2,000,000 |
| March 28, 1997 | 300,000 | 320,000 | 100 | 100 | - | Bonus Issue in the ratio of 1:15 | Nil | 32,000,000 |
| March 31, 1999 | 640,000 | 960,000 | 100 | 100 | - | Bonus Issue in the ratio of 1:2 | Nil | 96,000,000 |
| July 30, 2005 | | 9,600,000 | Equity Shares of face value Rs. 100 each were sub-divided into Equity Shares of face value Rs. 10 each | | | | Nil | 96,000,000 |
| July 30, 2005 | 28,800,000 | 38,400,000 | 10 | 10 | - | Bonus Issue in the ratio of 1:3 | Nil | 384,000,000 |
| December 23, 2005 | | 76,800,000 | Equity Shares of face value Rs. 10 each were sub-divided into Equity Shares of face value Rs. 5 each | | | | Nil | 384,000,000 |

2. Promoter Contribution and Lock-in

All Equity Shares which are being locked-in are eligible for computation of promoters contribution and lock in under clause 4.6 of SEBI Guidelines.

(a) Details of Promoters Contribution locked in for three years:

| Name of Promoter | Date on which Equity Shares were allotted | Nature of payment of consideration | Face Value per Equity Share (Rs.) | Issue Price per Equity Share (Rs.) | Number of Equity Shares of Rs. 5 each | Post-Offer paid up capital (%) |
|------------------------------|---|------------------------------------|-----------------------------------|------------------------------------|---------------------------------------|--------------------------------|
| Mr. Narendrakumar A. Baldota | July 30, 2005 | Bonus | 5 | - | 3,360,000 | 4.38 |
| Mr. Rahul Kumar N. Baldota | July 30, 2005 | Bonus | 5 | - | 6,000,000 | 7.81 |

| | | | | | | |
|-----------------------------|---------------|-------|---|---|-------------------|---------------|
| Mr. Shrenikkumar N. Baldota | July 30, 2005 | Bonus | 5 | - | 6,000,000 | 7.81 |
| TOTAL | | | | | 15,360,000 | 20.00% |

* Commencing from the date of the allotment of the Equity shares in the Offer.

(b) Details of share capital locked in for one year:

In addition to the lock-in of the Promoter's contribution specified above, the pre-Offer Equity Share capital (other than the Equity Shares being Offered) comprising 46,080,000 Equity Shares of the Company shall be locked in for a period of one year from the date of allotment of Equity Shares in this Offer, assuming that the Green Shoe Option is exercised in full.

In addition to the lock-in of the Promoter's contribution specified above, the pre-Offer Equity Share capital (other than the Equity Shares being Offered) comprising 48,083,478 Equity Shares of the Company shall be locked in for a period of one year from the date of allotment of Equity Shares in this Offer, assuming that the Green Shoe Option is not exercised.

The locked in Equity Shares held by the Promoter, as specified above, can be pledged only with banks or 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.

In terms of Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter Group or to new promoters or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In terms of Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter, prior to the Offer may be transferred to any other person holding the Equity Shares which are locked-in as per Clause 4.14 of the SEBI Guidelines, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as applicable.

In addition, the Equity Shares subject to lock-in will be transferable subject to compliance with SEBI Guidelines, as amended from time to time.

3. The list of 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 filing and ten days prior to filing of this Draft Red Herring Prospectus with SEBI, is as follows:

| S.No. | Name of the Shareholder | No. of Equity Shares | Percentage Shareholding |
|-------|------------------------------|----------------------|-------------------------|
| 1. | Mr. Shrenikkumar N. Baldota | 30,442,980 | 39.64 |
| 2. | Mr. Rahulkumar N. Baldota | 19,353,600 | 25.20 |
| 3. | Mrs. Lavina R. Baldota | 9,600,000 | 12.50 |
| 4. | Mr. Narendrakumar A. Baldota | 9,024,000 | 11.75 |
| 5. | Mrs. Vasanti A. Baldota | 6,716,160 | 8.75 |
| 6. | Narendrakumar Baldota (HUF) | 1,651,200 | 2.15 |
| 7. | Mrs. Rashmi S. Baldota | 3,840 | -- |
| 8. | Mr. Meda Venkataiah | 2,000 | -- |
| 9. | Mrs. Chitra N. Baldota | 200 | -- |

| S.No. | Name of the Shareholder | No. of Equity Shares | Percentage Shareholding |
|--------------|--|----------------------|-------------------------|
| 10. | 19 employees of our Company, two employees of RMMPL and one employee of MSPL Exports | 200 (each) | -- |
| TOTAL | | 76,798,380 | 99.99 |

- (b) Our top ten shareholders and the number of Equity Shares of Rs. 100 each held by them two years prior to date of filing of this Draft Red Herring Prospectus with SEBI is as follows:

| S.No. | Name of the Shareholder | No. of Equity Shares | Percentage Shareholding |
|--------------|------------------------------|----------------------|-------------------------|
| 1. | Mr. Shrenikkumar N. Baldota | 380,640 | 39.65 |
| 2. | Mr. Rahulkumar N. Baldota | 241,920 | 25.20 |
| 3. | Mrs. Lavina R. Baldota | 120,000 | 12.50 |
| 4. | Mr. Narendrakumar A. Baldota | 112,800 | 11.75 |
| 5. | Mrs. Vasanti A. Baldota | 83,952 | 8.75 |
| 6. | Late Mr. Abheraj H. Baldota | 20,640 | 2.15 |
| 7. | Mrs. Rashmi S. Baldota | 48 | -- |
| TOTAL | | 960,000 | 100 |

4. Shareholding pattern of our Company before and after the Offer

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

| Shareholder Category | Equity Shares owned before the Offer | | Equity Shares owned after the Offer | | | |
|------------------------------|--------------------------------------|----------------------|---|----------------------|---|----------------------|
| | No. of shares | % of paid up capital | Assuming Green Shoe Option is exercised in full | | Assuming Green Shoe Option is not exercised | |
| | No. of shares | % of paid up capital | No. of shares | % of paid up capital | No. of shares | % of paid up capital |
| Promoter | | | | | | |
| Mr. Shrenikkumar N. Baldota | 30,442,980 | 39.64 | 22,942,980 | 29.87 | 23,921,241 | 31.15 |
| Mr. Rahulkumar N. Baldota | 19,353,600 | 25.20 | 15,353,600 | 19.99 | 15,875,339 | 20.67 |
| Mr. Narendrakumar A. Baldota | 9,024,000 | 11.75 | 8,524,000 | 11.10 | 8,589,217 | 11.18 |
| Sub Total (A) | 58,820,580 | 76.59 | 46,820,580 | 60.96 | 48,385,797 | 63.00 |
| Promoter Group | | | | | | |
| Mrs. Lavina R. Baldota | 9,600,000 | 12.50 | 7,600,000 | 9.90 | 7,860,870 | 10.24 |
| Mrs. Vasanti A. Baldota | 6,716,160 | 8.75 | 53,561,60 | 6.97 | 5,533,551 | 7.21 |
| Narendrakumar Baldota (HUF) | 1,651,200 | 2.15 | 1,651,200 | 2.15 | 1,651,200 | 2.15 |
| Mrs. Chitra N. Baldota | 200 | -- | 200 | -- | 200 | -- |
| Mrs. Rashmi S. Baldota | 3,840 | 0.01 | 3,840 | 0.01 | 3,840 | 0.01 |
| Sub Total (B) | 17,971,400 | 23.40 | 14,611,400 | 19.03 | 15,049,661 | 19.60 |

| Others | | | | | | |
|--|-------------------|------------|-------------------|--------------|-------------------|--------------|
| Employees of our Company, RMMPL and MSPL Exports | 8,020 | -- | 8,020# | -- | 8,020# | -- |
| Sub Total (C) | 8,020 | | 8,020# | | 8,020# | |
| Public(D) | Nil | Nil | 15,360,000 | 20.00 | 13,356,522 | 17.39 |
| Total share capital (A+B+C+D) | 76,800,000 | 100 | 76,800,000 | 100 | 76,800,000 | 100 |

Assuming no allotment in the Offer.

5. None of our Directors and Key Managerial Personnel hold Equity Shares in the Company, other than as set out below:

| Shareholder | Equity Shares owned before the Offer | | Equity Shares owned after the Offer | | | |
|---------------------------------|--------------------------------------|----------------------|---|----------------------|---|----------------------|
| | No. of shares | % of paid up capital | Assuming Green Shoe Option is exercised in full | | Assuming Green Shoe Option is not exercised | |
| | No. of shares | % of paid up capital | No. of shares | % of paid up capital | No. of shares | % of paid up capital |
| Directors | | | | | | |
| Mr. Shrenikkumar N. Baldota | 30,442,980 | 39.64 | 22,942,980 | 29.87 | 23,921,241 | 31.15 |
| Mr. Rahul Kumar N. Baldota | 19,353,600 | 25.20 | 15,353,600 | 19.99 | 15,875,339 | 20.67 |
| Mr. Narendrakumar A. Baldota | 9,024,000 | 11.75 | 8,524,000 | 11.10 | 8,589,217 | 11.18 |
| Key Managerial Personnel | | | | | | |
| Mr. M. Venkataiah | 2,000 | -- | 2,000 | -- | 2,000 | -- |
| Mr. G.V.S.B. Reddy | 200 | -- | 200 | -- | 200 | -- |
| Mr. Kishore Kumar Kamiseti | 200 | -- | 200 | -- | 200 | -- |
| Mr. K.V.S. Subrahmanyam | 200 | -- | 200 | -- | 200 | -- |
| Mr. K.R.M.Reddy | 200 | -- | 200 | -- | 200 | -- |
| Mr. S. Raghunathan | 40 | -- | 40 | -- | 40 | -- |
| Mr. Arun Solomon | 40 | -- | 40 | -- | 40 | -- |

6. Our Company, our Directors and the BRLM and SCBRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares of our Company from any person, other than as disclosed in this Draft Red Herring Prospectus.
7. Other than set out in “Capital Structure- Notes to Capital Structure- Share Capital History of the Company” our Promoter have not been issued equity shares for consideration other than cash.
8. There have been no transactions in the Equity Shares of the Company by the Promoter and Promoter Group within the last six months other than as disclosed below:

| Transferor | Transferee | Number of Equity Shares | Price Per Equity Share (Rs.) | Date Of Transfer |
|---------------------|-------------------------------------|-------------------------|------------------------------|------------------|
| Mr. Shrenikkumar N. | Employees of our Company, RMMPL and | 8,020 | 500 | February 4, 2006 |

| Transferor | Transferee | Number of Equity Shares | Price Per Equity Share (Rs.) | Date Of Transfer |
|------------|--------------|-------------------------|------------------------------|------------------|
| Baldota | MSPL Exports | | | |

9. This Offer comprises an offer for sale by the following shareholders of our Company:

| S.No. | Name of the Shareholder | No. of Equity Shares being Offered (assuming Green Shoe is not exercised) | No. of Equity Shares being Offered (assuming Green Shoe is exercised in full) |
|-------|------------------------------|---|---|
| 1. | Mr. Shrenikkumar N. Baldota | 6,521,739 | 7,500,000 |
| 2. | Mr. Rahulkumar N. Baldota | 3,478,261 | 4,000,000 |
| 3. | Mr. Narendrakumar A. Baldota | 434,783 | 500,000 |
| 4. | Mrs. Lavina R. Baldota | 1,739,130 | 2,000,000 |
| 5. | Mrs. Vasanti A. Baldota | 1,182,609 | 1,360,000 |
| | TOTAL | 13,356,522 | 15,360,000 |

10. At least 60% of the Offer shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. Up to 10% of the Offer shall be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Offer shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Offer Price. Under-subscription, if any, in any category, except the QIB Portion, would be met with spill over from other categories at the sole discretion of the Selling Shareholders in consultation with the BRLM and SCBRLM.
11. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into our Equity Shares.
12. A Bidder cannot make a Bid for more than the number of Equity Shares offered through the Offer, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
13. We have not raised any bridge loan against the proceeds of the Offer.
14. An oversubscription to the extent of 10% of the Offer can be retained for the purposes of the rounding off to the nearest multiple of the minimum allotment lot while finalizing the basis of allotment.
15. Except as disclosed herein, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares allotted / to be allotted pursuant to the Offer have been listed.
16. We presently do not intend or propose to alter our capital structure for six months from the date of opening of the Offer, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, during such period or at a later date, we may issue Equity Shares or securities linked to Equity Shares to finance an acquisition, merger or joint venture by us or as consideration for such acquisition, merger or joint venture, or for regulatory compliance or such other scheme of arrangement if an opportunity of such nature is determined by our Board to be in the interest of the Company.
17. As per Chapter VIII - A of the SEBI Guidelines, the Selling Shareholders have availed of the Green Shoe Option for stabilising the post-listing price of the shares. The Selling Shareholders have appointed DSPML as the Stabilising Agent. The Green Shoe Option consists of option to over allot up to 2,003,478 Equity Shares (subject to any reduction in the event of a pre-Offer private placement by the Selling Shareholders) at a price of Rs. [●] per Equity Share aggregating

Rs. [●] million representing up to 15% of the Offer, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares in the Offer, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent.

The terms of the Green Shoe Option are as follows:

| | |
|---|--|
| The maximum number of shares | Up to 2,003,478 Equity Shares of Rs. 5 each at a price of Rs. [●] per Equity Share aggregating Rs. [●] million representing up to 15% of the Offer Size (subject to any reduction in the event of a pre-Offer private placement by the Selling Shareholders) |
| The maximum increase in paid-up capital in case of full exercise of the Green Shoe Option | Nil |
| Stabilization Period | The period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares in the Offer, and ending 30 days thereafter unless terminated earlier by the Stabilising Agent in accordance with the Stabilization Agreement |

The Green Shoe Lenders are:

| Name of the Green Shoe Lender | No. of Equity Shares |
|-------------------------------|----------------------|
| Mr. Shrenikkumar N. Baldota | 978,261 |
| Mr. Rahulkumar N. Baldota | 521,739 |
| Mrs. Lavina R. Baldota | 260,870 |
| Mrs. Vasanti A. Baldota | 177,391 |
| Mr. Narendrakumar A. Baldota | 65,217 |
| TOTAL | 2,003,478 |

The Selling Shareholders, also acting as the Green Shoe Transferors, have agreed to transfer Equity Shares to the Stabilising Agent, in case the Green Shoe Option is exercised by Stabilising Agent, as follows.

| Name of the Shareholder | No. of Equity Shares |
|------------------------------|----------------------|
| Mr. Shrenikkumar N. Baldota | 978,261 |
| Mr. Rahulkumar N. Baldota | 521,739 |
| Mrs. Lavina R. Baldota | 260,870 |
| Mrs. Vasanti A. Baldota | 177,391 |
| Mr. Narendrakumar A. Baldota | 65,217 |
| TOTAL | 2,003,478 |

18. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash except for bonus shares out of free reserves.
19. There shall be only one denomination of the 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.
20. There are restrictive covenants in agreements we have entered into with certain banks and financial institutions for short term and long term borrowings. These restrictive covenants require

us to obtain either the prior permission of these banks and financial institutions or require us to inform them of various activities, including, among others, alteration of our capital structure, raising of fresh capital, undertaking new projects, undertaking any merger, amalgamation, restructuring, or change in management. Although we have received consent from our lenders for this Offer, these restrictive covenants may also affect some of the rights of our shareholders, including payment of dividend.

| Name of Bank | Date of consent - For the Offer | Date of consent – For the Corporate Restructuring |
|--|--|--|
| State Bank of India, Hospet | May 31, 2006 | March 10, 2006 |
| Rabo India Finance Private Limited, Mumbai | June 2, 2006 | March 10, 2006 |
| Co-operative Centrale Raiffeisen-Boerenleen (Rabo) Bank B.A .,Singapore Branch | June 2, 2006 | March 13, 2006 |

21. As of May 29, 2006, the total number of holders of Equity Shares is 51.

OBJECTS OF THE OFFER

This being an Offer for Sale, the Company will not receive any proceeds from the sale of the Equity Shares by the Selling Shareholders.

BASIS FOR OFFER PRICE

The Price Band for the Offer will be decided prior to the filing of the Red Herring Prospectus with the RoC. The Offer Price will be determined by the Selling Shareholders in consultation with the BRLM and the SCBRLM on the basis of the assessment of market demand for the offered Equity Shares by the book building process. The face value of the Equity Shares is Rs. 5 each and the Offer Price is [●] times of the face value.

Qualitative Factors

Factors External to the Company

- Demand for iron ore is directly related to steel production. Iron ore demand has seen a surge, with an increase in global crude steel production of approximately 9.2% in 2004 according to the IISI, Steel Statistical Yearbook, 2005.
- According to data published by IISI, Steel Statistical Yearbook, 2005, global iron ore exports reached a record 646 million metric tons in 2004, with the three largest iron ore exporting countries, Australia, Brazil and India, accounting for approximately 32.5%, 31.1% and 9.7% respectively, of total exports.
- China has been the principal driver of iron ore seaborne trade with China's share of world iron ore imports increasing from 13.8% in 2000 to 30.7% in 2004. China imported approximately 208 million metric tons of iron ore in 2004 to support approximately 272 million metric tons of crude steel production in 2004 according to the IISI, Steel Statistical Yearbook, 2005. Australia, India and Brazil are the three major exporting countries to China. In 2004, India surpassed Brazil to become the second largest exporter to China in 2004.

Factors Internal to the Company

- *High Grade Iron Ore Products*

Our iron ore consists of principally hematite ore with an Fe content greater than 64%. The greater the Fe content of the iron ore, the more efficient it is to process the ore. In addition, our iron ore has other characteristics, which we believe contribute to its high grade, such as higher reducibility, low moisture content and low rates of impurities like silica, phosphorus, alumina and sulphur.
- *Proximity to China*

China is currently the largest consumer of iron ore in the world and a key driver of the seaborne iron ore trade. We have been directly exporting to China from 1996 and Chinese consumers of our iron ore are familiar with our brand and products. Also we believe that our geographic proximity to China allows us to ship products to customers in China faster, and at less cost, than our Brazilian competitors. This helps us to charge higher FOB prices to China than these competitors.
- *Access to Iron Ore Reserves*

We have access to reserves of high grade iron ore.
- *100% EOU Benefits*

We enjoy several fiscal concessions with our EOU status including a tax free status until March 31, 2009, contributing to net earnings.

Quantitative Factors

1) *Adjusted Earnings Per Share*

| Period Ended | EPS ⁽¹⁾⁽²⁾ | Weight |
|------------------------------|-----------------------|--------|
| 12 months ended Mar 31, 2006 | 28.30 | 4 |
| 12 months ended Mar 31, 2005 | 18.65 | 3 |
| 12 months ended Mar 31, 2004 | 10.56 | 2 |
| 12 months ended Mar 31, 2003 | 0.95 | 1 |
| Weighted Average EPS | 19.12 | |

- (1) Basic and Diluted Earnings per Share has been calculated as per the following formula:
(Net profit as restated, attributable to Equity shareholders)/ (Weighted average number of Equity Shares outstanding during the year or period)
- (2) Based on a nominal value of Rs. 5 per Equity Share adjusted for the following:
- The company has split 9,60,000 equity shares of face value of Rs. 100 each outstanding as on March 31, 2005 to 96,00,000 equity shares of face value of Rs.10 each at the Extraordinary General Meeting held on July 30, 2005.
 - The Company has made a bonus issue of 2,88,00,000 fully paid up equity shares of Rs 10 each in the ratio of 3 fully paid up equity shares for every equity share held at the Extraordinary General Meeting held on July 30, 2005. As a result of the bonus issue and share split, the issued and paid up capital of the company has increased to 3,84,00,000 fully paid up equity shares of Rs. 10 each
 - The company has further split the nominal value of Rs. 10 per share to Rs 5 per share resulting in increase in number of shares from 3,84,00,000 equity shares to 7,68,00,000 equity shares at the Extraordinary General Meeting held on December 23, 2005. In accordance with the requirement of Accounting Standard 20 'Earnings per Share' the EPS has been restated for all the periods presented considering the share split and the bonus shares issued.

2) *Price to Earnings Ratio (P/E) in Relation to Offer Price of Rs.[•]*

- I) Based on EPS of Rs. 28.3 for fiscal 2006 the P/E ratio is [•]
- II) Based on weighted average EPS of Rs. 19.12 above, the P/E ratios is [•]
- III) Industry P/E[#]
- a) Highest : 140.1x
 - b) Lowest : 0.7x
 - c) Average (composite): 33.4x

[#] Source : "Capital Market" Volume XXI/06 dated May22 – Jun04, 2006, for the Category titled "Mining/Minerals/Metals"

3) *Return on Net Worth*

| Period | RoNW (%) | Weight |
|-------------------------------|--------------|--------|
| 12 month ended March 31, 2006 | 61.28 | 3 |
| 12 month ended March 31, 2005 | 69.91 | 2 |
| 12 month ended March 31, 2004 | 82.98 | 1 |
| Weighted Average RoNW | 67.77 | |

- (I) RoNW has been calculated as per the following formula:
(Net profit after tax as restated/Net worth at the end of the year / period)

4) Minimum Return on total Net Worth after the Offer required to maintain pre-Offer EPS of Rs. 28.38 is 61.28% (irrespective of whether Green Shoe is exercised or not)

5) **Net Asset Value (NAV) per Equity Share**

I) As of March 31, 2006: 46.18

II) After the Offer: Rs 46.18 (based on NAV as on March 31, 2006)

NAV has been calculated as per the following formula:

(Net Assets at the end of the year or period/Total Number of Equity Shares outstanding at the end of the year or period)

Exercise or otherwise of Greenshoe Option does not impact NAV pre and post Offer

6) **Comparison with Industry Peers**

| Companies | Price per share (Rs) | EPS (FY '06) | P/E (times) | RONW (%) FY '05 |
|-----------|-------------------------|-------------------|-------------|--------------------|
| Sesa Goa | 1,291 ^{#^} | 135 ^{#1} | 9.6 | 88.9% [#] |
| MSPL | [] | 28.3 ² | [] | 69.91% |

¹ Face value of Rs. 10 per share

² Face value of Rs. 5 per share

[#] Source: "Capital Market" Volume XXI/06 dated May22 – Jun04, 2006, for the Category titled "Mining/Minerals/Metals"

[^] Price as on May15, 2006

STATEMENT OF TAX BENEFITS

Deloitte Haskins & Sells
Maker Towers E
Cuffe Parade
Mumbai 400 005

S. B. Chhajed & Co.
202, Inder Tower
Kakasaheb Gadgil Marg
Off. Gokhale Road (S)
Dadar (West),
Mumbai 400 025

The Board of Directors
MSPL Limited
Baldota Bhavan
117, Maharshi Karve Road,
Mumbai – 400 020.

Dear Sirs,

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

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence, the ability of the Company or its shareholders to derive 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 annexure are not exhaustive. 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 their own tax consultant with respect to the specific tax implications arising out of their participation in the issue particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail.

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

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

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

For Deloitte Haskins & Sells
Chartered Accountants

For S. B. Chhajed & Co.
Chartered Accountants

A. C. Khanna
Partner
Membership No.: 17814

S. B. Chhajed
Partner
Membership No.: 5291

Place: Hospet
Date: May 22, 2006

ANNEXURE TO THE CERTIFICATE DATED 23RD MARCH, 2006

(A) Benefits to the Company under the Income-Tax Act, 1961 (hereinafter referred to as ‘the Act’):

1. In terms of section 10B of the Act, one of the units approved as 100% Export Oriented Unit by the Cochin Special Economic Zone is entitled for exemption under section 10B of the Act in respect of profit from that unit on fulfilment of conditions prescribed therein.
2. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) is exempted from income-tax in the hands of the Company.
3. In terms of section 10(38) of the Act, any long term capital gains arising from transfer of long term capital asset being an equity shares in a company or a unit of a equity oriented fund would not be liable to tax in the hands of the Company if the following conditions are satisfied:
 - a) The transaction of sale of such equity share is entered into in a recognised stock exchange in India;
 - b) The transaction is chargeable to Securities Transaction Tax (hereinafter referred to as ‘STT’).
4. In accordance with and subject to the provisions of section 35 of the Act, the Company will be entitled to deduction in respect of expenditure laid out or expended on scientific research related to the business other than expenditure on land.
5. The Company is entitled to claim deduction under Section 35AC in respect of amounts paid to a public sector company, local authority, or to an approved association or institution, for carrying out any eligible project or scheme.
6. In accordance with and subject to the provisions of Section 35DDA, the company is entitled to deduction of expenditure incurred by way of payment to an employee at the time of his voluntary retirement in five equal annual installments beginning from the year in which the expenditure is incurred.
7. Under section 48 of the Act, if the investments in shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the net consideration, the indexed cost of acquisition.
8. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:
 - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
9. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of investment in shares, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder.

10. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of investment in shares of a Company shall be taxed at a rate of 10% (plus applicable surcharge and education cess) if the following conditions are satisfied:
- a) The transaction of sale of such equity share is entered into in a recognised stock exchange in India;
 - b) The transaction is chargeable to STT.

(B) Benefits to the Shareholders of the Company under the Act:

Resident Shareholders

11. In terms of section 10(34) of the Act, any income by way of dividends referred to in Section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from income-tax in the hands of the shareholders.
12. Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. if shares are held for the period of twelve months or more) entered into in a recognised stock exchange in India and such a transaction is chargeable to STT, shall be exempt from income-tax. This benefit is also available in case of offer for sale in respect of transactions put through recognised stock exchange.
13. In terms of section 88E of the Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. However, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of STT.
14. In terms of section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the company.
15. Under section 48 of the Act, if the company’s shares are sold after being held for not less than twelve months, the gains (in cases not covered under section 10(38) of the Act), if any, will be treated as long term capital gains and the gains shall be calculated by deducting from the net consideration, the indexed cost of acquisition.
16. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:
- a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
17. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

18. Under section 112 of the Act and other relevant provisions of the Act, Long term capital gains, (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the Company, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48. The amount of such tax should, however, be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
19. Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months), arising on transfer of shares in the Company on a recognized stock exchange, shall be taxed at a rate of 10% (plus applicable surcharge and education cess).

Non-Resident Indians Shareholders (Other than FIIs and Foreign venture capital investors).

20. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received by a non-resident Indian shareholder (i.e. an individual being a citizen of India or person of Indian origin who is not a 'resident') on the shares of the company is exempted from income-tax.
21. In terms of section 10(38) of the Act, any long term capital gains arising to a shareholder from transfer of long term capital asset being an equity shares in a company would not be liable to tax in the hands of the Non-resident Indian shareholder if the following conditions are satisfied:
 - a) The transaction of sale of such equity share is entered into on or after 1st October, 2004.
 - b) The transaction is chargeable to STT.
22. In terms of section 88E of the Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head "Profit and gains of business or profession" arising from taxable securities transactions. However, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of STT.
23. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of shares of the company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:
 - a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;
24. Under section 54F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before or two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.
25. Under Section 112 of the Act and other relevant provisions of the Act, long term capital gains (i.e. if shares are held for a period exceeding 12 months) (in cases not covered under section 10(38) of the Act), arising on transfer of shares in the company, shall be taxed at a rate of 20% (plus applicable surcharge and education cess) after indexation as provided in the second proviso to section 48. The amount of such tax should however, be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

26. Under section 115-I of the Act, the non-resident Indian shareholder has an option to be governed by the provisions of Chapter XII-A of the Act viz. “Special Provisions Relating to Certain Incomes of Non-Residents” which are as follows: -
- a) Under section 115E of the Act, where shares in the company are acquired or subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non-resident on transfer of shares held for a period exceeding 12 months on a recognized stock exchange, shall (in cases not covered under section 10(38) of the Act) be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) (without indexation benefit but with protection against foreign exchange fluctuation).
 - b) Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately available. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.
27. Under provisions of Section 115-G of the Act, it shall not be necessary for a non-resident Indian to furnish his return of income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible at source has been deducted therefrom.

Foreign Institutional Investors (FIIs)

28. In terms of section 10(34) of the Act, any income by way of dividends referred to in section 115-O (i.e. dividends declared, distributed or paid on or after 1 April 2003) received on the shares of the company is exempted from income-tax in the hands of FII.
29. Under Section 10(38) of the Act, long term capital gain arising to the shareholder from transfer of a long term capital asset being an equity share in the company (i.e. capital asset held for the period of twelve months or more) entered into in a recognised stock exchange in India and such a transaction, which is chargeable to STT, shall be exempt from income-tax.
30. In terms of section 88E of the Act, the STT paid by the shareholder in respect of the taxable securities transactions entered into in the course of his business would be eligible for rebate from the amount of income-tax on the income chargeable under the head “Profit and gains of business or profession” arising from taxable securities transactions. However, no deduction will be allowed in computing the income chargeable to tax as capital gains, such amount paid on account of STT.
31. Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long term capital gains (in cases not covered under section 10(38) of the Act) arising on the transfer of investment in shares will be exempt from capital gains tax if the capital gains are invested within a period of 6 months after the date of such transfer for a period of at least 3 years in bonds issued by:
- a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956;

Venture Capital Companies/Funds

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

(C) Benefits to Members of the Company under the Wealth Tax Act, 1957

Shares of company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957; hence shares are not liable to Wealth Tax Act, 1957.

(D) Benefits to Members of the Company under the Gift Tax Act, 1958

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

Notes:

- a) All the above benefits are as per the current tax law and will be available only to the sole/ first named holder in case joint holders hold the shares.
- b) In respect of non-residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreement, if any between India and the country in which the non-resident has fiscal domicile.
- c) In view of the individual nature of tax consequence, each investor is advised to consult his/ her own tax adviser with respect to specific tax consequences of his/ her participation in the scheme.

SECTION IV: ABOUT THE COMPANY

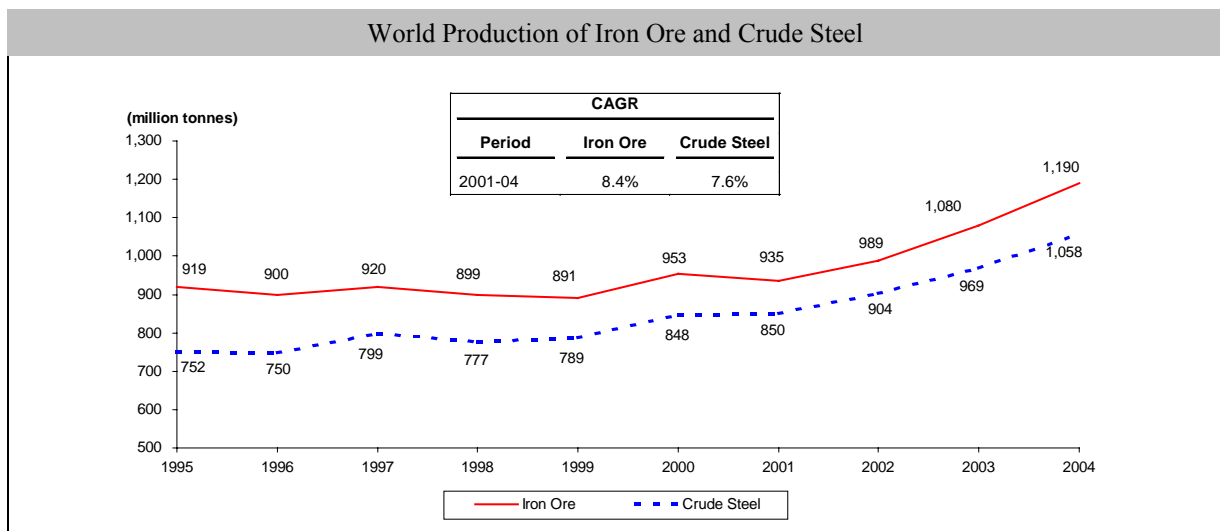
INDUSTRY OVERVIEW

Iron Ore Industry

Introduction

Iron ore is the primary component of the world's production of steel, with substantially all of the iron ore produced worldwide consumed in steelmaking. Iron ore demand, and therefore pricing, depends on the global steel industry. Conditions in the steel industry tend to reflect global economic conditions; however, because demand for steel is driven by basic components of industrial and economic growth, such as heavy construction and automotive industries, from time to time regional differences exist in the demand for steel and, therefore, in iron ore demand.

The iron ore industry has experienced strong growth in recent years. According to IISI, Steel Statistical Yearbook, 2005, global iron ore production reached a record level of approximately 1.19 billion metric tons in 2004.



Source: IISI, Steel Statistical Yearbook, 2005

Iron Ore Products

There are two main types of iron ore, hematite and magnetite. Hematite (chemical structure: Fe_2O_3) is a higher quality ore, while Magnetite (chemical structure: Fe_3O_4), is a lower quality ore. Because of its higher iron ore content, hematite requires less processing after it is extracted from ground and is, therefore, generally a more desirable type of ore.

Iron ore production is typically in three forms: (i) a granular form, as either a fine or a concentrate, (ii) lump ore, and (iii) pellets. Fines (typically less than 10 mm in size) are used as sinter feed, the most common burden for blast furnaces. Concentrates are fine ores (typically less than 1 mm in size) produced on beneficiation of iron ore fines. Pellets are produced out of iron ore concentrates or fines that have been mixed with a binding agent, formed into a pellet and fired in a high temperature indurating furnace. Lumps are naturally occurring "pellets" requiring simple crushing and screening before shipment. Lump ore (typically 10-35 mm in size) forms a direct charge to the blast furnace. It is easier to handle, does not roll around in the furnace, as pellets do and is less polluting than fines or concentrates.

Pellets and lumps typically command a pricing premium to fines and concentrates as they can be fed directly into a blast furnace or into a direct reduction furnace. Fines and concentrates, on the other hand, must first be processed through an intermediate sintering or pelletisation process to attain the size and physical strength necessary to be fed into a blast furnace.

Iron ore is used almost exclusively in the production of iron products, which are subsequently transformed into steel. Steel is produced through a variety of processes, the two most common of which are:

Integrated Process – The integrated process is the blast furnace plus basic oxygen furnace (BF/BOF) process, which, according to the IISI, *World Steel in Figures, 2006*, accounted for approximately 65.4% of world crude steel production in 2005. Lump ore or processed fines are fed directly into a coke-fired blast furnace, together with coke and limestone, to produce pig iron. Pig iron, together with some scrap steel, is then integrated with oxygen in a basic oxygen furnace to produce crude steel.

EAF Process – The electric arc furnace, or EAF process, accounted for approximately 31.7% of world steel production in 2005, according to IISI, *World Steel in Figures, 2006*. Scrap steel and direct reduced iron is melted in an electric arc furnace and then alloyed in a ladle furnace to produce crude steel. Significantly less iron ore is consumed in an EAF process as compared to the integrated process.

The Global Iron Ore Market

The price of iron ore products is based principally on iron (Fe) content. A premium is paid for products with a higher Fe content or products with particularly desirable characteristics, such as low silica, phosphorus and aluminium content. Iron ore contract prices are generally set annually with reference to benchmark prices negotiated with steel producers by the world's three largest iron ore producers, Companhia Vale do Rio Doce S.A. ("CVRD"), Rio Tinto plc ("Rio Tinto") and BHP Billiton plc ("BHP Billiton"). Benchmarks are established at the beginning of the calendar year with European steel producers and at the beginning of the Japanese fiscal year (which commences April 1) with Japanese steel producers. According to the *Iron Ore Manual, 2005*, for the pricing periods encompassing calendar year 2005 and Japanese fiscal year 2005 (April 1, 2005 to March 31, 2006), benchmark prices for iron ore increased by 71.5%. Recent news reports indicate major iron ore producers have concluded negotiations with certain European and Japanese steel mills that have increased benchmark prices for the iron ore fines they supply to these markets by 19% in 2006. However, negotiations are still currently on with Chinese steel mills.

Iron Ore Production

According to IISI, *Steel Statistical Yearbook, 2005*, global production of iron ore was approximately 1.19 billion metric tons in 2004, which represented a third consecutive record year of output and an approximate increase of 10.2% from 2003.

Worldwide, iron ore is mined in about 50 countries, with five of the largest producing areas—Brazil, Australia, C.I.S (which includes Kazakhstan, Russia and Ukraine), China and India—accounting for approximately 80% of total world production in 2004 according to IISI, *Steel Statistical Yearbook, 2005*.

World Iron Ore Production By Area

| Million metric tons | 2000 | 2001 | 2002 | 2003 | 2004 | CAGR 2000-2004 |
|-----------------------------------|--------------|--------------|--------------|----------------|----------------|---------------------------|
| Country | | | | | | |
| Brazil | 208.8 | 210.0 | 225.1 | 245.6 | 270.5 | 6.7% |
| Australia | 167.9 | 181.4 | 187.2 | 212.0 | 234.7 | 8.7% |
| C.I.S ⁽¹⁾ | 157.5 | 152.0 | 158.7 | 171.2 | 181.2 | 3.6% |
| China ⁽²⁾ | 105.3 | 102.6 | 108.8 | 122.7 | 145.7 | 8.5% |
| India | 74.9 | 79.2 | 86.4 | 99.1 | 120.6 | 12.6% |
| Total World | 953.3 | 934.6 | 988.9 | 1,079.9 | 1,190.4 | 5.7% |
| As a % of World Production | | | | | | |
| Top Two Areas | 39.5% | 41.9% | 41.7% | 42.4% | 42.4% | |
| Top Five Areas | 74.9% | 77.9% | 77.5% | 78.8% | 80.0% | |
| India | 7.9% | 8.5% | 8.7% | 9.2% | 10.1% | |

Source: IISI, Steel Statistical Yearbook, 2005

(1) Includes Kazakhstan, Russia and Ukraine.

(2) Converted to correspond to world average Fe content.

Globally, the iron ore industry has been recently undergoing a period of consolidation, reflecting a move by iron ore producers toward economies of scale in an effort to realise efficiency, increase negotiating power and improve earnings. The three primary companies in the global iron ore industry are CVRD, Rio Tinto and BHP Billiton.

This consolidated and oligopolistic nature of iron ore industry allows measured supply response and provides the three leading iron ore producers with significant negotiating power with the world steel industry.

Iron Ore Demand and Seaborne Iron Ore Trade

Demand for iron ore is directly related to steel production. Iron ore demand has seen a surge, with an increase in global crude steel production of approximately 9.2% in 2004 according to IISI, Steel Statistical Yearbook, 2005. Steel producers are demanding higher quality iron ore products and rely on an increasing export market to meet this demand. According to data published by IISI, Steel Statistical Yearbook, 2005, global iron ore exports reached a record 646 million metric tons in 2004, with the three largest iron ore exporting countries, Australia, Brazil and India, accounting for approximately 32.6%, 31.1% and 9.7%, respectively, of total exports.

World Iron Ore Exports By Area

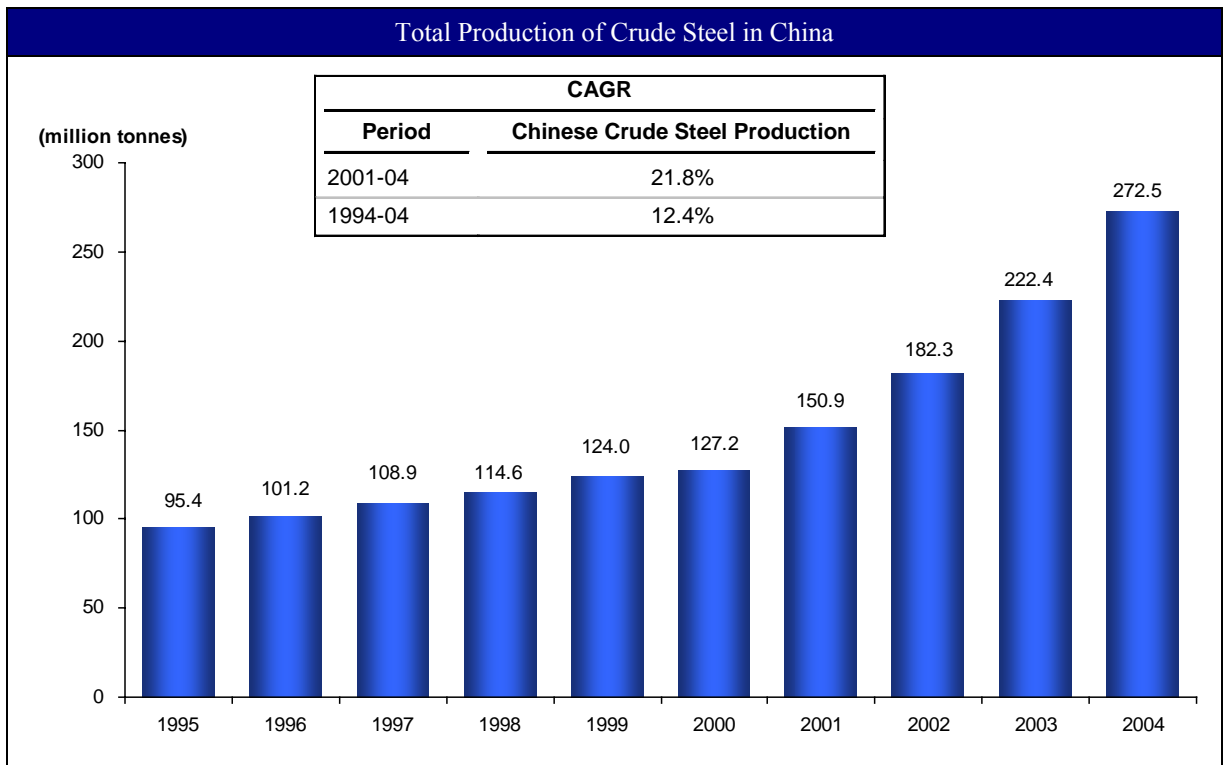
| Million metric tons | 2000 | 2001 | 2002 | 2003 | 2004 | CAGR 2000-2004 |
|--------------------------------|--------------|--------------|--------------|--------------|--------------|---------------------------|
| Country | | | | | | |
| Australia | 157.3 | 157.1 | 165.6 | 186.1 | 210.5 | 7.6% |
| Brazil | 160.1 | 155.7 | 170.0 | 184.4 | 200.9 | 5.8% |
| India | 32.9 | 37.3 | 46.6 | 57.3 | 62.7 | 17.5% |
| C.I.S ⁽¹⁾ | 45.9 | 50.1 | 41.4 | 47.2 | 46.4 | 0.3% |
| Total World | 505.1 | 501.9 | 533.5 | 590.5 | 646.0 | 6.3% |
| As a % of World Exports | | | | | | |
| Top Two Areas | 62.8% | 62.3% | 62.9% | 62.7% | 63.7% | |
| India | 6.5% | 7.4% | 8.7% | 9.7% | 9.7% | |

Source: IISI, Steel Statistical Yearbook, 2005

(1) Includes Armenia, Kazakhstan, Russia and Ukraine

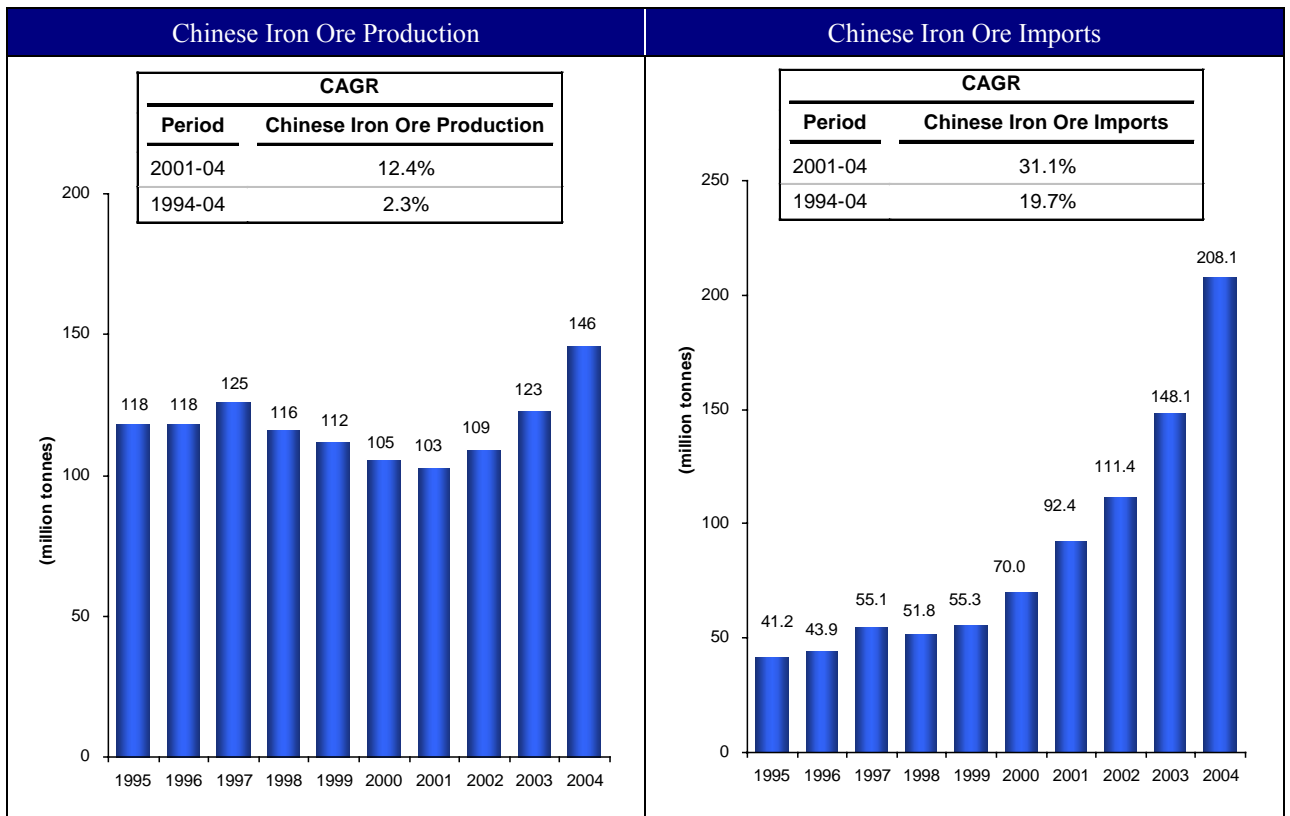
China as a Growth Engine of Iron Ore Demand

The primary driver for the increase in iron ore demand in recent years has been China's significant increase in crude steel production, which grew by approximately 22.5% from 2003 to 2004, as per IISI, Steel Statistical Yearbook, 2005.



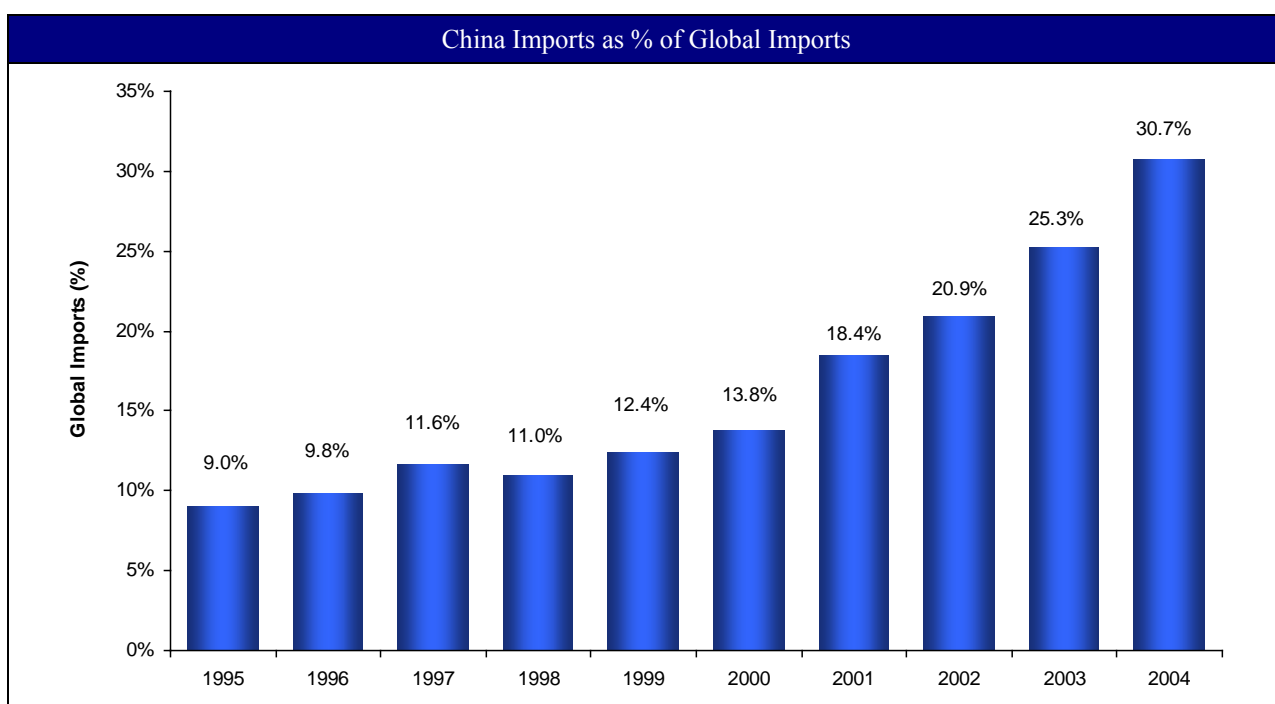
Source: IISI, Steel Statistical Yearbook, 2005

While China has increased its domestic production of iron ore to meet increased demand, a significant portion of its requirements is being met through iron ore imports. Chinese steel producers are replacing lower quality domestic iron ore with higher quality imported iron ore in order to produce a higher quality steel product.



Source: IISI, Steel Statistical Yearbook, 2005

As a result, China has been the principal driver of iron ore seaborne trade with China's share of world iron ore imports increasing from 13.8% in 2000 to 30.7% in 2004.



Source: IISI, Steel Statistical Yearbook, 2005

Australia, India and Brazil are the three major exporting countries to China. In 2004, India surpassed Brazil to become the second largest exporter to China in 2004. The following table shows the breakdown of exports to China by country for 2001, 2002, 2003, 2004 and the period from January through July 2005.

| | 2001 | 2002 | 2003 | 2004 | Jan-Jul '05 |
|--------------|-------|-------|-------|-------|-------------|
| Australia | 41.2% | 38.4% | 39.3% | 37.6% | 40.2% |
| India | 18.4% | 20.2% | 21.8% | 24.1% | 27.5% |
| Brazil | 26.6% | 26.7% | 25.9% | 22.1% | 19.4% |
| South Africa | 9.7% | 9.2% | 6.5% | 5.3% | 4.2% |
| Peru | 2.0% | 1.8% | 1.5% | 1.7% | 1.1% |
| Venezuela | 0.2% | 0.2% | 0.2% | 1.2% | 0.9% |
| Russia | - | - | - | 1.0% | 1.0% |
| Others | 1.9% | 3.5% | 4.8% | 7.0% | 5.7% |

Source: Iron Ore Manual, 2005

China's reliance on iron ore imports is expected to continue in the future with the

- continued Chinese trend of urbanisation expected to drive steel demand and growth in steel production and
- anticipated increasing substitution of low quality Chinese iron ore with higher quality imported iron ore.

India's geographic proximity to China could position it well to further leverage the anticipated demand for iron ore by China.

Iron Ore Prices

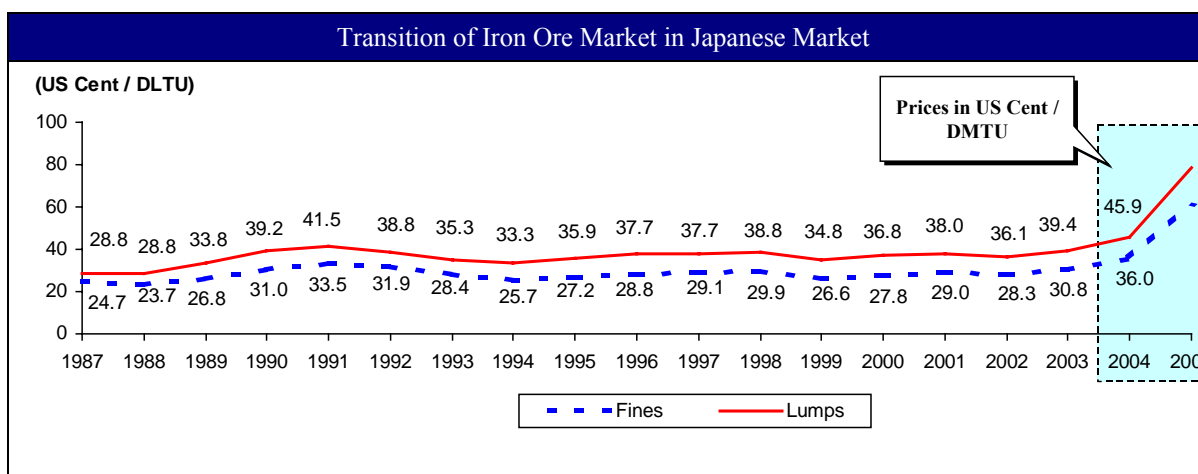
The majority of the international iron ore trade is conducted by the three largest iron ore producers (CVRD, Rio Tinto and BHP Billiton) pursuant to frame-type contract arrangements, in which annual tonnages are specified for the term of the contract, but prices are negotiated annually. Annual price negotiations are

carried out between the three largest iron ore producers with European and Japanese steel mills. Prices are usually set in the first quarter of the calendar year, retrospectively to January 1 of that year, although in Asia, pricing contracts are for the period from April 1 to March 31. The remaining iron ore producers typically negotiate their customer price contracts with reference to such global benchmarks.

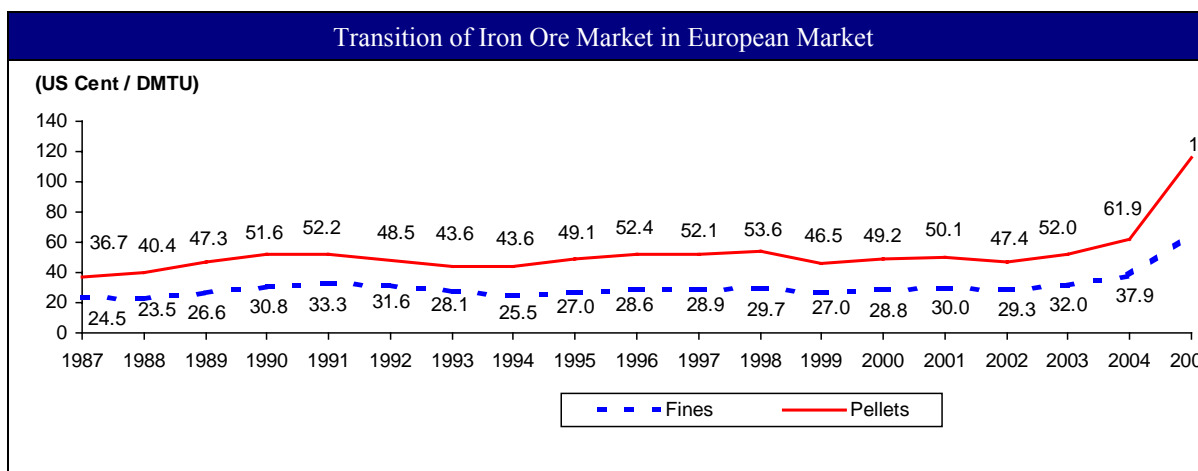
Prices for iron ore are influenced by a range of factors, including the Fe content of specific ore deposits, the various beneficiation processes required to produce the desired final product, particle size, moisture content, type and concentration of contaminants in the ore and other metallurgical properties and proximity to buyer. Iron ore prices are typically set on the basis of FOB at the producers' port.

Fines, concentrates, lump ore and pellets each typically command different prices. Iron ore prices are specified in U.S. dollars per metallic unit in dry metric tons or dry long tons. The base price quoted for a particular ton of ore depends primarily on its Fe content.

According to Iron Ore Manual, 2005, negotiated long-term contract iron ore prices in both the Japanese and European markets for iron ore (excluding pellets) increased by 9% for 2003, 18.6% for 2004 and 71.5% for 2005. The following table shows the historical prices for the Japanese and European markets:



Source: Iron Ore Manual, 2005



Source: Iron Ore Manual, 2005

The increase in iron ore prices in 2005 was a result of China's growing appetite for iron ore, with its iron ore imports in 2004 at approximately 208 million metric tons to support approximately 272 million metric tons of crude steel production in 2004. The strength of iron ore imports by China has continued, with China importing approximately 198.9 million metric tons of iron ore in the first nine months of 2005, according to the Iron Ore Manual, 2005. Recent news reports indicate major iron ore producers have concluded negotiations with certain European and Japanese steel mills that have increased benchmark prices for the iron ore fines they supply to these markets by 19% in 2006. However, negotiations are still currently on with Chinese steel mills.

With a major surge in Chinese iron ore imports in the last two to three years, the three large producers, CVRD, Rio and BHP Billiton have been unable to increase their supplies correspondingly to meet this demand. This has resulted in the development of a spot market with spot market prices quoting at a premium to contract prices.

As shipping costs of iron ore from the producer's port are usually paid by the purchaser, locational advantage or proximity to producer port provides a pricing advantage in the spot market to iron ore producers. Indian and Australian iron ore miners enjoy a locational advantage in respect of China, particularly relative to Brazil, and thus an FOB pricing advantage in the spot market over Brazilian producers with respect to iron ore supplied to China.

Indian Iron Ore Industry

India has both hematite and magnetite iron ore reserves with states of Orissa, Jharkhand, Karnataka, Chattisgarh, Goa, Andhra Pradesh and Maharashtra having bulk of these reserves. According to National Steel Policy, 2005, the *in situ* reserves of relatively rich iron ore in India are 11.43 billion metric tons of hematite and 10.68 billion metric tons of magnetite ores.

Iron ore producers in India include both public and private sector companies. Public sector companies include the National Mineral Development Corporation Limited, Kudremukh Iron Ore Company Limited and the Steel Authority of India Limited. Major private sector iron ore producers can be divided by geographic region: Tata Iron and Steel Co. Limited. ("TISCO") in the Eastern region (which includes Orissa, Jharkhand and Chattisgarh states), Sesa Goa Limited, Chowgule and Company Limited and Dempo Mining Corporation in the Goa region, and MSPL in the Bellary-Hospet region. The following chart shows the iron ore production for some of the major iron ore producers in India in fiscal years 2003, 2004 and 2005:

Leading Iron Ore Producers in India

| Company | Iron Ore Production – FY2003 (Million MT) | Iron Ore Production – FY2004 (Million MT) | Iron Ore Production – FY2005 (Million MT) |
|---|--|--|--|
| National Mineral Development Corporation ⁽¹⁾ | 16.97 | 17.96 | 20.74 |
| Kudremukh Iron Ore Company Limited ⁽²⁾ | 8.98 | 8.76 | NA |
| TISCO ⁽³⁾ | 7.99 | 8.45 | 9.80 |
| Sesa Goa Ltd. ⁽³⁾ | 3.66 | 4.49 | 5.05 |
| MSPL ⁽¹⁾ | 1.00 | 1.48 | 1.98 |

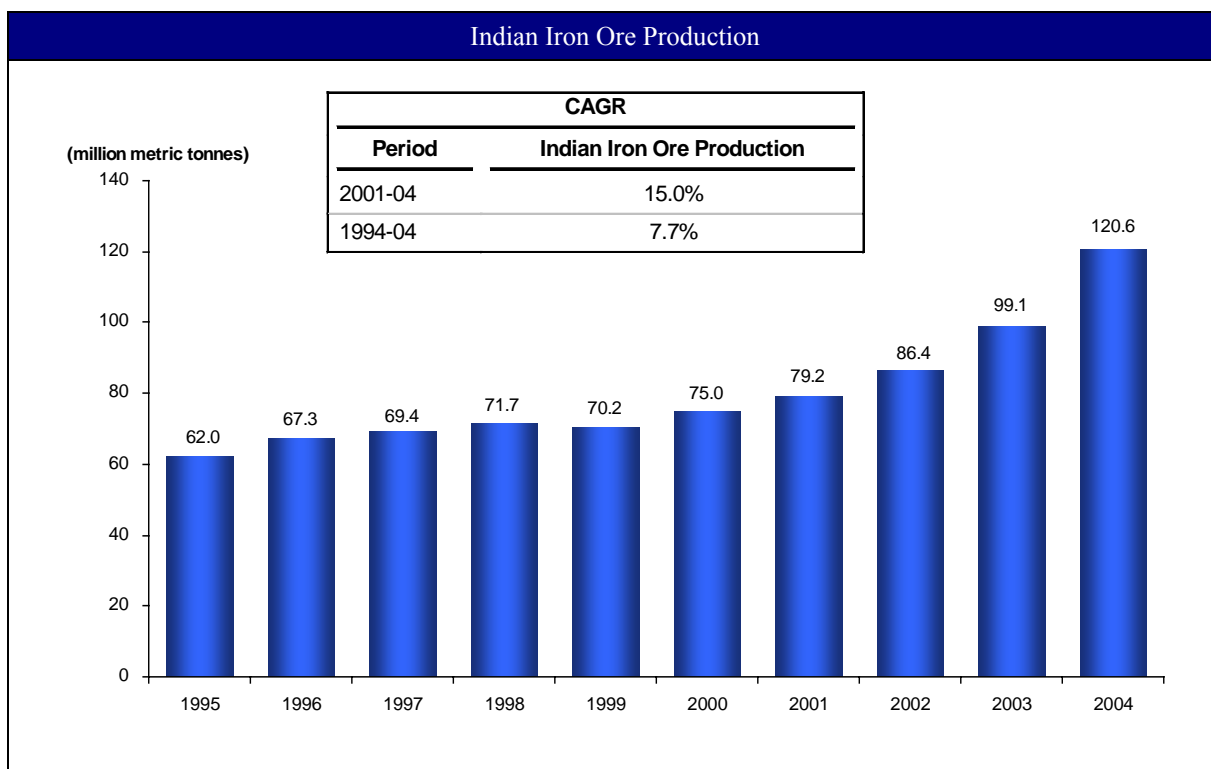
Source: Annual Reports & Company Websites

(1) WMT

(2) DMT

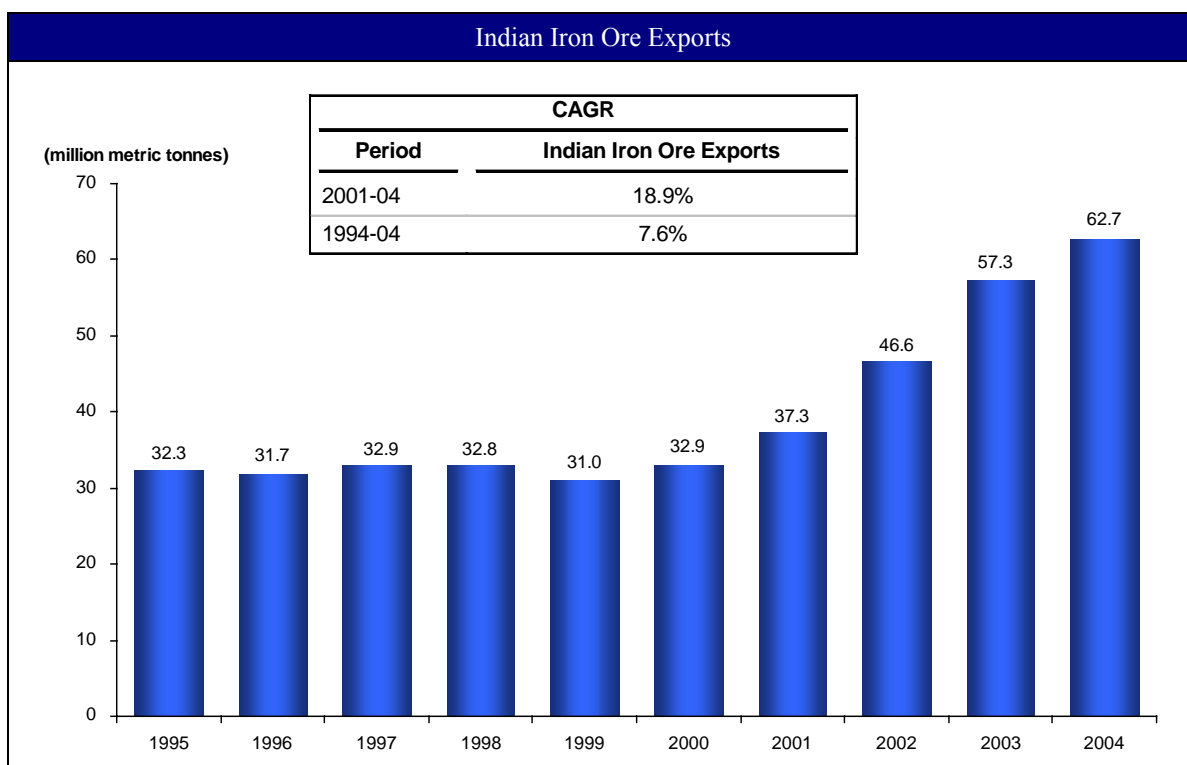
(3) WMT/DMT not specified

Production of iron ore in India has grown in recent years. In 2004, India's iron ore production was approximately 120.6 million metric tons, or approximately 10.13% of total world production according to the IISI, Steel Statistical Yearbook, 2005. Production of iron ore in 2004 in India grew by approximately 21.7% versus 2003.



Source: IISI, Steel Statistical Yearbook, 2005

India is a net exporter of iron ore. In 2004, India's iron ore exports was approximately 62.65 million metric tons, or approximately 9.7% of total world iron ore exports, according to the IISI, Steel Statistical Yearbook, 2005. Indian iron ore exports have grown at a CAGR of approximately 18.9% between 2001 to 2004. The details of iron ore exports from India are shown in the chart below:



Source: IISI, Steel Statistical Yearbook, 2005

The National Steel Policy, 2005, has estimated that iron ore exports from India will reach 100 million metric tons by fiscal year 2020. China has been the largest contributor of growth in Indian iron ore exports.

The following chart details the leading countries to which India exported iron ore in each of the last three fiscal years.

India: Primary Iron Ore Export Markets

| Country | FY 2003 (million metric tons) | FY 2004 (million metric tons) | FY 2005 (million metric tons) |
|----------------|--------------------------------------|--------------------------------------|--------------------------------------|
| China | 26.27 | 42.05 | 59.39 |
| Japan | 15.75 | 13.10 | 11.13 |
| South Korea | 2.41 | 2.15 | 2.17 |
| Taiwan | 0.58 | 0.88 | 0.60 |
| Europe | 2.04 | 2.47 | 2.89 |
| Others | 0.97 | 1.92 | 1.93 |
| Total | 48.02 | 62.57 | 78.14 |

Source: MMTC

Wind Power Industry

Introduction

In the last twenty years, wind energy has gone, in many countries, from an emerging source of fuel to a significant energy resource, as generation costs have fallen progressively towards the cost of conventional energy sources in many markets.

We believe there are several key factors driving the growth of wind energy. First, environmental concerns regarding global warming and the emission of greenhouse gases have become more important in global politics. In fact, many governments have committed to the promotion of renewable energy and have introduced incentive schemes to encourage the growth of renewable energy sources. These incentives typically provide wind farms with priority access into the electricity grid or some other form of economic benefit, such as a price premium.

We believe there is a perceived need to reduce the dependence on, and depletion of, non-renewable resources. Compared with traditional non-renewable fuel sources, wind energy is inexhaustible and is also viewed as safe, clean and locally available.

Lastly, wind energy offers many countries the opportunity to diversify the sources of their energy supply. Security of energy supplies has become an increasingly significant issue for many countries, especially with the high level and volatility of fossil fuel prices over the past four years. Given the expectation that the long term global demand for energy will outstrip supply, many countries view the contribution of wind energy generated within their borders to be of national strategic importance.

Wind Turbine Technology

Wind energy is captured and turned into electricity by a wind turbine. The rotors (or blades) of a wind turbine typically consist of three blades. The energy captured by the blades steadily rotating is transferred to an electrical generator. The generator, together with a gearbox, transformer and other control equipment, is housed in what is known as the “nacelle” of the turbine.

Although a wind turbine is designed to operate continuously across a range of wind speeds, it does not always generate electricity at its Rated Capacity. A wind turbine normally does not generate electricity if the wind speed is below a certain level. As wind speed increases, the wind turbine will gradually increase its electricity output until it reaches its Rated Capacity. When wind speed rises to a certain threshold, the “cut-out speed,” the wind turbine will shut down in order to protect itself from the forces exerted by high wind conditions. This output characteristic is called the “power curve.”

Kyoto Protocol and Emission Trading Schemes

On February 16, 2005, the Kyoto Protocol came into force in approximately 141 countries, accounting for 55% of the world’s greenhouse gas emissions. The United States, Australia, China and Brazil are not

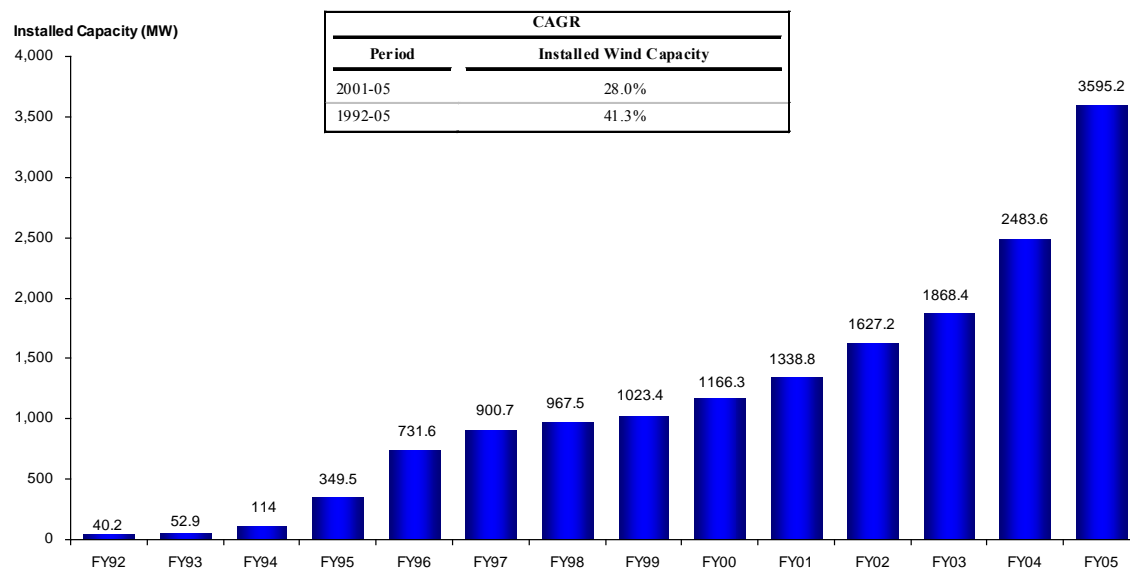
participants in the treaty. Under the terms of the Kyoto Protocol, participants pledged to cut worldwide greenhouse gas emissions by 5.2% from 1990 levels by 2012. In order to help to accomplish this objective, the Kyoto Protocol includes three market-based methods that allow countries to earn or to buy credits outside their borders:

- *Clean Development Mechanism (“CDM”)*: Contemplates credits being earned by investing in emission reduction projects in developing countries.
- *International Emissions Trading*: Permits developed countries that have adopted a Kyoto target to buy and sell “Emission Reduction Units” (“ERUs”) amongst themselves.
- *Joint Implementation*: “Certified Emission Reduction” (“CER”) credits can be earned by investing in emission reduction projects in developed countries that have adopted a Kyoto Protocol target for reducing emissions.

Thus, the Kyoto Protocol allows industrialized countries to meet their commitments through domestic actions, trading amongst themselves and buying CERs from developing countries. Wind energy projects are eligible for registration as a CDM if, among other criteria, it can be demonstrated the project would not have occurred without the additional CDM investment. In addition, trading in ERUs and CERs may also provide an additional stream of revenue for wind power projects. However, because the Kyoto Protocol scheme is at an early stage of implementation, it is not yet clear how the market for CDM projects or the trading of ERUs and CERs will develop.

Wind Power Industry in India

Over the past four years, India’s Ministry for Non-Conventional Energy Sources and various state governments’ initiatives to provide a supportive and stable policy framework for investment in wind power have contributed to the growth of the Indian wind power industry. The cumulative installed MW capacity in India for the past fourteen fiscal years are as follows:



Source: “Directory of Indian Windpower 2005”, Page No. 5-2, Consolidated Energy Consultants Ltd

According to data published in the Directory of Indian Windpower 2005, as of March 31, 2005, seven states in India (Tamil Nadu, Karnataka, Andhra Pradesh, Rajasthan, Maharashtra, Gujarat and Madhya Pradesh) accounted for approximately over 99.9% of wind power installations in India. As of March 31, 2005, Tamil Nadu had the highest share and accounted for approximately 56.7% of the cumulative capacity and Maharashtra had the second largest installations and accounted for approximately 12.7% of the cumulative capacity as per Directory of Indian Windpower 2005. This data also shows that Karnataka had the third largest installations and accounted for approximately 11.4% of the cumulative capacity as of March 31, 2005.

India has a separate Ministry of Non-Conventional Energy Source (“MNES”). Recent regulatory enactments in India further support the increase of renewable sources in the energy supply mix. The Electricity Act requires all state-level energy regulatory commissions to ensure that electricity distributors procure a specified minimum percentage of power generation from renewable energy sources.

OUR BUSINESS

Overview

We are an iron ore mining, processing and exporting company with over four decades of experience in the industry. According to FIMI, we were the first private company in India to receive a license for the export of high grade iron ore (having Fe content of 64% or more). We are predominantly exporters of high-grade processed iron ore. We are a flagship company of the Baldota Group of Companies, which are primarily owned by the Baldota family. For further details on the Group Companies, please refer to the section titled "Our Promoters" on page 134.

We have obtained ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:1999 certifications from Bureau Veritas Quality International. According to Bureau Veritas Quality International, we were the first unit certified in the mining sector in India for upgrades to ISO 9001:2000 and ISO 14001:2004 status. We have received numerous awards from the Government of India and the Government of the State of Karnataka, including CAPEXIL special export awards for contributions to Indian iron ore exports in each of the last six financial years from 1999 to 2005 and the Indira Priyadarshini Vriksha Mitra Award in 2004 for our work in afforestation. We were awarded the KREDL awards for highest investment in the field of renewable energy in the State of Karnataka.

We are also a three-star export house status holder with over four decades of experience in iron ore mining. Rs. 5,657.17 million, or 93.9% of our total sales in fiscal 2005 and Rs. 4,783.25 million, or 69.1% of our total sales in fiscal 2006 were derived from direct exports of iron ore, all of which were made to China. In addition, Rs. 1090.64 million, or 15.7% of our total sales, in fiscal 2006 were derived from sales to MMTC, which we believe are for export to China.

We currently operate in the State of Karnataka in the Bellary-Hospet sector. We are the leaseholder for the Vyasankere iron ore mine with a leasehold area of 347.2 hectares and a current permissible mining excavation of 2.5 million metric tons. We operate three processing units, two of which are registered as EOUs, with tax-free status through fiscal year 2009 in respect of the export of all grades of iron ore, up to 4.6 million metric tons per year. We are also an 88% partner in P. Venganna Setty & Brother, a partnership firm holding the lease for the Pathikonda iron ore mine, with a lease area of 123.84 hectares. We have also obtained approval from the Government of the State of Karnataka to establish a pellet making plant in Karnataka, and we hope to operationalise the plant during fiscal 2008.

We are also actively growing our mining business by seeking to acquire additional mining assets and have recently reorganised our Group in an effort to capture the value of the Group's iron ore business in our Company.

Pursuant to our corporate restructuring initiative, we entered into an agreement dated February 6, 2006, as supplemented on April 1, 2006, with MSPL Exports, a group partnership firm involved in the processing and export of iron ore, to acquire all assets and liabilities of MSPL Exports. The acquisition became effective from April 1, 2006. MSPL Exports is registered as an EOU with tax-free status through fiscal year 2009 in respect of the export of all grades of iron ore up to 2.6 million metric tons per year. It has a processing plant with a throughput capacity of 475 metric tons per hour. From April 1, 2006, it operates as a second EOU unit for us, augmenting our EOU status by 2.6 million metric tons per year. We have also obtained the benefits of the fiscal concessions in respect of the additional EOU capacity. As MSPL Exports did not hold any mining leases, iron ore for processing and export is supplied to us pursuant to run-of-mine purchase contracts through four mines currently held under lease by RMMPL and PVS Mines, both of which are Group Companies. Under the run-of-mine purchase contracts, the mine leaseholders will supply the entire production of the mines to us on an exclusive basis for the term of the lease of individual mines, with the agreement co-extensive with renewal in leases on these mines. All these supplier mines operate in the Bellary-Hospet sector. For details on the key terms of the run-of-mine purchase contracts, please refer to "Run-of-Mine Purchase Agreements" on page 100 in this Draft Red Herring Prospectus.

We have also entered into run-of-mine purchase contracts in respect of Banashankari iron ore mine in the Bellary-Hospet sector in the State of Karnataka with a third-party leaseholder. BIOM is not currently operational, although the leaseholder is in the process of obtaining forest and environmental clearance for mining. In addition, on December 14, 2005, we entered into a run-of-mine purchase contract with a third-

party leaseholder in a mining area in the west Singhbhum district in the State of Jharkhand. The leaseholder is currently in the process of obtaining renewal of its mining lease, revising its mining plan for higher production level and seeking statutory approvals. On receiving all clearances, we plan to set up an on-site processing plant for processing the run-of-mine of the Jharkhand mine and selling processed iron ore, both domestically and in the export market.

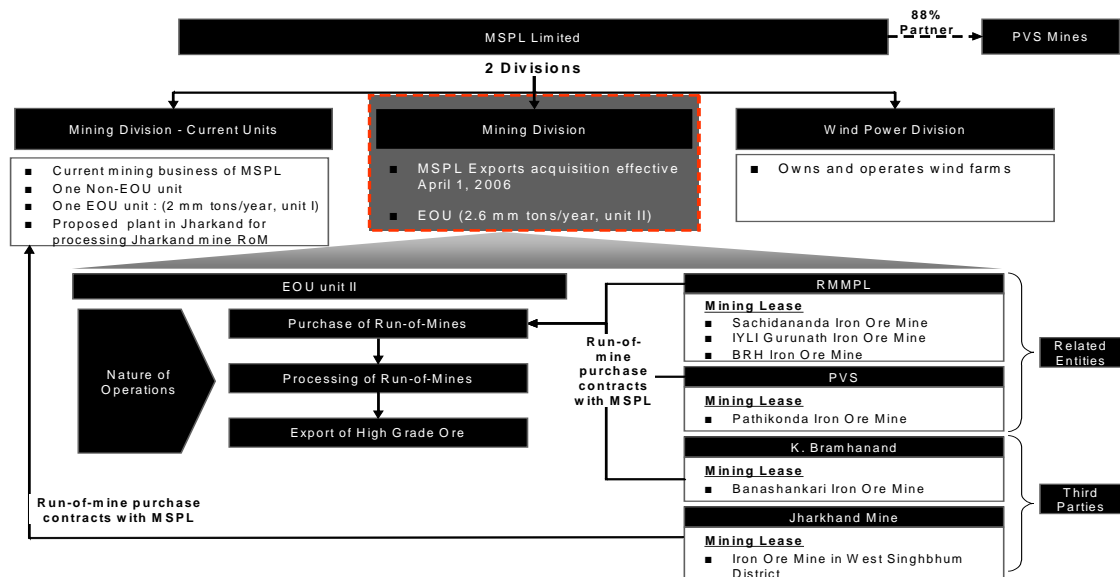
In addition to our iron ore operations, we also own and operate wind farms with a current installed capacity of 105.6 MW. Our wind farms are situated in Harapanahalli, with a capacity of 46.25 MW, and Chitradurga, with a capacity of 38.35 MW each, in the State of Karnataka and in Satara, with a capacity of 1 MW and a newly commissioned capacity of 20 MW in Dhule, each in the State of Maharashtra. We are also in the process of commissioning ten turbines of 600 kilowatt capacity each in Harihar in Karnataka. We have already taken delivery of these turbines and we are currently in the process of commissioning them.

We have recently undertaken a corporate restructuring exercise in an effort to capture the value of the group’s iron ore business in our company and hive off non-core business. The measures undertaken as part of the restructuring include:

- Acquisition of all assets and liabilities of MSPL Exports by MSPL pursuant to an agreement dated February 6, 2006, supplemented on April 1, 2006. The acquisition took effect from April 1, 2006 and all conditions precedent have been completed between the parties thereto. Rs. 260 million of the consideration for this acquisition was paid in fiscal 2006 and the remaining Rs. 240 million will be paid in fiscal 2007. This restructuring includes the run-of-mine purchase contracts currently enjoyed by MSPL Exports;
- Transfer of our gas division, representing 1.7% of total income in fiscal 2006, to another Group Company, MSPL Gases Limited, pursuant to an agreement dated February 6, 2006. The conditions precedent to the sale of our gas division to MSPL Gases Limited under the relevant agreement have been completed and the transfer took effect from April 1, 2006. We have received the consideration of Rs. 200 million from MSPL Gases Limited related to this sale. ; and
- Our 100% stake in our subsidiary Vijaya Oxygen Company Limited (“VOCL”), having total income of Rs. 0.24 million, net loss of Rs. 0.04 million and total assets of Rs. 35.58 million in fiscal 2005 was transferred to RMMPL, a Promoter Group Company on September 28, 2005.

For further details on the corporate restructuring, please refer to the section titled “Our History” on page 117.

With the completion of the corporate restructuring initiative that became effective April 1, 2006, we operate in the manner detailed in the following diagram:



The respective contributions to total income of our divisions for the financial years 2003, 2004 and 2005 and the fiscal 2006- are set forth below:

| | | Year ended March 31, | | |
|------------------------|----------------------|-------------------------|----------|---------|
| | | 2004 | 2005 | 2006 |
| Mining Division | Rs millions | 3,116.61 | 6,018.92 | 6954.97 |
| | As % of total income | 96.4% | 94.8% | 89.8% |
| Wind Power Division | Rs millions | 30.83 | 233.35 | 657.95 |
| | As % of total income | 1.0% | 3.7% | 8.5% |
| Gas Division | Rs millions | 85.23 | 97.46 | 131.47 |
| | As % of total income | 2.6% | 1.5% | 1.7% |

The table above captures only the revenues derived from MSPL, including its share of the partnership profit from PVS. MSPL Exports, had its first export consignment effected in November 2005 and, had revenues of Rs. 1,823.24 million in fiscal 2006. In addition, pursuant to the corporate restructuring, our gas division has been sold effective April 1, 2006.

Our Strengths

We plan to continue to capitalise on what we believe to be our key strengths:

- **High Grade Iron Ore Products.** The iron ore supply in respect of mines for which we have or have applied for mining leases, as well as the mines with which we enjoy run-of-mine purchase contracts, consists principally of hematite ore with a Fe content of predominantly greater than 64%. The greater the Fe content of the iron ore, the more efficient it is to process the ore. In addition, our iron ore has other characteristics, which we believe contribute to its quality, such as:
 - higher reducibility allows greater productivity for our ultimate customers, the steel producers;
 - low moisture content, which means lower transportation and distribution costs; and
 - low rates of impurities such as silica, phosphorus, alumina and sulphur.

We believe our high grade products and ore quality gives us a strong competitive advantage and helps us to command premium pricing, stimulate demand for our products and enjoy customer loyalty.

- **Proximity to China.** China is currently the largest consumer of iron ore in the world and a key driver of the seaborne iron ore trade. We have been directly exporting our products to China from 1996 and Chinese consumers of our iron ore are familiar with our brand and products. Today our exports to China represent 100% of our direct exports. We believe that our geographic proximity to China allows us to ship products to customers in China faster, and at less cost, than our Brazilian competitors. We believe this allows us to charge higher FOB prices to China than these competitors
- **100% EOU Benefits.** Exports from India of iron ore with an Fe content of greater than 64% requires an export license, except for iron ore mined at Goa and Redi, Maharashtra, or sold through MMTC for export. As per FIMI, we were the first private company licensed to export iron ore from India when we obtained clearance to export in 1996. Based on the volume of our export sales, we have obtained Three Star Export House status from the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, which provides us with more rapid approval of license application, as well as other benefits in connection with our export of iron ore.

We currently have one unit registered as a 100% EOU, which grants us a license, effective April 1, 2005 through March 31, 2009, to export 2.0 million metric tons of iron ore annually. Pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we have also acquired MSPL Exports' 100% EOU registration, with a license effective through March 31, 2009, to export 2.6 million metric tons of iron ore annually. We also enjoy several fiscal concessions in connection with our EOU status, such as:

- Our earnings from export sales through EOUs, will enjoy tax free status until March 31, 2009, contributing to net earnings;
- We are not required to pay any customs duty on the import of plant and machinery to be used for the EOUs; and
- We receive other tax benefits.

For additional details of the fiscal concessions resulting from our EOU status, please refer to “Regulations and Policies—Export Oriented Unit (EOU) scheme” on page 111.

- **Access to Iron Ore Reserves.** We have access to reserves of high grade iron ore. We currently operate VIOM and, with our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, we have run-of-mine purchase contracts in respect of three iron ore mines with proved and probable reserves estimated pursuant to the JORC code: SIOM, IYLI and PIOM.

We appointed Behre Dolbear to review, validate and classify our iron ore resources in accordance with the JORC code. Behre Dolbear in their report dated February 9, 2006 has assessed the reserves at VIOM, SIOM, IYLI and PIOM mines as follows:

| Deposit Name | Iron Ore Reserves (million metric tons) | | |
|--------------|---|-------------|-------------------|
| | Proved | Probable | Proved + Probable |
| VIOM | 20.83 | 8.53 | 29.36 |
| SIOM | 1.53 | - | 1.53 |
| IYLI | 6.74 | 0.26 | 7.0 |
| PIOM | 3.28 | 0.78 | 4.06 |
| Total | 32.38 | 9.57 | 41.95 |

- **Iron Ore Mining Asset Accretion and Development.** In addition to the existing iron ore reserves described above, we are also in the process of acquiring and developing additional iron ore assets. In particular, we have applied for a lease for the Kumaraswamy area in Sandur Taluka, Bellary district in the State of Karnataka. We have also entered into a run-of-mine purchase contract in respect of a mine in the west Singhbhum district of the State of Jharkhand. Additionally, we currently enjoy a run-of-mine purchase contract in respect of BIOM, and with our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, we also enjoy a run-of-mine purchase contract in respect of the Bharat Rayan Haravu iron ore mine (“BRH”). Both BIOM and BRH are non operational mines and in respect of each of them, certain regulatory approvals are pending. We will continue to consider acquiring new iron ore mining assets both domestically and internationally as opportunities arise.

In addition to acquiring mining assets, we also seek to optimise our mining assets through research and development of various techniques. For example, we have established research and development facilities to improve lower grade ores into saleable higher grade iron ore products. Marginal low grade ores (with Fe content of 58 – 60%) are beneficiated through a wet process to upgrade them to saleable products with an Fe content of approximately 63%.

- **Wind Power Generation Operations.** Our wind power generation operations provide us with a more diversified revenue stream. According to the Directory of Indian Wind Power, published by Consolidated Energy Consultants Limited, as at March 31, 2005, we had the largest installed wind generation capacity in India.

We benefit from our wind farm locations which are exposed to a relatively high wind speed. Higher wind speeds generate more power using the same equipment than lower wind speeds. We also benefit from a favourable regulatory environment, including certain tax benefits. Pursuant to

the Electricity Act, electricity companies are required to sell a certain proportion of electricity generated from non-conventional energy resources, such as wind power. As a result, regulation has created a potential for additional markets for our products.

- **Experienced Management Team.** Our management team consists of people who have extensive experience in the mining and natural resource industries. Our management team combines extensive operations, management and technical skills with marketing and sales capability.

Our Strategy

We strive to become a leading player in the Indian iron ore market and a leading exporter of iron ore from Asia. In order to meet this objective, our business strategy is focused on the following.

- **Targeting Volume Growth by Acquiring, Developing and Optimising Mineral Assets.** To capitalize on the growing demand for high grade iron ore, and on currently strong pricing levels, we intend to increase our production volumes in the coming years to become a larger participant in the regional iron ore market. We expect that we will achieve growth in volumes, driven by:
 - centralisation, with the acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, of the iron ore sales of related Group entities in MSPL, through the run-of-mine purchase contracts;
 - operationalisation of the Kumaraswamy mine following Government approval of our application, the approval of our mining plan by the Indian Bureau of Mines (“IBM”), the receipt of forest clearance and environmental approvals and establishment of a processing plant; and
 - operationalisation of the Jharkhand mine following approval by IBM of a new mining plan based on higher proposed production of up to 5.0 million metric tons per year, and the receipt of forest clearance approval and environmental approval and establishment of a processing plant.

We intend to apply for EoU registration for the proposed processing plants for the Kumaraswamy mine and the Jharkhand mine.

In addition, we intend to consider additional opportunities to acquire and operationalise additional mineral assets as they become available. We have in the past applied, and may in the future apply, for prospecting or mining leases for minerals other than iron ore. Although we have no present plans to engage in the mining of minerals other than iron ore, including gold and diamonds, we may in the future do so if appropriate opportunities present themselves.

We also intend to pursue trading of iron ore. As part of trading activities, we intend to purchase processed iron ore from third parties and export such iron ore to overseas markets under the export promotion capital goods scheme. In this regard, we are in discussions with a party to procure iron ore for export, and may be required to make an advance payment to such third party.

Our Promoters, pursuant to an undertaking dated February 10, 2006, have undertaken that in the event that any of the Promoters, Promoter Group Companies or any other entity (including any individual) over which our Promoters have a direct or indirect control obtains a new mining lease for iron ore, that entity shall enter into a run-of-mine contract or other similar arrangement in similar form, directly or indirectly, with us. We anticipate that such contracts will be similar to the run-of-mine purchase contracts which RMMPL and PVS have entered with us, pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, except in case of captive mining leases specifically awarded for the manufacture of iron and steel.

- **Diversify Our Markets.** Our high grade iron ore and emphasis on customer satisfaction provides us a platform for maintaining and improving our relationships with current and prospective customers. Our ability to diversify our customer base in China or seek customers in other export markets has been restricted by our production capabilities and demand from our current customer base. While this is expected to continue even after our planned increase in production and export volumes in the future, we intend to seek a diversification in our customer base by targeting a greater number of customers in China as well as seeking to develop a customer base in other countries in Asia, including Japan and South Korea.

We also intend to take advantage of anticipated growth in the domestic Indian iron ore market as Indian steel production increases. The National Steel Policy of 2005, prepared by the Government of India, envisages 110 million metric tons and 190 million metric tons of annual domestic consumption of crude steel and iron ore, respectively, by 2020.

- ***Investing in Additional Connectivity for the Distribution of our Iron Ore Products.*** In order to more efficiently and cost-effectively transport our iron ore products for sale, we plan to invest in additional connectivity. We have ordered eight rakes, with an estimated capacity of 3,700 metric tons per rake for railway transport, of which five rakes have already been delivered to us. The railway rakes will provide us with ready capacity for additional iron ore, allowing us to increase our transport to port by train and reduce our need to use more costly road transport.
- ***Working toward Zero-Waste Management in all Mining and Processing Operations.*** We have put in place systems that we hope will help us to recover 100% of the minerals available through systematic mining, processing and stocking of minerals under our “Zero-Waste Management” plan. We have two objectives as part of our “Zero Waste Management Plan”:
 - To reach 100% recovery of iron ore during extraction, processing and transportation by avoiding admixture and spillages;
 - To identify and recover associated rocks that would otherwise be waste rocks and identify the minerals present in the rocks to find alternative uses in any industry.

As we implement Zero Waste Management, we plan to develop or adapt our processing plants to take 100% recovery of iron ore.

We have also identified several minerals which may have alternative uses and are working to implement sales of these minerals. For example, we have supplied minerals like laterites and gabbro to cement plants in the vicinity for use as a binding agent and we have also supplied phyllite rocks, which are a mixture of silicates and alumina, to the tile industry as a base material.

Taking Advantage of the Carbon Credit Opportunity in our Wind Division. We are seeking to have 78.9 MW of our current wind power projects certified as Clean Development Mechanism projects pursuant to the United Nations Framework Convention on Climate Change. If our projects are registered as CDM projects, we would be eligible to earn Certified Emission Reduction credits because our wind generation activities help to reduce greenhouse gas emissions. Because these CERs can be resold to industrialised countries that are required to reduce their greenhouse gas emissions under the terms of the Kyoto treaty, CERs may provide an additional revenue source to our wind power division.

The Company together with RMMPL and PVS, has finalised a validation report in respect of its wind operations and have jointly submitted an application to register its wind power projects, 78.9 MW in case of MSPL, as CDMs.

Iron Ore Mining and Export Business

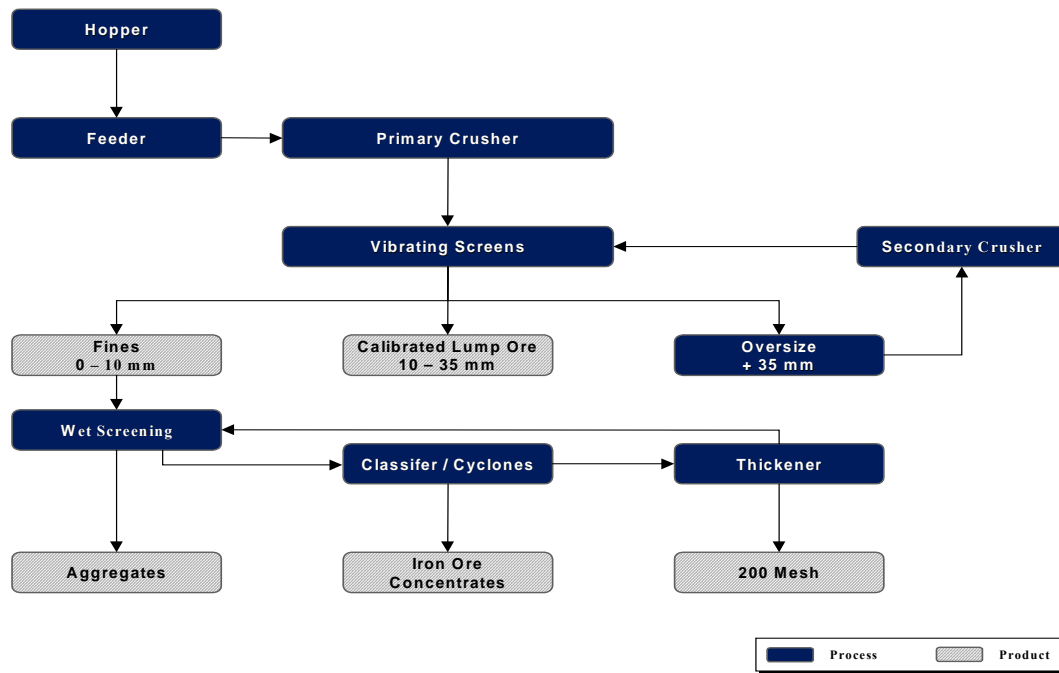
Overview

Our mining business involves the mining, processing and sale of iron ore, and the acquisition, exploration and development of mining assets. Our mining activities are concentrated in the Bellary-Hospet region of the State of Karnataka, India. We are predominantly an exporter of high grade iron ore.

Effective April 1, 2006, we have acquired the assets and liabilities of MSPL Exports, which was engaged in the processing and export of iron ore produced by us and by our related companies, PVS and RMMPL, with which it enjoyed run-of-mine purchase contracts.

Production Process and Product Details

The basic steps involved in the processing of our iron ore products are illustrated in the following diagram:



The processed iron ore products that we sell include the following:

Calibrated Lump Iron Ore

The physical specification of calibrated iron ore is between 10 mm to 35 mm. Calibrated iron ore, or lumps, as they are commonly known, are classified as high grade ore when its Fe content is 64% and above. Calibrated iron ore with less than 64% Fe content is classified as medium grade ore.

Iron Ore Fines and Concentrates

The physical specification of iron ore fines is below 10 mm, and they are used for the sintering process, which involves agglomeration. When iron ore fines are beneficiated, that is, subjected to a wet process, iron ore concentrates are produced. The physical specification of iron ore concentrate is below 1 mm in size. In the process of beneficiation, we also produce aggregates with a physical specification from 1mm to 10 mm. During beneficiation, there is typically an increase in Fe content.

Mining Assets

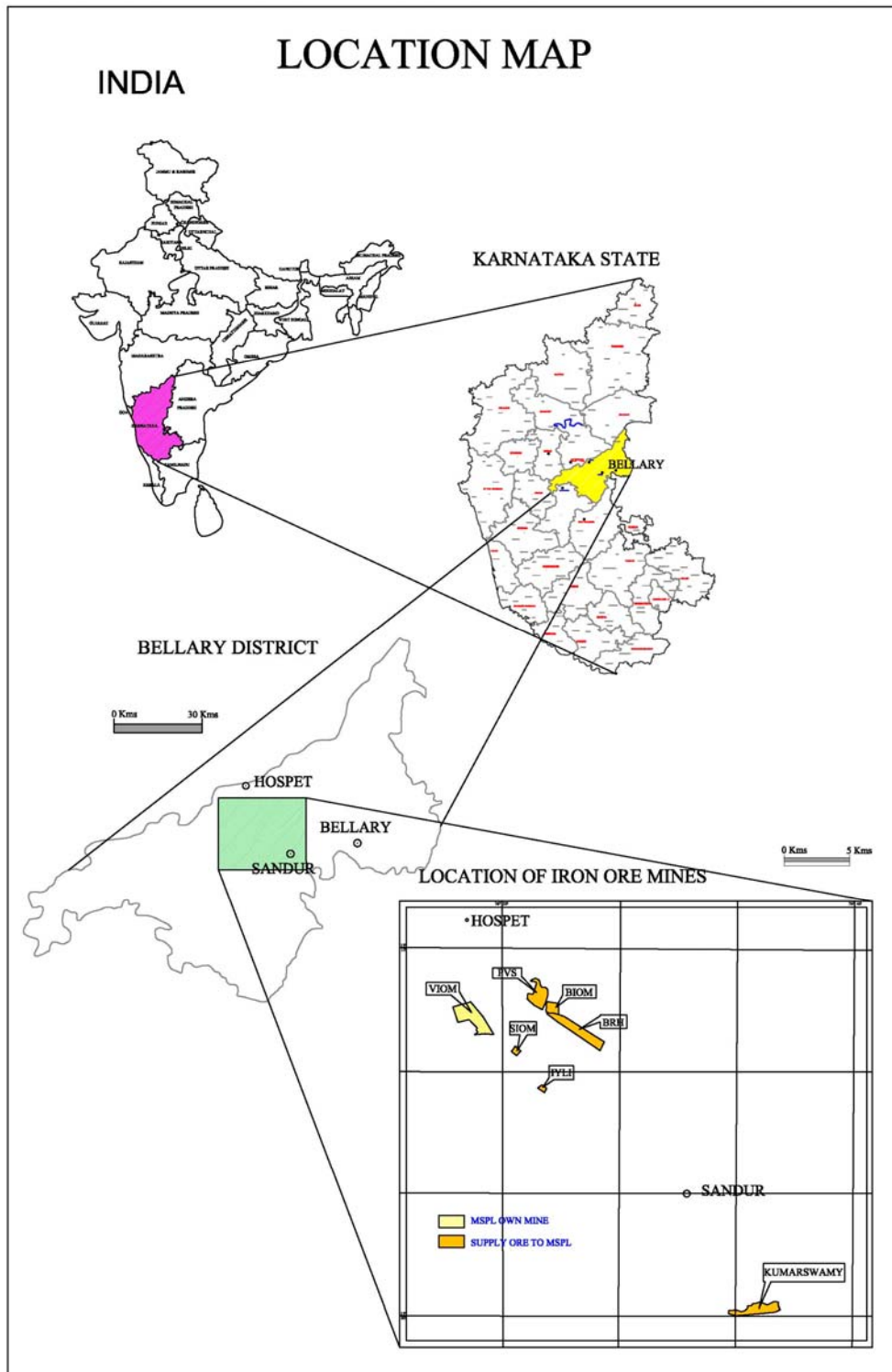
We hold a 100% interest in VIOM, an open-cast iron ore mine located in the Bellary-Hospet region in the State of Karnataka, India. In addition, we have entered into run-of-mine purchase contracts with third party leaseholders in respect of BIOM in the Bellary-Hospet region in the State of Karnataka, and an iron ore mine in the State of Jharkhand, neither of which are operational pending regulatory clearances. We also have an application pending to lease a mine in the Kumaraswamy Range, Sandur Taluka in the Bellary district of the State of Karnataka.

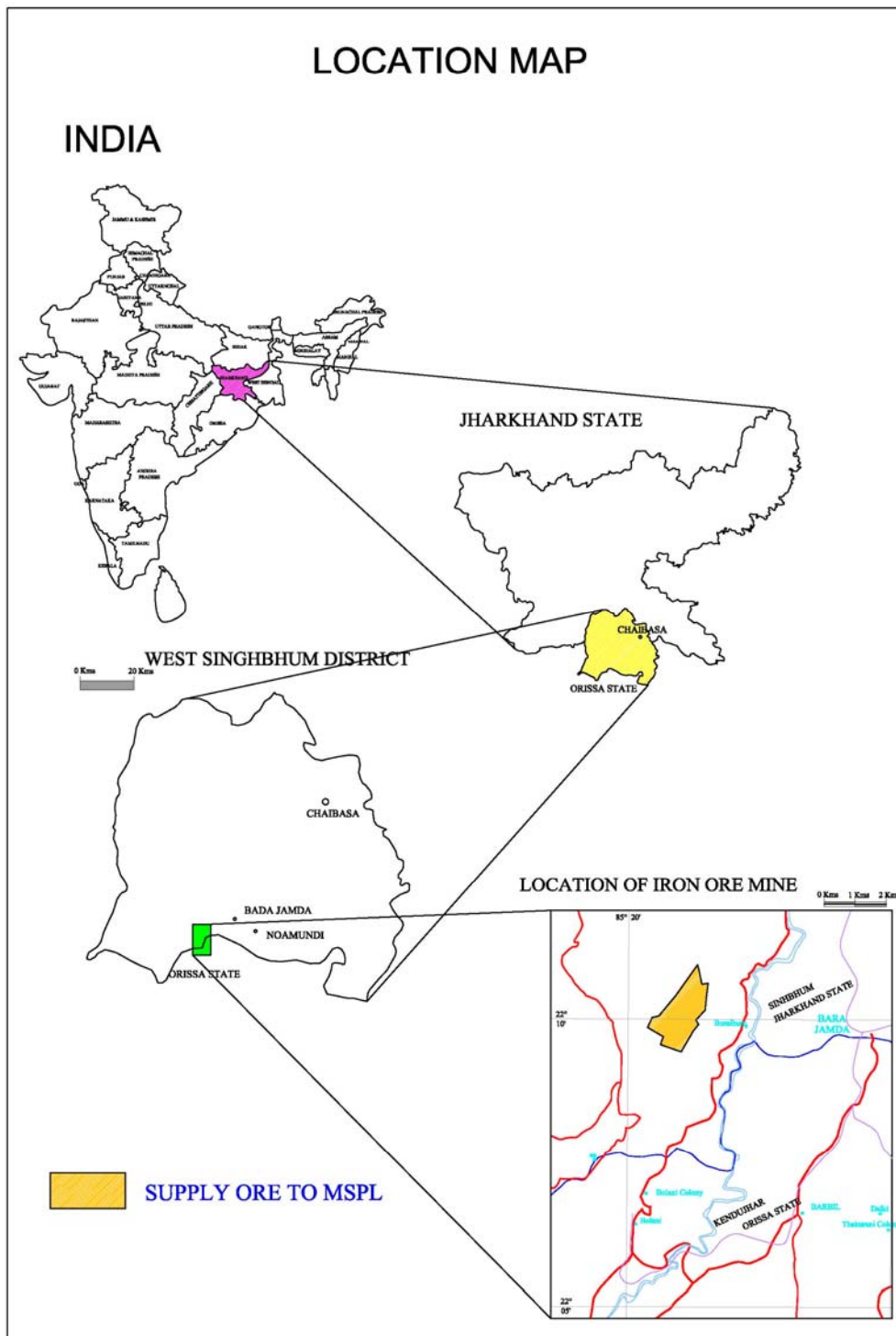
In addition, with our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we also enjoy run-of-mine purchase agreements in respect of four additional mines:

- the Pathikonda iron ore mine in the Bellary-Hospet region of the State of Karnataka, which is leased by Group Company PVS;
- the Sachidananda iron ore mine in the Bellary-Hospet region of the State of Karnataka, which is leased by Group Company RMMPL;
- the IYLI Gurunath iron ore mine in the Bellary-Hospet region of the State of Karnataka, which is leased by Group Company RMMPL; and

- the Bharat Rayan Haravu iron ore mine in the Bellary-Hospet region of the State of Karnataka, which is leased by Group Company RMMPL and is awaiting certain regulatory clearances.

The following maps illustrate the location of the mining assets described above within the State of Karnataka and the location of the mining asset described above within the State of Jharkhand:





Geology and Mineralisation

VIOM, SIOM, IYLI, PIOM, BIOM and BRH banded iron formation deposits are part of the Bellary-Hospet group of iron deposits located in the Ramanmalai and NEB ranges, approximately 10 to 15 kilometer south-east of the town of Hospet. The deposits are located at or near the crests of these ranges. The regional geology consists of tightly folded metamorphosed Precambrian sedimentary, volcanic, and intrusive rocks of the Sandur Schist Belt. The rocks belong to the Dharwar Supergroup. The Ramgad and NEB ranges of

hills form two limbs of the “Sandur Synclinorium” that strikes north-west and plunges at about 20 degrees to the north-west.

The Ramanmalai Range, which is sometimes called the Ramgad Range, forms the south-west limb of the Sandur Synclinorium and hosts the following deposits:

- VIOM;
- SIOM; and
- IYLI.

All of these deposits are currently being mined.

The NEB Range forms the northeast limb of the Sandur Synclinorium and hosts the following deposits

- PIOM;
- BIOM; and
- BRH.

Of these three, only the PIOM deposit is currently being mined. BIOM and BRH have been mined in the past by others, although a portion of the BRH deposit at its south-eastern end has not been previously mined.

The iron formations in the deposits strike north-west to north-north-west. The deposits in the Ramgad Range dip steeply north-east or are essentially vertical, while those in the NEB Range dip steeply to the south-west. The rocks in each of the deposits consist of varying combination of the following lithologic units:

- Laterite;
- Phyllite;
- Shale;
- Ferruginous phyllite and shale;
- Banded hematite quartzite (BHQ);
- Banded magnetite quartzite (BMQ);
- Banded ferruginous quartzite (BFQ);
- Chlorite schist and quartz chlorite schist;
- Basic intrusives (gabbro and metagabbro); and
- Amphibolite.

Silica in the banded iron formations at the deposits has been leached and varying amounts have been removed, creating the following products:

- Massive hematite ore;
- Friable iron ore;
- Red oxide iron ore; and
- Lump ore in laterite.

Lump ore is mined from the laterite when it can be economically separated from the material that is below the cut-off grade.

The Kumaraswamy deposit is located in the Bellary-Hospet region approximately 40 km southeast of Hospet. The deposit is part of the Sandur Schist Belt that is part of the Dharwar super group of Precambrian Schistose rocks.

The strike of the Kumaraswamy deposit generally parallels the trend of the hill ranges and has a steep dip. Two major iron ore bands have been identified in the deposit with Fe content of approximately 64%.

The Jharkhand iron ore mine, located in the west Singhbhum District, State of Jharkhand, approximately 300 kilometres west of Kolkata, is part of a pre-Cambrian iron ore formation. Regionally, this belt represents the western limb of the Bonai Keonghar horseshoe shaped iron ore series synclinorium in which the iron ore deposits cap the crests and considerable portions of the slopes of the north-northeast-south-southwest trending hill ranges. The iron ore deposits dip at a low angle due northeast. The average grade of the iron ore is over 64% Fe content. The generalized lithologic unit sequence of the banked iron ore formations is, from top to bottom:

- Float iron ore, cemented in places;
- Ferruginous laterite;
- “In situ” iron ore deposits;
- Banded hematite quartzite and banded jasper quartzite;
- Manganiferous phyllite; and
- Barren phyllite.

Snapshot Status of Mines

The following table summarises the mining assets described above and their status as of May 29, 2006:

| Mine | Leaseholder | Lease Area (hectares) | Relationship with MSPL | Operating Status | Annual Authorised Extraction under Mining Plan (million metric tons) | Lease Status | Regulatory Clearances |
|-------------|--------------------|------------------------------|--|----------------------------|---|---|---|
| VIOM | MSPL | 347.2 | Leased by MSPL | Operational | 2.5 | Lease has been renewed through 2022 | Forest and environmental approvals in place. |
| SIOM | RMMPL | 24.3 | Run-of-mine purchase contract from April 1, 2006 | Operational | 0.5 ⁽¹⁾ | Lease has been renewed through 2023 | Forest and environmental approvals in place. |
| IYLI | RMMPL | 20.2 | Run-of-mine purchase contract from April 1, 2006 | Operational ⁽²⁾ | 0.5 | Lease expired in 1986; application for renewal has been made. | Forest clearance and environmental approvals in place. |
| PIOM | PVS | 123.8 | MSPL is a 88% partner in PVS. Run-of-mine purchase contract from April 1, 2006 | Operational ⁽²⁾ | 0.5 | Lease expired in 1992; application for renewal has been made. | Forest and environmental approvals in place. |
| BRH | RMMPL | 331.4 | Run-of-mine purchase contract from April 1, 2006 | Not operational | 2.5 | Lease expired in 2003; application for renewal has been made. | Application has been made for forest and environmental approvals. |
| BIOM | Third party | 56.0 | Run-of-mine purchase contract | Not operational | 0.3 | Lease expired in 1998; application for renewal has been made. | Application has been made for forest and environmental approvals. |

| Mine | Leaseholder | Lease Area (hectares) | Relationship with MSPL | Operating Status | Annual Authorised Extraction under Mining Plan (million metric tons) | Lease Status | Regulatory Clearances |
|------------|--|-----------------------|-------------------------------|------------------|---|---|--|
| Jharkhand | Third party | 202.3 | Run of mine purchase contract | Not operational | 0.1, revised mining plan for 5.0 under preparation for seeking IBM approval | Lease expired in 1994; application for renewal has been made | Forest approval pending. Environmental approval will be applied for upon approval of mining plan |
| Kumarswamy | Lease applied for by MSPL. Recommended by State of Karnataka, pending Central government approval. | 218.2 | Lease applied for by MSPL | Not operational | None | Four petitions filed against State Government recommendation and under stay by the High Court of Karnataka. | Subject to court ruling in favour of MSPL, application will be made for mining plan and forest and environmental clearances. |

- (1) We anticipate that SIOM has less than two years of remaining mine life at current extraction levels.
- (2) Operates pursuant to Rule 24A(6) of Mineral Concession Rules, 1960, as amended, which extends term of lease until government passes orders on renewal application.

Vyasankere Iron Ore Mine

We hold a 100% interest in the VIOM, an open-cast iron ore mine located in the Bellary-Hospet region in the State of Karnataka, India.

Under our present mining plan, we are authorised to extract 2.50 million tons annually. We have received approval from IBM and Ministry of Environment and Forests, Government of India for a revised mining plan increasing our annual limit to 2.5 million metric tons.

Property Description and Location

VIOM is located within a 347.22 hectare area that we hold under lease from the Government of Karnataka in the Bellary-Hospet region, a mineral rich region within the State of Karnataka, India. VIOM is accessible by paved road, and is located about 2.5 kilometres from National Highway No. 13. By road, the mine is approximately 23 kilometres south of Hospet and 413 kilometres east of the seaport of Goa. The nearest railway station is the Vyasankere Railway Station. The Vyasankere Railway Station is located approximately three kilometres north from the mine's processing plant and is accessible by a dedicated road that runs between the mine and the railway sidings, providing direct rail access to several regional and major cities and ports. By rail, the Vyasankere Railway Station is approximately 12 kilometres south of Hospet, 415 kilometres east of the seaport of Goa, and 573 kilometres west of the seaport of Chennai. We obtain electrical power at market rates from regional utilities. We obtain water from wells located on the property.

We have leased VIOM from the State of Karnataka since 1962, under successive 20-year mining leases. Our current 20-year mining lease was granted on November 14, 2002 and expires on November 13, 2022. Under the terms of this lease, we are required to pay the State Government either a royalty, as determined by the Central Government from time to time pursuant to the terms of the Mines and Minerals (Development and Regulation) Act of 1957, as amended, or dead rent (a minimum specified amount), whichever is greater. The royalty for the properties is calculated on the basis of the amount of iron ore, varying by type and Fe content, removed from the lease. The dead rent for the properties is Rs. 100 per hectare per year for the first two years and Rs. 400 per hectare per year from the third year onward. We have the right to renew this lease upon expiration for additional 20-year periods, subject to an approval from IBM on a 5-year mining plan, forest clearance approval and environmental approval.

History

VIOM is one of the largest iron ore mines in the private sector in the Bellary-Hospet region of Karnataka State. Float ore mining activity for iron ore began during 1962. Mechanisation began during 1977, with the introduction of excavators and payloaders. Presently, the mine is mechanized to handle approximately seven million metric tons of ore and waste per annum.

In 1981, a small-scale processing plant was installed, and in 1991, a downhill conveyor system was introduced. A beneficiation plant was introduced in 1993 and a larger capacity crushing and beneficiation plant was added in 2002.

Reserves Estimate

According to the Behre Dolbear review of our iron resources and reserves, VIOM is estimated to have 20.83 million tons of proven iron ore reserves at an average grade of 65.0% Fe, and 8.53 million tons of probable iron ore reserves at an average grade of 64.5% Fe, for a total of 29.36 million tons of proven and probable iron ore reserves at an overall average grade of 64.8% Fe.

Mining and Processing

VIOM is a fully mechanized, open-cast mine with a downhill conveyor system that transports iron ore from the mine directly to our on-site processing facilities, which include two primary processing plants. The crushing unit of one of the processing plant with a throughput of 350 metric tons per hour has been recently dismantled. However the conveyor system, classifier and screening units are still operational enabling processing of only friable ore at 150 metric tons per hour. The other processing plant with a throughput of 150 metric tons per hour is in the process of being upgraded to a throughput of 475 metric tons per hour. An order has been placed for the upgraded processing plant which is expected to be commissioned in the first week of August 2006. VIOM also has a reprocessing plant with a throughput of 200 metric tons per hour. To get additional railway rakes allotment, some of the ore mined at VIOM is transported 26 kilometres by road to our processing plant at Ingiligi village, , which has been acquired by us from MSPL Exports, effective April 1, 2006.

In the primary processing plants at VIOM, ore is initially crushed and screened into three categories of material:

- fines (0-10 mm)
- calibrated lump ore (10-35 mm); and
- oversize (+35 mm).

Oversize ore is sent to our secondary crusher, where it is further crushed into fines and calibrated lump ore. Calibrated lump ore is sent to the reprocessing plant, where excess fines are removed. Fines are further wet screened and classified into:

- aggregates (1-10 mm); and
- concentrates (0-1 mm).

We purchase our mining equipment at market rates. All our mining equipment is purchased from original equipment manufacturers ("OEMs"). We also hire machines/equipment and transport trucks on a rental basis (paid on an hourly basis).

Production Statistics

Set forth below is a chart of key production statistics for VIOM for each of the last three fiscal years .

| <i>Iron ore production (metric tons)</i> | | | |
|--|-------------|-------------|-------------|
| 12 months ended March 31, | | | |
| | 2006 | 2005 | 2004 |
| Fines | 1,406,116 | 1,458,052 | 727,413 |

| | 12 months ended March 31, | | |
|-------------------------|---------------------------|------------------|------------------|
| | 2006 | 2005 | 2004 |
| Calibrated Lump Ore | 708,541 | 395,365 | 458,564 |
| Concentrates | 118,135 | 125,151 | 295,303 |
| ROM | 436,552 | - | - |
| TOTAL PRODUCTION | 2,669,344 | 1,978,568 | 1,481,280 |

Sachidananda Iron Ore Mine

RMMPL holds a 100% interest in SIOM, an open-cast iron ore mine in the Bellary-Hospet region in the State of Karnataka. Pursuant to the current mining plan, up to 0.5 million metric tons may be extracted from SIOM annually. We estimate the remaining mine life of SIOM to be less than two years at current extraction levels.

Property Description and Location

SIOM is located within a 24.28 hectare area that Group Company RMMPL holds under lease from the State Government of Karnataka in the Bellary-Hospet region. SIOM is accessible by the paved road connecting Hospet and Sandur. By road, the mine is approximately 18 kilometres south of Hospet and 382 kilometres east of the seaport of Goa. The Hospet Railway Station, which is located approximately 18 kilometres south of the mine, provides railway access to regional and major cities. By rail, the Hospet Railway Station is approximately 382 kilometres east of the seaport of Goa, and 570 kilometres west of the seaport of Chennai. RMMPL obtains electrical power at market rates from regional utilities. RMMPL obtains water from wells located on the property.

SIOM has been leased from the State of Karnataka since January 30, 1963, under three successive 20-year mining leases. RMMPL's current 20-year mining lease was granted on January 30, 2003 and expires on January 29, 2023. Under the terms of this lease, RMMPL is required to pay the State Government either a royalty, as determined by the Central Government pursuant to the Mines & Minerals (Development and Regulation Act 1957, as amended, from time to time, or dead rent, whichever is greater. The dead rent for the properties is Rs. 100 per hectare per year for the first two years and Rs. 400 per hectare per year from the third year onward.

On expiry, RMMPL has the right to renew this lease, subject to an approval from IBM on its mining plan, forest clearance and environmental approval.

History

RMMPL began systematic mining in 1989 at SIOM. With the presence of the friable ore zone and lumpy ore, RMMPL has begun screening and crushing operations at SIOM, to take advantage of the demand for calibrated ore.

Reserve Estimate

According to the Behre Dolbear review of our iron resources and reserves, SIOM is estimated to have 1.53 million tons of proven iron ore reserves at an average grade of 64.0% Fe, and no probable iron ore reserves.

Mining and Processing

SIOM is a fully mechanized open-cast mine. RMMPL purchases mining equipment for SIOM from domestic and international suppliers at market rates.

RMMPL owns a processing plant at the SIOM site. However, pursuant to its run-of-mine purchase contract with MSPL Exports, all marketable iron ore extracted from SIOM is required to be sold to MSPL Exports (and, with our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, to us). As a result, no processing plant will operate at SIOM.

IYLI Gurunath Iron Ore Mine

RMMPL holds a 100% interest in the IYLI Gurunath iron ore mine, an open-cast iron ore mine in the Bellary-Hospet region in the State of Karnataka. Pursuant to the current mining plan, up to 0.5 million metric tons may be extracted from IYLI annually, and forest clearance and environmental approvals have been granted.

Property Description and Location

IYLI is located within a 20.23 hectare area that Group Company RMMPL holds under lease from the State Government of Karnataka in the Bellary-Hospet region and is accessible by the paved Hospet–Sandur road. By road, the mine is approximately 35 kilometres south of Hospet and 389 kilometres east of the seaport of Goa. The Hospet Railway Station, which is located approximately 28 kilometres north of the mine, provides railway access to regional and major cities. By rail, the Hospet Railway Station is approximately 382 kilometres east of the seaport of Goa and 570 kilometres west of the seaport of Chennai. RMMPL obtains electrical power at market rates from regional utilities. RMMPL obtains water from wells located on the property.

IYLI has been leased from the State of Karnataka since February 24, 1966. RMMPL acquired the lease in 1978. The lease on IYLI expired in 1986. The mine is currently operating pursuant to the provisions of Rule 24A(6) of the Mineral Concession Rules, 1960, as amended, pending a grant of lease renewal. Under the terms of this lease, RMMPL is required to pay the State Government either a royalty, as determined by the Central Government from time to time, pursuant to the terms of the Mines and Minerals (Development and Regulation) Act, 1957, as amended or dead rent, whichever is greater. The dead rent for the properties is Rs. 100 per hectare per year for the first two years and Rs. 400 per hectare per year from the third year onward.

History

RMMPL took over the lease of the mine in 1978 from Mr. Iyli Gurunathappa. The property was then mined for float ore and lumpy ore. In 2003, RMMPL completed a detailed exploration and during 2004 commenced mechanised mining activity. The ore produced from the mine is screened at the screening plant at the mine.

Reserve Estimate

According to the Behre Dolbear review of our iron resources and reserves, IYLI is estimated to have 6.74 million tons of proven iron ore reserves at an average grade of 63.5% Fe, and 0.26 million tons of probable iron ore reserves at an average grade of 60.3% Fe, for a total of 7.0 million tons of proven and probable iron ore reserves at an overall grade of 63.3% Fe.

Mining and Processing

IYLI is a fully mechanized open-cast mine. RMMPL purchases mining equipment for the IYLI Gurunath mine from domestic suppliers at market rates.

RMMPL has processing facilities at the IYLI site. However, pursuant to the run-of-mine purchase contract with MSPL Exports, all marketable iron ore extracted from IYLI is required to be sold to MSPL Exports (and, with our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, to us). As a result, no processing plant will operate at IYLI. Ore is transported 28 kilometres by road from the IYLI to our Ingiligi plant, (acquired upon acquisition of assets and liabilities of MSPL Exports) for processing.

Pathikonda Iron Ore Mine

PVS holds a 100% interest in PIOM, an open-cast iron ore mine in the Bellary-Hospet region in the State of Karnataka. Pursuant to the mining plan, PIOM has authorised extraction of 0.5 million metric tons annually. Pursuant to our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, we have acquired a run-of-mine purchase contract in respect of PIOM.

Property Description and Location

PIOM is located within a 123.84 hectare area that PVS holds under lease from the State Government of Karnataka in the Bellary-Hospet region. The Pathikonda mine is accessible by paved road and is located alongside National Highway No. 63. By road, the mine is approximately 10 kilometres southeast of Hospet and 344 kilometres east of the seaport of Goa. The Kariganuru Railway Station, which is located approximately nine kilometres north of the mine, provides railway access to regional and major cities. By rail, the Kariganuru Railway Station is approximately eight kilometres south of Hospet, 350 kilometres east of the seaport of Goa, and 576 kilometres west of the seaport of Chennai. PVS obtains electrical power at market rates from regional utilities and water from wells located on the property.

PVS has leased PIOM from the State of Karnataka since July 21, 1972, under successive 20-year mining leases. PVS has applied to renew its 20-year mining lease for Pathikonda, which expired on July 21, 1992 for a term ending on July 20, 2012, and currently operates PIOM pursuant to Rule 24A(6) of the Mineral Concession Rules, 1960, as amended, which permits continued operation of the mine, pending government approval of renewal. Under the terms of the lease, PVS is required to pay the State Government either a royalty, as determined by the Central Government, calculated pursuant to the Mines and Minerals (Development and Regulation) Act 1957, as amended, from time to time, or dead rent, whichever is greater. The dead rent for the property is Rs. 100 per hectare per year for the first two years and Rs. 400 per hectare per year from the third year onward.

History

The lease on PIOM was originally granted to PVS in 1952. PVS initially worked the mine for lumpy and float ore. In 1999, we became a partner in PVS to produce iron ore, using mechanized mining operations.

Currently, the ore produced is transported approximately eight kilometres by road to our processing plant at Ingiligi Village, which has been acquired by us effective April 1, 2006.

Reserve Estimate

According to the Behre Dolbear review of our iron resources and reserves, PIOM is estimated to have 3.28 million tons of proven iron ore reserves at an average grade of 64.3% Fe, and 0.78 million tons of probable iron ore reserves at an average grade of 64.0% Fe, for a total of 4.06 million tons of proven and probable iron ore reserves at an overall average grade of 64.2% Fe.

Mining and Processing

PIOM mine is a fully mechanized open-cast mine. PIOM purchases mining equipment from domestic suppliers at market rates. PIOM also hires equipment and transport trucks from international and domestic suppliers. PIOM does not have any on-site processing facilities. Pursuant to the run-of-mine purchase contract with MSPL Exports, all marketable iron ore extracted from PIOM is required to be sold to MSPL Exports and with our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, to us.

Banashankari Iron Ore Mine

We have a run-of-mine contract with the third party leaseholder to purchase the run-of-mine of BIOM. The leaseholder holds a 100% interest in BIOM. Mining at this mine was previously discontinued by the present leaseholder and the mine is not currently operational.

The lease on BIOM expired in 1998. Application for renewal was made one year prior to expiration of the lease, and we expect that upon receipt of other authorisations described below, the mine can be operated pursuant to the provisions of Rule 24A(6) of the Mineral Concession Rules, 1960, as amended, pending a

grant of lease renewal. BIOM has an approved mining plan authorising annual extraction of 0.3 million tons, which has undergone public hearing, and has received approval for the proposed production capacity. An application for environmental approval has been made for consideration by the Central Government. Forest clearance approval has been applied for. Upon receiving these approvals the leaseholder can commence mine development and supply of run-of-mine to MSPL.

Property Description and Location

BIOM is located within a 56.0 hectare area that the leaseholder holds under lease from the State Government of Karnataka, in the Hospet region. BIOM is located in the village of Kariganur, Sandur Taluka, Bellary District of Karnataka State. The mine is located at approximately 13 kilometres from Hospet, on the railway junction situated on the Guntkal–Hubli main line. The nearest railway station is at Kariganur, which is approximately eight kilometres from the mine. The mine currently has no electrical power as it is not operational. Water is obtained from wells located on the property.

This mine has been leased from the State of Karnataka since February 18, 1958, under successive 20-year mining leases. The mining lease expired on February 17, 1998, and the leaseholder has applied to renew the lease. The mine is currently non-operational. Under the terms of this lease, the leaseholder is required to pay the State Government either a royalty, as determined by the Central Government from time to time pursuant to the Mines and Minerals (Development and Regulation) Act 1957, as amended, or dead rent, whichever is greater. The dead rent for the properties is Rs. 100 per hectare per year for the first two years and Rs. 400 per hectare per year from the third year onward.

History

The lease in respect of the BIOM was originally granted in 1958, and the mine has been worked for lumpy and float ore. We propose that the mine be worked using mechanized mining operations.

Reserve Estimate

The mineral resources at the BIOM are not classified as reserves because they have not yet been granted the Government permits necessary for them to operate the mine. Behre Dolbear has estimated that BIOM has 1.97 million metric tons and 1.06 million metric tons of measured and indicated iron ore resources, respectively. It is hoped that these resources will become classified as reserves upon receipt of approvals and commencement of mining. However, we cannot assure you that these resources will be reserves nor can we assure you that these resources are indicative of the volume of such reserves that may mature.

BRH Iron Ore Mine

Group Company RMMPL holds the lease for BRH, located in the State of Karnataka. It was transferred in 2002 by a third party leaseholder with the consent and permission of the State Government of Karnataka in favour of RMMPL. Subsequently, there was litigation by an interested party challenging the legality of such transfer without notification to those parties. A single judge of the High Court initially ruled that the transfer was invalid; upon an appeal by RMMPL, a Division Bench of the High Court stayed the order of the single judge.

The lease on BRH expired in November 2003. Application for renewal was made by RMMPL one year prior to expiration of the lease, and we expect that upon receipt of other authorisations described below, the mine can be operated pursuant to the provisions of Rule 24A(6) of the Mineral Concession Rules, 1960, as amended, pending a grant of lease renewal. The mining plan currently authorises annual extraction of 2.5 million metric tons. The application for forest clearance has been made and is pending State Government approval, and environmental approvals will be applied for upon receipt of approval for the modified mining plan. We expect that RMMPL will operationalise the mine upon receipt of all clearances and approvals. However, we cannot assure you that the court ruling will be in favour of RMMPL. If the ruling is not in favour of RMMPL, we will not have run-of-mine iron ore purchase rights (which we acquired pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006) in respect of BRH.

Property Description and Location

BRH is located within a 331.44 hectare area that RMMPL holds under lease from the Government of Karnataka, in the Bellary-Hospet region. BRH is accessible by paved road, and is located alongside National Highway No. 13. By road, the project is approximately 22 kilometres south of Bellary-Hospet and 366 kilometres east of the seaport of Goa. The Ingiligi siding is approximately 10 kilometres from the mine. The Hospet Railway Station, which is located approximately 22 kilometres by rail west of the project, provides railway access to regional and major cities. By rail, the Papinayakanahalli Railway Station is approximately eight kilometres south of Bellary-Hospet, 352 kilometres east of the seaport of Goa and 584 kilometres west of the seaport of Chennai. RMMPL obtains electrical power at market rates from regional utilities and obtains water from wells located on the property.

The lease for the BRH property was transferred in favour of RMMPL in 2002, and RMMPL has applied to renew the lease. Under the terms of the mining lease, RMMPL is required to pay the State Government either a royalty, as determined by the Central Government from time to time based on the quantity, type and grade of iron ore produced, pursuant to the Mines and Minerals (Development and Regulation Act of 1957, as amended or dead rent, whichever is greater. The dead rent for the properties is Rs. 100 per hectare per year for the first two years and Rs. 400 per hectare per year from the third year onward.

History

Mining of BRH was carried out by the previous leaseholder for 38 years. The mechanisation of the mine began during 1966. The company is equipped for fully mechanised open-cast mining.

Reserves Estimate

The mineral resources at BRH are not classified as reserves because it has not yet been granted the Government permits necessary to operate the mine. Behre Dolbear has estimated that BRH has 19.62 million metric tons and 7.61 million metric tons of measured and indicated iron ore resources, respectively. It is hoped that these resources will become classified as reserves upon receipt of approvals and commencement of mining. However, we cannot assure you that these resources will be reserves nor can we assure you that these resources are indicative of the volume of such reserves that may mature.

Jharkhand Mine Project

We have signed a run-of-mine purchase contract, dated December 14, 2005, in respect of an existing mine in the west Singhbhum district of the State of Jharkhand. While the lease on the mine will not be transferred to us, the run-of-mine purchase contract will allow us to purchase iron ore on a run-of-mine basis, process the iron ore and sell iron ore products domestically and in the export market.

The lease term of the Jharkhand mine expired in 1994. Application for renewal was made one year prior to expiration of the lease, and we expect that upon receipt of other regulatory clearances, the mine can be operated pursuant to the provisions of Rule 24A(6) of the Mineral Concession Rules, 1960, as amended, pending a grant of lease renewal. The leaseholder of the mine has already started the process of applying for all the approvals required in respect of the lease area. The IBM has already approved a mining plan authorising annual extraction of 0.1 million metric tons, and the application for forest clearance has been made. However, we expect the leaseholder to apply to modify the mining plan to permit up to 5.0 million metric tons of extraction annually. We do not expect the mine to be operationalised until the modified mining plan has been approved and forest clearance and environmental approvals are granted. However, on operationalisation, we intend to establish an on-site processing plant.

Property Description and Location

The mine is located in the West Singhbhum district of Jharkhand State. The nearest railway stations are at Bara Jamda and Gua, which are at a distance of 7 kilometres and 10 kilometres, respectively and is approximately 650 kilometres and 386 kilometres from Paradeep and Haldia ports, respectively.

Reserves Estimate

According to the Behre Dolbear review of the iron resources and reserves, the mineral resources at the Jharkhand mine are classified as inferred only. No estimate has been made as to any proved or probable reserves that may exist there, because forest clearance and other approvals have not yet been obtained and because there is insufficient data to interpret certain factors with certainty. We cannot assure you that the iron ore deposits at the Jharkhand mine will become reserves, and if so, what volumes of reserves may mature.

History

In the past, the mine was operated manually for lump ore. Upon receipt of regulatory approvals, we expect that mechanised mining will be started. The ore produced will be subjected to crushing, screening and other processing at a planned on-site plant that we would install.

Kumaraswamy Iron Ore Project

We have filed a lease application for the Kumaraswamy area in Sandur Taluka, Bellary district in the State of Karnataka. The State government has considered our application and forwarded it to the Central Government with a recommendation that a mining lease be granted to us.

Six writ petitions have been filed against this recommendation, and it is currently under a stay by the High Court and is pending final hearing by the court. In the event that these decisions are rendered in our favour, we would expect to obtain a formal letter from the Central Government approving the grant of the mining lease to us. Subsequently, we would proceed with a mining plan to be approved by the IBM and for forest clearance. After we receive approval from IBM, we would also apply for environmental approvals. We do not expect to be able to operationalise the mine before approvals are granted.

Property Description and Location

The Kumaraswamy Area is located in the Kumaraswamy Range, Sandur Taluka, Bellary district of Karnataka State. The total proposed lease area is 218.20 hectares.

Reserves Estimate

According to the Behre Dolbear review of our iron resources and reserves, the mineral resources at the Kumaraswamy mine are classified as inferred only. No estimate has been made as to any proved or probable reserves that may exist there, because the lease has not yet been granted to us and because there is insufficient data to interpret certain factors with certainty. We cannot assure you that the iron ore deposits at Kumaraswamy will become reserves, and if so, what volumes of reserves may mature.

History

The Kumaraswamy Area was previously held by another party. Following notification of availability for lease of the Kumaraswamy Area by the State Government of Karnataka, we applied for the mining lease, for mining of iron ore over an area of 218.20 hectares.

Processing Plant Acquired from MSPL Exports

MSPL Exports owned and operated a processing plant in Ingiligi Village, Hospet, State of Karnataka, which has been acquired by us, effective April 1, 2006. The Ingiligi processing plant has a throughput of 475 metric tons per hour. The methods used at the Ingiligi plant are similar to those used at our Vyasankere plants, except that at the Ingiligi plant, excess fines are removed from calibrated lump ore by log washing, rather than in a separate reprocessing plant. The Ingiligi plant produces fines, calibrated lump ore and concentrates.

The Ingiligi processing plant is located within a 7.94 hectare area in the Bellary-Hospet region of the State of Karnataka. In addition the Ingiligi plant also has a 32.53 hectare area with a railway siding that has also been leased. The Ingiligi processing plant is accessible by paved road and is located alongside National Highway No. 63. By road, the plant is approximately 4.5 kilometres southeast of Hospet and 350

kilometres east of the seaport of Goa. The Kariganuru Railway Station, which is located approximately 1.5 kilometres west of the plant, provides railway access to regional and major cities. By rail, the Kariganuru Railway Station is approximately three kilometres south of Hospet, 340 kilometres east of the seaport of Goa, and 560 kilometres west of the seaport of Chennai. We obtain electrical power at market rates from regional utilities. We obtain water from wells located on the property.

We purchase our handling and processing equipment from domestic and international suppliers at market rates. All our handling and processing equipment is purchased from OEMs. We also hire machines/equipment and transport trucks on a rental basis (paid on an hourly basis). The land where the plant is located is leased from one of our shareholders, Mrs. Vasanti Devi Baldota. Effective April 1, 2006, Mrs. Vasanti Devi Baldota has entered into a ten year land lease agreement with MSPL. A lease rent of Rs. 7,500 per month shall be payable for the lease, which shall increase by 25% on the expiry of every three years. Additionally, we have executed, effective April 1, 2006 a land lease agreement with MSPL Exports, wherein we have been leased property owned by MSPL Exports for a period of ten years. The lease rental payable is Rs. 20,000 per month. During the tenure of the lease, the scheduled land can be transferred to us by MSPL Exports at our option for a nominal consideration.

Run of Mine Purchase Agreements

Pursuant to our acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006, we have acquired run-of-mine purchase contracts with Group Companies, PVS in respect of PIOM and with RMMPL with respect to SIOM, IYLI and BRH. We currently have run-of-mine purchase contracts with third party leaseholders in respect of BIOM and the Jharkhand mine. Only PIOM, SIOM and IYLI are currently operational.

These run-of-mine purchase contracts are all in substantially the same form. Pursuant to these agreements, we (in respect of PIOM, SIOM, IYLI and BRH, only from April 1, 2006) have the exclusive right to purchase, and are required to purchase, all marketable iron ore produced from each mine in run-of-mine (unprocessed) form and have the right to sell the purchased iron ore to any person at our sole discretion and to receive the consideration therefor into our own account for the life of the lease (and any renewals thereof). We are the sole determinant of the marketability of the iron ore after processing and of the depletion of the iron ore reserves in the lease area.

The consideration payable by us per DMT of run-of-mine iron ore will be calculated in Rupee terms. It includes the royalty statutorily payable for the iron ore removed from the mine plus a consideration based on a run-of-mine pricing formula.

The pricing formula in case of all run-of-mine purchase contracts with Group Companies consists of two components, apart from royalty:

- A base amount linked to a certain benchmark price; and
- An increase or decrease in the base amount for every one US dollar increase or decrease in the international price of iron ore fines from the benchmark price.

The agreements further provide for a minimum price payable in the event the consideration reduces below the minimum price as a result of a reduction in the international price of iron ore fines. In the event that the minimum price payable has been paid in a period and there has been an increase in the international prices of iron ore fines in the next period, the consideration payable will once again be calculated based on the international price payable in the previous period from which revision is being affected and not the minimum price paid.

The formula in case of all run-of-mine purchase contracts with Group Companies is set forth in the following table:

| Mines | Run-of-Mine Pricing Formula | Minimum Price (Rs. /DMT) |
|--------------|--|---------------------------------|
| SIOM | Rs. $383.15^{\#} + ((X-63.5^{\text{©}})*5.30)/DMT$ | 147.00 |
| IYLI | Rs. $388.15^{\#} + ((X-63.5^{\text{©}})*5.30)/DMT$ | 152.00 |

| | | |
|------|---|--------|
| BRH | Rs. 413.15 [#] + ((X-63.5 [@])*5.30)/DMT | 177.00 |
| PIOM | Rs. 428.15 [#] + ((X-63.5 [@])*5.30)/DMT | 192.00 |

Base Amount

X denotes the International price of iron ore fines (US\$/DMT)

@ Benchmark price corresponding to the Base Amount

International prices of iron ore fines are determined based on the price at which MMTC concludes its contracts with international buyers, so long as MMTC remains the canalising agency for Indian iron ore exports. In the event MMTC does not remain a canalising agency, then the prices agreed between the Japanese Steel Mills and the major iron ore producers will serve as the basis for price determination.

In case of the run-of-mine contract for the Jharkhand mine, the pricing formula includes a fixed component and a variable component linked to FOB price computed from the shipping bills filed by MSPL during the month with the customs authorities for the exports effected from the product of the leasehold area in Jharkhand.

In the event that we deposit royalty payments on behalf of the relevant leaseholder, we may deduct such amounts from our payment of consideration. We will bear future sales tax or value added tax, if any.

The agreements also provide that in the event that the relevant leaseholder fails to offer or make available marketable iron ore to us for any period longer than six months, the leaseholder shall refund any and all advances paid by the purchaser immediately on demand and without any demur or deduction.

The agreements further provide that, in the event that the relevant leaseholder transfers the lease to any third party during the term of agreement or breaches the agreement in a manner that prevents us from purchasing the iron ore under the agreement for a period longer than a specified period (two months in case of contracts with RMMPL, PVS and for BIOM while six months in case of Jharkhand mine) or the relevant mining lease is cancelled or avoided during the term of the agreement for any reason or under certain other circumstances, the leaseholder will be required under the contract to compensate us for any losses that we may suffer on account of our commitments to our customers, including but not limited to any purchases over the denial period that we may make at higher rates than those specified in the agreement as well as the value of all investments that may have been made by the purchaser to effectuate the purposes of the agreement. In case of run-of-mine purchase contract for the Jharkhand mine, it has been specified that these penalties would not be applicable if the cancellation of lease is occasioned by a policy change of the Government.

We need to obtain approval of the Government of India under the Companies Act to make purchases of run-of-mine pursuant to run-of-mine purchase contracts with Group Companies, effective April 1, 2006. We are in the process of making an application to the Government of India to obtain such approval. In the interim period and until we obtain Government of India approval, we intend to carry out run of mine purchases on a cash basis to comply with provisions of the Companies Act.

Our Promoters, pursuant to an undertaking dated February 10, 2006, have undertaken that in the event that any of the Promoters, Promoter Group Companies or any other entity (including any individual) over which our Promoters have a direct or indirect control obtains a new mining lease for iron ore mineral, that entity shall enter into a run-of-mine contract or other similar arrangement in similar form, directly or indirectly, with MSPL, as the run-of-mine purchase contracts which RMMPL and PVS have with MSPL, with our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, except in case of captive mining leases specifically awarded for the manufacture of iron and steel.

Further, pursuant to such undertaking by the Promoters, any material or significant change, amendment, modification, supplement or waiver to the current or any future run-of-mine purchase contracts would require prior Board approval and subsequent ratification by the shareholders of our Company. Pursuant to the requirements in connection with the listing of our Equity Shares, the Promoters would also disclose any material or significant change, amendment, modification, supplement or waiver to the these run of mine purchase contracts to the stock exchanges on which the equity shares of MSPL are listed.

Iron Ore Sales and Customers

The principal market for our iron ore products is currently China. In fiscal 2006, and fiscal 2005, approximately 82.28% and 95.88% respectively of our iron ore products, by volume, were sold for export (either directly or for further export by other parties) and all of our exports are to customers located in China. The remainder of our sales are made domestically. Our key direct export customers include:

- Noble Resources Limited;
- Great Harvest Asia Resources Limited;
- Hornor Resources (International) Company Limited;
- Jiangsu Provincial Foreign Trade Corporation
- Normet Industries Limited; and
- Sinosteel Trading Company

We also sell iron ore to MMTC for export.

From 1996 until October 2003, our iron ore sales were based on annual contracts or on memoranda of understanding with annual contract prices. These prices were in compliance with the criteria set forth in export licenses, pursuant to which the price of iron ore sold through an annual contract had to be on par with or higher than MMTC prices. Since October 2003, we have sold all of our iron ore products under contracts or memoranda of understanding entered into with our customers based on the prevailing spot price, predominantly FOB, Indian port, and in certain cases, based on landed cost in China. We do not currently have any annual contracts setting prices, although we do have memoranda of understanding for fixed quantities of iron ore with certain steel mill and trader customers. We believe that, through these arrangements, we are able to provide our customers with on-demand service while maintaining greater flexibility to adapt to dynamic market conditions. We intend to enter into long term contracts with customers in China in the future if appropriate opportunities are available.

For direct export sales, we typically enter into a one-year memorandum of understanding with the overseas customer, which specify the type and quantity of the iron ore products to be sold, and among other details, the timing of shipments and other arrangements. The price is determined on a shipment basis, based on prevailing spot market prices. The customer is generally required to make provisional payment of 95% of the purchase price at the time of the dispatch of the consignment on the basis of a load port certificate (confirming the specification, quantity and container packaging of the goods at the time of their dispatch from India), with the remaining 5% to be paid upon receipt of the China Entry-Exit Inspection and Quarantine Services (CIQ) analysis certificate. We also typically agree to be responsible for any export and other levies under the laws of India, while the customer agrees to be responsible for any import and other levies under the laws of the country of destination.

The process for domestic sales is comparable to the process for export sales, except that the sale is typically on an “ex mines” basis or “free on rail” basis. The purchase order typically includes quantity, method of delivery and specifications, with price negotiated at the time of sale. Payments are made either in advance, on sight letter of credit or on credit.

Iron Ore Logistics

In India, rail transportation is substantially less expensive than road transportation. Hence, for exports, where rail connectivity from the mines to the port exists, we transport the maximum quantity possible by rail. For a further discussion of the impact of transportation infrastructure on our financial condition, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Factors Affecting Our Results of Operations-Transportation Infrastructure Costs” on page 222 of the Draft Red Herring Prospectus. For domestic sales, we typically transport by road.

In general, ore is processed and then shipped by lorry to the nearest railway station. Ore produced at the Vyasankere mine is hauled three kilometres to the railway sidings at the Vyasankere Railway Station. We have rights to use two dedicated railway lines at the Vyasankere Railway Station. These railway lines have sufficient capacity to load four to five rakes per day. Each rake consists of 58 train cars with a total

capacity of 3,500 – 3,700 tons. In addition to these two dedicated railway lines, we can also load from a third railway line, which is non-exclusive. Up to two rakes per day can be loaded on this third line.

Ore produced at our Ingiligi processing plant is transported to the railway siding at Ingiligi. This siding has been developed and was owned by MSPL Exports for its exclusive use and has been acquired by us, effective April 1, 2006, pursuant to our acquisition of the assets and liabilities of MSPL Exports. There is one siding with two railway lines for loading at Ingiligi Railway Station. This siding has sufficient capacity to load two rakes simultaneously and five rakes per day. Each rake consists of 58 train cars with a total capacity of 3,500 – 3,700 tons.

We currently sell iron ore for export from ports including Chennai, Panjim, Marmagoa, New Mangalore, Belekeri, Karwar, Kakinada, Vishakhapatnam, Ennore, Paradeep and Haldia. Chennai, Marmagoa and Panjim and certain other ports are accessible by rail. We have exclusive rights to storage plots at most of these ports. At Marmagoa and Panjim, we have three self-propelled barges of 2,000 dead weight tons each that we own and operate.

We select particular ports for use depending on the cost of transporting to the port, availability and operational feasibility (including the availability of rakes), the maximum quantity that can be moved to the port and plot capacity at port. Because they are the least expensive ports in terms of transport costs and fees, we seek to export from Chennai, Marmagoa and Panjim. However, because those ports do not have sufficient capacity to accommodate our present export levels, we also ship from other ports. Marmagoa, Panjim, Karwar and Belekeri on the western coast are inaccessible during the first and second quarters of each year as a result of monsoon.

In the case of domestic sales, the sale is either “ex mine” or “ex railway station” and ore is typically shipped from the nearest railway station to the customer. The customer can choose the mode of transport – road or rail.

Iron Ore Sales Statistics

Set forth below is a chart of key sales statistics for our iron ore products for each of the last three fiscal years. These statistics include only VIOM production, and do not include any run-of-mine purchased in respect of the run-of-mine purchase contracts.

| | Year ended March 31, | | |
|-------------------------------------|----------------------|------------------|------------------|
| | 2006 | 2005 | 2004 |
| Iron Ore Sales (Metric Tons) | | | |
| <i>By Product</i> | | | |
| - Fines (High Grade) | 1,104,770 | 1,185,491 | 1,079,536 |
| - Fines (Medium Grade) | 884,391 | 319,069 | 251,205 |
| - Calibrated Lump Ore | 389,790 | 451,243 | 523,391 |
| - Concentrates | 153,729 | 277,708 | 378,891 |
| - Run-of-Mine ¹ | 436,552 | | |
| TOTAL | 2,969,232 | 2,233,511 | 2,233,023 |
| <i>By Market</i> | | | |
| - Direct Exports | 1,995,581 | 2,141,398 | 1,962,584 |
| - Deemed Exports ² | 447,582 | 0 | 20,375 |
| - Domestic | 526,069 | 92,113 | 250,064 |
| TOTAL | 2,969,232 | 2,233,511 | 2,233,023 |
| Iron Ore Sales (Million Rs.) | | | |
| - Direct Exports | 4,783.25 | 5,657.17 | 2,928.95 |
| - Deemed Exports ¹ | 1,090.64 | 0 | 8.21 |
| - Domestic | 391.61 | 105.40 | 111.57 |

| | Year ended March 31, | | |
|---|--|-----------------|-----------------|
| | 2006 | 2005 | 2004 |
| TOTAL | 6,265.50 | 5,762.57 | 3,048.73 |
| Average Price Realisation of Exports (US\$/metric ton)⁽³⁾ | | | |
| - High Grade Fines | 59.81 | 62.39 | 24.51 |
| - Medium Grade Fines | 50.33 | 56.86 | 59.65 |
| - Calibrated Lump Ore | 59.13 | 61.76 | 29.4 |
| - Concentrate | 60.80 | 61.35 | 44.75 |
| (1) | Run-of-mine sales to MSPL Exports | | |
| (2) | Deemed exports consist of iron ore products sold to MMTC for export by MMTC. | | |
| (3) | Average price realization based on DMT and direct export quantities only | | |

Competition

We compete with both domestic Indian producers of iron ore for domestic customers and with iron ore exporters for exports. We are predominantly a high-grade iron ore exporter to China. The market for export of iron ore to China is fragmented, and consists of large buyers such as Chinese steel mills, large traders and other minor players, including smaller traders and steel mills. In the Chinese export market, we compete principally with other Indian exporters such as MMTC and several other domestic private exporters such as Sesa Goa and Essel Mining, and with international players such as CVRD, BHP Billiton and Rio Tinto. We believe that we are able to compete effectively with international players from Brazil and Australia in the Chinese market through closer geographic proximity to China than our Brazilian competitors, and by providing a better grade of iron ore than is provided by many of our other competitors.

In recent years, competition for obtaining leases for iron ore mines in India has increased significantly. We compete with independent mining operators and with captive producers for mining leases.

Environmental Management

We are committed to addressing environmental issues that may be raised by our mining operations, in particular in respect of air, water and noise pollution. In recognition of our environmental management, our Vyasankere iron ore mine is ISO 14000 certified. We have received the Indira Priyadarshini Vriksha Mitra Award in 2004 for our work in afforestation. To help reduce air pollution that might be caused by our operations, we have introduced:

- A downhill conveyor system at VIOM that reduces road haulage and related emissions, as well as dust generation; and
- Wet drilling and dry drilling with a dust extraction system, to help reduce dust generation.

To help reduce soil erosion and related water pollution, we endeavour to contain all runoff within our mine lease area, with only clear water discharged. To help achieve this aim, we have constructed gully plugs and check bunds across streams flowing through our mine lease areas.

We regularly monitor noise levels using decibel meters at pre-determined locations in our operations areas. We cover crushers and screens to help reduce decibel levels. Heavy machinery and dumpers including excavators, tippers and hydraulic top hammer drills operating in our mines satisfy Euro II standard noise-level requirements of 73 decibels inside the cabin and 107 decibels outside the cabin of the operator.

Safety

Although mining is an inherently hazardous activity, we strive to conduct our mining operations safely. In VIOM, we have had no fatal mining accidents in the last eight years.

We regularly monitor our safety procedures and review our safety record.

As part of our efforts to help ensure safety in our mining operations, we have established several requirements and procedures:

- Training for all persons employed or hired to work in the mines at our mine-based vocational training centre;
- Implementation of a policy of strict compliance with the Mines Act, 1952, as amended in the formation of benching, which is the construction of a mine;
- Repeat training courses to help raise safety awareness levels among our workforce;
- Review of accidents that occur in and around mining areas, and evaluation of whether additional procedures or protections might be necessary;
- Recognition of workers, technicians and operators for safe practices; and
- Use of machinery and equipment in our mines and processing plants with built-in safety features.

Research and Development

Our research and development encompasses both our iron ore business and our wind business. We have a team with experience in engineering, ore dressing engineering, geology and metallurgy conducting research and development activities.

Our research and development lab contains various facilities, including, equipment for testing of iron ore and elements as well as for research on the use of iron and other minerals for purposes other than steel making.

Our laboratory also includes other general equipment for grinding and crushing for preparation of laboratory samples.

Research and development in our iron ore business includes efforts to increase the efficiency of our mining and to reduce the environmental impact of our mining and find alternative uses for non-iron ore minerals extracted with iron ore as part of our Zero-Waste Management initiative.

We have put in place systems that we hope will help us to recover 100% of the minerals available through systematic mining, processing and stocking of minerals under our “Zero-Waste Management” plan. As part of the mining process, the ore we process has other minerals present. This plan covers two objectives:

- To reach 100% recovery of iron ore during extraction, processing and transportation by avoiding admixture and spillages;
- To identify and recover associated rocks that would otherwise be waste rocks and identify the minerals present in the rocks to find alternative uses in any industry.

As we implement Zero Waste Management, we plan to develop or adapt our processing plants to take 100% recovery of iron ore.

We have also identified several minerals which may have alternative uses and are working to implement sales of these minerals. For example, we have supplied minerals like laterites and gabbro to cement plants in the vicinity to replace bauxite as a binding agent and we have also supplied phyllite rocks, which are a mixture of silicates and alumina, to the tile industry as a base material.

Wind Power Division

Overview

Our wind power division is engaged in the generation and sale of electricity from our wind farms. Our principal wind power assets and operations are summarized below.

Operating Assets

We operate four wind farms in India with a total installed Rated Capacity of 105.6 megawatts:

- in Harapanahalli, Karnataka, we operate a 46.25 megawatt Rated Capacity wind farm;
- in Chitradurga, Karnataka, we operate a 38.35 megawatt Rated Capacity wind farm;
- in Satara, Maharashtra, we operate a 1.0 megawatt Rated Capacity wind farm; and
- In Dhule, Maharashtra, we operate a 20.0 megawatt Rated Capacity wind farm

Our Harapanahalli, Karnataka wind farm is located in Davangere and Bellary District, approximately 800 metres above sea level on hilly terrain. We lease the property from the Forestry Department, Government of Karnataka.

Our Chitradurga, Karnataka wind farm is located in Chitradurga District, approximately 800 metres above sea level on hilly terrain. We lease the property from the Forestry Department, Government of Karnataka.

Our Satara, Maharashtra wind farm is located in Satara District, approximately 1,142 metres above sea level on flat terrain. We lease the property from a private lessor.

Our Dhule, Maharashtra wind farm is located in Dhule district, approximately 486 metres above sea level on flat terrain. We have purchased the property from a private party.

We plan to expand our wind business. We are in the process of commissioning ten turbines of 600 kilowatts Rated Capacity each to be installed at Harihar, Karnataka. These turbines have already been delivered to us and we are currently in the process of commissioning them.

Our wind power business is subject to seasonality. At our facilities, the strongest winds typically occur between May and September. For this reason, the productivity of our facilities is usually the highest between May and September, with lower productivity occurring between October and April.

Sales and Distribution

Until June 9, 2005, all of the electricity generated by our facilities was sold to a single customer, KPTCL, an undertaking of the Government of Karnataka, pursuant to PPAs that required us to sell to KPTCL, and required KPTCL to purchase, 100% of the electricity produced at our two wind farms, at a price of Rs. 3.10 to 3.40 per KWH, which is determined by the regulatory authority on a periodic basis. The contract was terminated by KPTCL effective June 9, 2005, due to provisions in the Electricity Act which required KPTCL to cease to trade.

Effective June 10, 2005, we began selling all of the electricity generated by our Harapanahalli and Chitradurga installations to BESCOM and GESCOM, distribution companies of the Government of Karnataka. We are in the process of renegotiating the power purchase agreements with GESCOM. We have already executed PPAs with BESCOM for the supply of 51.25 MW of electricity and are in negotiations for the finalisation of the PPAs for the remaining megawatts with GESCOM.

Effective June 10, 2005, we began selling all of the electricity generated by our Satara installation to MSEDCL, a Government of Maharashtra undertaking, pursuant to PPAs that requires us to sell to MSEDCL, and requires MSEDCL to purchase, 100% of the electricity produced at our Satara facility. From April 1, 2006 onwards MSEDCL purchases electricity from us at a price of 3.57 per KWH.

Effective March 17, 2006, we began selling all of the electricity generated by our Dhule installations to MSEDCL, a Government of Maharashtra undertaking, at a price of Rs. 3.50 per KWH as specified by the MERC. We are in the process of finalising a PPA with MSEDCL.

Carbon Credit Project

We are seeking to have 78.9 MW of our current wind power projects certified as Clean Development Mechanism projects pursuant to United Nations Framework Convention on Climate Change. If our projects are certified as CDM projects, we would be eligible to earn Certified Emission Reduction credits by helping to reduce greenhouse gas emissions. Because these CERs can be resold to industrialized countries that are required to reduce their greenhouse gas emissions under the terms of the Kyoto Protocol, CERs may provide an additional revenue source for our wind power division.

We have entered into a Memorandum of Understanding (“MoU”) with RMMPL and PVS in respect of our application to be registered as a CDM and to engage in the sale of CERs. Each of MSPL, RMMPL and PVS have wind turbine generators that qualify as CDM projects with the capacities of 78.9 MW, 38.75 MW and 7.5MW, respectively. Pursuant to the MoU, the aggregate amount of 125.15 MW will be offered to purchasers of CERs and the consideration and benefits received on the future sales of the CERs will be allocated between the parties in the ratio of 63.04%, 30.09% and 6.00%, respectively, on the basis of their installed capacities. The parties to the MoU have finalized a validation report, engaged a consultant to assist the Company in getting the potential benefits of the green house gas abatement project under CDM and submitted an application to register as CDM.

Patents and Trademarks

Neither the MSPL monogram logo nor the MSPL Limited name have been trademarked. We have applied to register the trademarks in respect of our logo and name. We cannot assure you that the logo and name will be registered.

Insurance

We carry insurance covering various types of risks, such as fire, accident, breakdown and natural calamities, workers compensation and medical matters. Our policies are currently in force and all premiums have been duly paid. We believe that our insurance coverage is adequate for the scope of our operations.

We have also purchased two key-man insurance policies in respect of our Wholetime Directors Rahulkumar N. Baldota and Shrenikkumar N. Baldota.

Employees

The following chart sets forth the number of persons that we employed at the end of each of the last four fiscal years .

| | March 31, 2006 | March 31, 2005 | March 31, 2004 |
|---------------------|----------------|----------------|----------------|
| Mining Division | 923 | 658 | 529 |
| Wind Power Division | 7 | 6 | 1 |
| Gas Division | 163 | 93 | 90 |
| Total | 1,093 | 757 | 620 |

To date, none of our employees are organised in a union.



REGULATIONS AND POLICIES

Mining Regulations

We are governed by the Mines and Minerals (Development and Regulations) Act, 1957, as amended, (the “MMDR Act”) and the Mineral Concession Rules, 1960, as amended (the “MC Rules”), in respect of mining rights and the operations of mines in India. The Government of India announced the National Mineral Policy, 1993, as amended, (the “Mineral Policy”), and has also made subsequent amendments to the Mineral Policy to reflect principles of sustainable development. The MMDR Act and the MC Rules have been amended from time to time to reflect the Mineral Policy. Mining leases are granted under the MMDR Act, which was expressly enacted to provide for the development and regulation of mines and minerals under the control of the Union of India.

A mining lease must be executed with the relevant State Government. The mining lease agreement governs the terms on which the lessee can use the land for the purposes of mining operations. If the land on which the mines are located belongs to private parties, the lessee would have to acquire the surface rights from such private party. If such private party refuses to grant such surface rights, the lessee is to inform the same to the State Government and deposit the compensation for the acquisition of the surface rights with the State Government, and if the State Government deems that such amount is fair and reasonable, then the State Government will order the private occupier to permit the lessee to enter the land and carry out such operation as may be necessary for the purpose of the mining lease. For determining compensation to be paid to such private party, the State Government is guided by the principles of the Land Acquisition Act. In case of Government Land, the surface right to operate in the lease area is granted by the Government upon application and as per the norms of that State Government. Surface rights of private land can also be directly negotiated with the owner and the rights obtained.

If the mining operation in respect of any mining lease leads to a displacement of people, the mining project can become functional only after obtaining the consent of such affected persons and the resettlement and rehabilitation of the persons displaced by the mining operations and payment of other benefits is required to be carried out in accordance with the guidelines of the relevant State Governments, including payment for the acquired land, owned by those displaced persons.

Applications for a mining lease and a prospecting license have to be made to the concerned State Government, containing certain mandatory details in accordance with the MC Rules. In respect of iron ore, coal and other minerals listed in the First Schedule of the MMDR Act, prior approval of the Government of India is required to be obtained by the State Government for entering into the mining lease. The approval of the Government of India is granted on the basis of the recommendations of the State Governments, though the Government of India has the discretion to overlook the recommendation of the State Governments. On receiving the clearance of the Government of India, the State Government grants the final mining lease and prospecting license. The lease can be executed only after obtaining the mine plan approval and mine closure plan approval from the Indian Bureau of Mines (IBM) and is valid for a period of five years. In case forest lands are involved, the mining lease can be executed only after obtaining the forest clearances as per the Forest (Conservation) Act, 1980, as amended (the “Forest Act”). The mine can be operational only when the project (greater than 5 hectare area) receives the Environment Clearance from the Ministry of Environment and Forest, Government of India under the Environment (Protection) Act, 1986, as amended (the “Environment Act”). A mining lease for a mineral or prescribed group of associated minerals cannot exceed a total area of 10 square kilometres. Further, in a state (province), one person cannot acquire one or more mining leases covering a total area of more than 10 square kilometres. However, if the Government of India is of the opinion that it is necessary in the interest of development of any mineral to do so, it may relax the aforesaid requirement. However, any person acquiring a mining lease in the name of any other person that is intended for himself shall be deemed to be acquiring it himself. Further, in order to determine the total area of 10 square kilometres, the area held under a mining lease by a person in his capacity as member of a co-operative society, company or any other corporation, or a Hindu undivided family or a partner of a firm shall be deducted from the area held under a mining lease in his own name so that the sum total of the area held under the mining lease does not exceed 10 square kilometres.

The maximum term for which a mining lease may be granted is 30 years. A mining lease may be renewed for further periods of 20 years or for a lesser period as per the request of the lessee. The renewals are subject to the lessee not being in default of any applicable laws (including environmental laws). The MMDR Act provides that if the holders of a mining lease are using the mineral for their “own industry”,

then such holder would be entitled to a renewal of his mining lease for a period of 20 years unless he applies for a lesser period. The lessee has to apply to the relevant State Government for renewal of the mining lease at least one year prior to the expiry of the lease. However, the State Government can condone the delay in submitting an application for renewal of a lease provided that the application is made before the expiry of the lease. In the event that the State Government does not pass any orders in relation to an application for renewal prior to the expiry of the lease, the lease period will be deemed to be extended until the State Government passes its orders on such application for renewal.

Under the MC Rules, the prior consent of the State Government in writing is required for transfer of a mining lease. The MC Rules also restrict the ability of a mine leaseholder to assign, sublet or in any other manner transfer its right, title or interest therein to a third party. Further, the transferee must accept all the conditions and liabilities to which the transferor was subject in respect of such lease.

A prospecting license for any mineral or prescribed group of associated minerals is granted for a maximum period of three years and for a maximum area of 25 square kilometers. A prospecting license can be renewed in such a manner that the total period for which a prospecting license is granted does not exceed five years. In a state (province), a person can be granted a maximum area of 25 square kilometers in one or more prospecting license, but if the Government of India is of the opinion that in the interest of development of any mineral it is necessary to do so, the maximum area limit can be relaxed. A person may obtain a prospecting license in various states simultaneously up to the state-wide area limits. However, a person acquiring a prospecting license in the name of another person that is intended for himself shall be deemed to be acquiring the prospecting license for himself and the limits would apply accordingly. The person who undertakes prospecting under a prospecting license enjoys preferential right for the grant of the mining lease.

Further, where any person has made an application for a mining lease in respect of mineral(s) not specified in the existing mining lease(s) by another, then the State Government shall notify such fact to the person who already holds mining leases in the land applied for. If the existing lessee applies for a prospecting licence or mining lease in respect of the newly discovered mineral(s) within six months of date of communication of such information by the State Government, then the existing lessee shall get preference in respect of such grant.

The MMDR Act also deals with the measures required to be taken by the lessee for the protection of environment from any adverse effect of mining. The rules framed under the MMDR Act provide that every holder of a mining lease shall take all possible precautions for the protection of the environment and control of pollution while conducting mining operations in the area. The environmental protection measures that are required to be taken in any mining operation includes, among others, prevention of water pollution, measures in respect of surface water, total suspended solids, ground water pH, chemicals and suspended particulate matter in respect of air pollution, noise levels, slope stability and impact on flora/fauna and local habitation. Pursuant to the Supreme Court judgment in *M.C. Mehta v. Union of India*, environmental clearance from the Ministry of Environment and Forest, Government of India is also required at the time of renewal of a mining lease if the area under the lease is in excess of five hectares and the mining lease is in respect of a major mineral.

Royalty Payable

Royalty on the mineral removed or dead rent, whichever is higher, is payable to the State Government by the lessee in accordance with the MMDR Act. The mineral royalty is payable in respect of an operating mine that has started dispatching and is computed in accordance with the rates stipulated in this regard. The Government of India has broad powers to change the royalty scheme but cannot do so more than once every three years.

In terms of the second schedule to the MMDR Act, the royalty currently payable with respect to iron ore varies from four rupees per ton to twenty seven rupees per ton depending on the Fe content of the ore and nature of ore.

In addition, the lessee will be liable to pay the occupier of the surface of the land over which he holds the mining lease an annual compensation determined by the Central Government, which varies depending on whether the land is agricultural or non-agricultural.

Other mining laws and regulations that may be applicable to the Company include the following:

- Mineral Conservation and Development Rules, 1988;
- Mining Lease (Modification of Terms) Rules, 1956;
- The Mines Act, 1952 and Mines Rules, 1955;
- The Payment of Wages (Mines) Rules, 1956;
- Metalliferous Mine Regulations, 1961;
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Act, 1976;
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Fund Rules, 1978;
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Cess Act, 1976;
- The Iron Ore Mines, Manganese Ore Mines and Chrome Ore Mines Labour Welfare Cess Rules, 1978; and
- The Iron Ore Mines Labour Welfare Cess Rules, 1963.

Compliance with other applicable laws

We are also required to obtain clearances under the Environment Act, the Forest Act, if any forest land is involved, and other environmental laws such as the Water (Prevention and Control of Pollution) Act, 1974, as amended (the “Water Act”), Water (Prevention and Control of Pollution) Cess Act, 1977, as amended (the “Water Cess Act”) and Air (Prevention and Control of Pollution) Act, 1981, as amended (the “Air Act”) before commencing the operations of the mines. To obtain an environmental clearance, a no-objection certificate from the concerned state pollution control board must first be obtained, which is granted after a notified public hearing, submission and approval of an environment impact assessment, or EIA report and an environment management plan, or EMP, by the person as well as the mines. The EIA report spells out all the operating parameters, including, for example, the pollution load etc. as well as their mitigative measures for that particular mine. Mining activity within a forest area is not permitted in contravention of the provisions of the Forest Act. The final clearance in respect of both forest and environment is given by the Government of India, through the Ministry of Environment and Forests. However, all applications have to be made through the respective State Governments who then recommend the application to the Government of India. The penalties for non-compliance range from closure or prohibition of mining activity in respect of the mines as well as the power to stop supply of energy, water or other service and monetary penalties on and imprisonment of the persons in charge of the conduct of the business of the company in accordance with the terms of the Environment Act and the Forest Act.

Water (Prevention and Control of Pollution) Act, 1974

A lessee is also required to comply with the provisions of the Water Act, which aims at the prevention and control of water pollution as well as restoration of water quality, through the establishment of state pollution control boards. Under the provisions of the Water Act, any individual, industry or institution discharging industrial or domestic wastewater is required to obtain consent of the state pollution control board. The consent to operate is granted for a specific period after which the conditions stipulated at the time of granting consent are reviewed by the state pollution control board. Even before the expiry of the consent period, the state pollution control board is authorized to carry out regular checks on any industry to verify if the standards prescribed are being complied with by the concerned person/company. If the standards are not being complied with, the state pollution control board is authorized to serve a notice to the concerned person/company. In the event of non-compliance, the state pollution control board may close the mine or withdraw its water supply to the mine or cause magistrates to pass injunctions to restrain such polluters.

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

Mining is a specified industry under the Water Cess Act and a lessee is required to pay the surcharge as stipulated on the basis of water consumed. The assessing authority at the state level levies and collects the surcharge based on the amount of water consumed by such industries. The rate is also determined on the basis of the purpose for which the water is used. Based on the surcharge returns to be furnished by the industry every month, the amount of cess is assessed by the relevant authorities. A rebate of up to 25% on the surcharge payable is available to those industries which install any plant for the treatment of sewage or trade effluent provided that they consume water within the quantity prescribed for that category of industries and also comply with the effluents standards prescribed under the Water Act or the Environment Act.

Air (Prevention and Control of Pollution) Act, 1981

A lessee is also required to comply with the provisions of the Air Act, under which any individual, industry or institution responsible for emitting smoke or gases by way of use as fuel or chemical reactions must apply in a prescribed form and obtain consent from the state pollution control board prior to commencing any mining activity. The board is required to grant consent within four months of receipt of the application. The consent may contain conditions relating to specifications of pollution control equipment to be installed.

For ensuring the continuation of the mining operations, a yearly consent certification from the state pollution control board is required both under the Air (Prevention and Control of Pollution) Act, 1981 and Water (Prevention and Control of Pollution) Act, 1974, as discussed above.

Apart from the above, other laws and regulations that may be applicable to the Company include the following:

- Contract Labour (Regulation and Abolition) Act, 1970;
- Industries (Development and Regulation) Act, 1951;
- Factories Act, 1948;
- The Indian Boilers Act, 1923 and the Indian Boiler Regulations, 1950;
- Explosives Act, 1884;
- Gas Cylinder Rules, 1981;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Shops and Commercial Establishments Act; and
- Environment (Protection) Act, 1986, and Environment (Protection) Rules, 1986.

Export Oriented Unit (EOU) scheme

The EOU scheme was introduced in the year 1980 in order to boost exports by facilitating the creation of additional production capacity. In its current form, the EOU scheme is available to units engaged in the manufacture, repairing, re-making, reconditioning, re-engineering of goods, provided that such units

undertake to export their production of goods and services. Under the scheme, EOU units are permitted to sell a specified percentage of their production in the domestic tariff area.

Under the current EOU scheme, units are allowed to import or locally procure all types of goods including capital goods, raw materials, components, packing materials, consumables, spares and various other specified categories of equipments including material handling equipments, required for export production or in connection therewith without paying duty on such goods during the course of import or such local procurement.

EOU's are required to achieve the minimum NFEP (Net Foreign Exchange Earning as a Percentage of Exports) and the minimum EP (Export Performance) as per the provisions of the Export and Import Policy.

In accordance with the provisions of Section 10B of the Income Tax Act, as amended, a 100% EOU unit is entitled for tax benefits for a period of ten consecutive assessment years. The availability of this incentive is subject to certain conditions. For instance this exemption does not apply to trading units, or to profits derived from sales to Indian customers.

Further, under the Foreign Trade Policy 2004-09, a 100% EOU, is further entitled to.

- A reimbursement of Central Sales Tax on purchase of goods manufactured in India;
- An exemption from payment of Central Excise Duty on goods procured from manufacturing unit in India; and
- A reimbursement of duty paid on fuels procured from domestic oil companies as per the rate of Drawback notified by the DGFT from time to time.

EOUs have also been exempted from the payment of the whole of the duty of customs leviable under the first schedule and any additional duty leviable under the Customs Tariff Act, 1975 (51 of 1975), as amended. Further, EOUs are permitted to realize the export proceeds within 12 months from the date of export as against the normal six months. In addition, EOUs are allowed to retain 100% of their earnings in the Exchange Earners Foreign Currency Account.

EOUs are licensed to manufacture goods within custom bonded premises for the purpose of export. Supplies from units located in the domestic tariff area to EOU/EHTP/STP units are regarded as "deemed exports".

Further, units under the EOU scheme enjoy an exemption from corporate Income Tax for a period of first 10 years of commencement of production or until the financial year ending March 31, 2009, whichever is earlier.

Wind Energy

The wind power programme in India was initiated towards the end of the Sixth Plan in 1983-84. India has a separate Ministry for Non-Conventional Energy Sources ("MNES"). In 1980, Commission on Alternative Sources of Energy was set up to look into feasibility of tapping into sources of renewable energy. In 1982, a separate Department of Non-Conventional Energy Sources ("DNES") was created under the aegis of the Ministry of Energy for promoting activities relating to development, trial and induction of variety of renewable energy technologies for use in different sectors. In 1992 the MNES started functioning as a separate Ministry to develop all areas of renewable energy. Policy guidelines were issued by the MNES to all the States during the mid Nineties with a view to promote commercial development and private investment in this sector. The guidelines pertain to areas such as provision of facilities for wheeling, banking, third party sale, and buy-back of electricity. Nine states have introduced renewable energy policies following the MNES's Guidelines in the country.

MNES

The mandate of MNES includes research, development, commercialisation and deployment of renewable energy systems/devices for various applications in rural, urban, industrial and commercial sector.

In order to ensure quality of wind farm projects and equipments, the MNES introduced the “Guidelines for wind power projects” (the “MNES Guidelines”) in July 1995 for the benefit of SEBs, manufacturers, developers and end-users of energy to ensure proper and orderly growth of the wind power sector. The MNES Guidelines are periodically updated and issued. The MNES Guidelines, inter-alia, make provision for proper planning, siting, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNES Guidelines seek to create awareness among various stakeholders about planned development and implementation of wind power projects.

In 1987, MNES established the Indian Renewable Energy Development Agency Limited (“IREDA”), a financial institution to complement the role of MNES and make available finance to renewable energy projects. IREDA functions under administrative control of MNES. IREDA is involved in extending financial assistance and related services to promote deployment of renewable energy systems in India.

In addition, MNES has established various specialised technical institutions to carry out its mandate. In relation to the wind energy sector, the Centre of Wind Energy Technology (“C-WET”) at Chennai is the major specialised technical institution, looking into areas such as technology development, testing and certification. In addition, it has also been playing vital role in the wind resource assessment programme of the country.

Setting up of wind farms

The MNES Guidelines set out the conditions that are required to be met for establishing wind farms and also for manufacturing and supplying equipment for wind power projects. These conditions include submission of detailed project reports, approval of sites for wind power installations, type certification by independent testing and certification agencies (either C-WET or International certification agency) to ensure quality of the WTGs manufactured. In addition, manufacturers and developers are also required to provide their technical capability and infrastructure.

Please see the section titled “Statement of Tax Benefits” on page 64 for various tax benefits.

Infrastructure development for wind power projects

Land

The land used for setting up wind power projects may be private land, revenue land (Government owned) or forest land. Private lands are purchased directly from the owners and in the event such land is agricultural land, such land is converted into non-agricultural land, if so required by the Government.

In case of land owned by the Government, it is made available by the respective State Governments on long- term lease or out right sale basis as per the prevailing policies of the concerned State Government. Certain state Governments like, Gujarat and Rajasthan have special policies for allotment of Revenue lands for wind power projects.

In case of forest land, the Ministry of Environment and Forest has announced a special policy in November 2003, which is updated from time to time, which elaborates the procedures and guidelines for diversion of the forest lands under the Forest Act for the purpose of establishing wind power projects. The said guidelines, inter alia, provide for the following:

- Areas like national parks and sanctuaries, areas of outstanding natural beauty, natural heritage sites, sites of archaeological importance and sites of special and scientific interests and other important landscapes cannot be considered for wind power projects;
- Wind power projects are required to be located at a safe distance (1 km. or more) from these sites;
- Distance from the industrial areas is required to be a minimum of 3.5 km;
- Specific guidelines in order to protect the natural habitats of birds and animals are required to be observed;
- To ensure optimal use of forest land, it has been stipulated that WTGs of capacity of at least 1 MW should be allowed as a matter of policy; and

- NOC from local bodies is also mandatorily required.

Evacuation

In order to evacuate the power generated by the wind power project, creation of proper evacuation facilities in form of Internal lines, external high voltage lines and substations becomes essential. These infrastructure are created either by manufacturer or developer on case-to-case basis with a proper permission and payment of requisite fees by and to SEB/ state nodal agencies.

Other clearances

Depending upon the location of the wind power project, we may be required to take additional permissions or authorizations. For example additional permissions may be required in the event that a wind power project is being set up close to an air force base.

Wind power generation

Under the Electricity Act which repealed all the earlier enactments pertaining to this sector, the activity of generation of the power does not require any license or permission. Persons engaged in the generation of electricity from wind power are required to register the project being undertaken with State Nodal Agency and obtain permission for inter-grid connectivity from the utility.

The electricity generated from the wind power project can be used for captive consumption, sale to utility or for transaction under open access as per the prevailing state policy as well as regulatory orders, if any. Various states have announced administrative policies relating to wheeling, banking and buy-back of power.

| Description | Karnataka | Maharashtra |
|---|---|--|
| Third Party sale of power generated | Allowed | Allowed |
| Rate per unit in case of Sale of power to SEB (from 1.4.2004) | Rs. 3.40 flat for 10 years from COD | Rs.3.50 with an annual escalation of 15 paise per unit up to 13 years from COD |
| Wheeling & Transmission Charges for the power generated | Rs. 0.19/KWH/ Month+Tran. Loss 6% + Rs.0.13/unit+Dist. Loss 12%(For 33/11KV) | 2% wheeling & 5% transmission charges |
| Duration of the Power Purchase Agreement by SEB for purchase of power | 10 / 20 years | 13 years |
| Banking of power generated | 1 year | 1 year |
| Banking charges | 2% on monthly basis | Nil |

Further, the Electricity Act also mandates that all regulatory commissions should direct procurement of a certain percentage of power generation from renewable energy sources by all distribution companies. In line with the same;

- the Maharashtra Electricity Regulatory Commission has stipulated that 750 MW of supply of electricity should be sourced from wind power by 2007;
- the Karnataka Electricity Regulatory Commission has stipulated a minimum of 5% and a maximum of 10%;and
- the Madhya Pradesh Electricity Regulatory Commission has stipulated 0.7% from wind power by 2007.

As far as the tariff and wheeling charges are concerned, it is stipulated that they should be decided by respective regulatory commissions as provided under the Electricity Regulatory Commissions Act, 1998.

Direct Taxes

Under the provisions of the Income Tax Act, 1961, as amended and the Rules made thereunder, specific concessions have been made available to the non-conventional energy sector, including wind energy.

- Accelerated 80% depreciation has been provided on specified renewable energy based devices and projects including wind mill and devices that run on wind mills.
- Income earned by way of dividends, interest or long term capital gains by industrial undertakings set up in any part of India for the generation or generation and distribution of power at any time during the period beginning on the April 1, 1993 and ending on the March 31, 2006, is also exempt from tax.
- Section 80-IA of the Income Tax Act, 1961, as amended provides for the deduction from the total income of an assessee, of profits from an undertaking set up in any part of India for the generation or generation and distribution of power, which begins to generate power during the period April 1, 1993 to March 31, 2006. This deduction is subject to payment of MAT.

HISTORY AND CERTAIN CORPORATE MATTERS

Our History

We were originally founded by the late Mr. Abheraj H. Baldota in 1961. Prior to our incorporation, Abheraj H. Baldota was a trader in non-ferrous metals. He was the President of the Bombay Metal Exchange in the year 1960. Our business and operations are currently headed by the son of late Mr. Abheraj H. Baldota, Mr. Narendrakumar A. Baldota, and his grand sons, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota, all of whom are on our Board.

We acquired our first mining lease in 1962 in Vyasankere, Hospet, Bellary district, Karnataka. We also diversified into the production of industrial gases in 1983 and the harnessing and production of wind energy in 2001. Our mining and production of iron ore is through two units, one of which has a license to be qualified as an “Export Oriented Unit”.

Our Company was incorporated as Mineral Sales Private Limited on October 18, 1961 under the Companies Act. The word ‘private’ in the name of our Company was deleted with effect from July 1, 1997 pursuant to Section 43A (1A) of the Companies Act. The name of our Company was subsequently changed to MSPL Limited by a special resolution of our members passed at the extra ordinary general meeting on November 16, 1998. The fresh certificate of incorporation consequent upon the change of name was granted on December 15, 1998, by the Registrar of Companies, Maharashtra at Mumbai. Our Company became a public limited company pursuant to a special resolution of our shareholders passed at the extra ordinary general meeting on December 11, 2000.

The Baldota Group of Companies

Our Company belongs to the Baldota Group of Companies, promoted and founded by our late founder and our current Promoters.

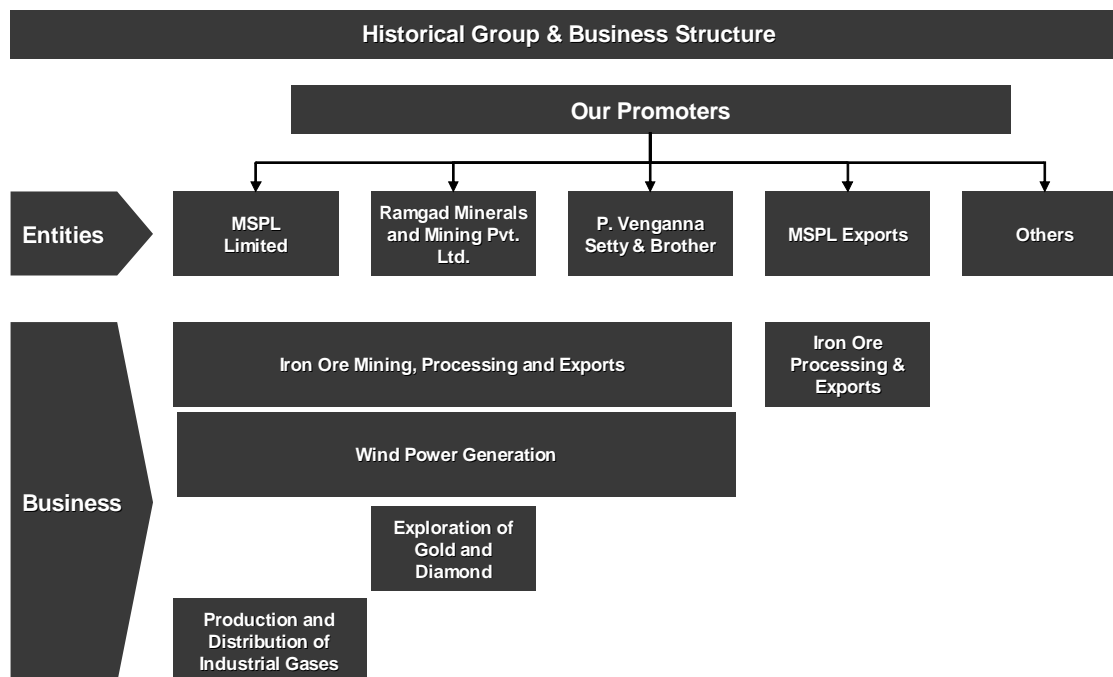
RMMPL, a company incorporated under the laws of India and having its registered office in the state of Karnataka, is currently engaged in the business of mining of iron ore, has investments in the wind energy sector, and has prospecting licenses for gold and a reconnaissance permit for diamonds and semi-precious stones.

MSPL Exports, is a partnership firm which was engaged in the business of processing of iron ore. It is registered as an EOU with tax-free status up to fiscal year 2009 in respect of the export of all grades of iron ore up to 2.6 million metric tons per year. We have executed a business transfer agreement dated February 6, 2006 pursuant to which we acquired the assets and liabilities of MSPL Exports effective April 1, 2006. The Cochin Development Commissioner (the supervisory authority for EOUs in the area) has by letter dated January 23, 2006 granted its approval to the change in the implementation agency, subject to fulfilment of export obligations and takeover of the assets and liabilities of MSPL Exports by our Company. The transfer of the EOU is effective April 1, 2006. For further details see “Our Promoter” and “History and Certain Corporate Matters- Recent Restructuring” on page 134 and page 117, respectively.

MSPL Gases Limited is a company recently incorporated by our Promoters. We have by a business transfer agreement dated February 6, 2006 sold to MSPL Gases Limited the industrial gases business of the Company effective April 1, 2006. For further details see “Our Promoter” and “History and Certain Corporate Matters- Recent Restructuring” on page 134 and page 117, respectively.

PVS is a partnership firm incorporated on April 1, 1999 and has its principal office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is engaged in the business of mining and export of processed iron ore and generation and sale of wind power.

Other companies, partnership firms and proprietorships in the Baldota Group of Companies include Vijaya Oxygen Company Limited, LR Industries, RS Enterprises, Vijayanagar Industrial Credits Limited, Mahalakshmi Gases, Mahakali Gases and AARESS Iron and Steel Limited, which have interests in various fields such as mining and sale of iron ore, manufacture and production of industrial gases, harnessing wind energy and in the establishment of a steel plant. The Baldota Group of Companies are represented diagrammatically below, and for further details see “Our Promoter” on page 134.



Recent Restructuring

Our Company has recently restructured its business, in the manner described below:

Gas Business

In 1999 we had acquired the business of the production of gas from Vijaya Oxygen Company Limited, which was subsequently formed into our gas division. On February 6, 2006 we executed a business transfer agreement for the sale of our gas division by way of a slump sale to MSPL Gases Limited as a going concern, for a lump sum consideration of Rs. 200 million.

MSPL Exports

Pursuant to a business transfer agreement dated February 6, 2006, as supplemented on April 1, 2006, with MSPL Exports we have acquired the assets and liabilities of MSPL Exports, effective April 1, 2006. MSPL Exports had a 100% EOU at Ingiligi village of Hospet taluka of Bellary district in Karnataka, which was involved in the processing and export of iron ore. The total consideration is Rs. 500 million.

Run-of-Mines

Pursuant to our acquisition of the assets and liabilities of MSPL Exports, effective April 1, 2006, we acquired run-of-mine purchase contracts with PVS in respect of PIOM and with RMMPL with respect to SIOM, IYLI and BRH. We currently have run-of-mine purchase contracts with third party leaseholders in respect of BIOM and the Jharkhand mine.

With the completion of the corporate restructuring initiative effective April 1, 2006, we operate in the manner detailed in “Our Business” beginning on page 81.

Key Events and Milestones

| Year | Key Events, Milestones and Achievements |
|-----------|--|
| 2006 | Restructuring for the slump sale of the gas division and the acquisition of the assets and liabilities of MSPL Exports |
| 2005-2006 | Established one 100% EOU |
| 2001 | Diversified into harnessing of wind energy |
| 1998 | Acquired PVS |
| 1996 | 500 mt slurry system commissioned |

| Year | Key Events, Milestones and Achievements |
|------|---|
| 1993 | Beneficiation plant becomes operational |
| 1991 | Installation of 180 tons /hour Down Hill Conveyor System with crushing and screening facilities |
| 1983 | Gas plant established |
| 1962 | Mining operations started |

Awards and Certifications

| Year | Key Events, Milestones and Achievements |
|-----------|--|
| 2005 | Karnataka Renewable Energy Development Limited award for highest investment in the field of renewable energy in the financial year 2004-05 |
| 1999-2005 | Special export award from CAPEXIL |
| 2004 | Awarded the Indira Priyadarshani Vrikshamitra Award for innovative and outstanding work done in afforestation. |
| 2003 | Accredited for OHSAS 18001:1999 for occupational health and safety |
| 2001 | Tata Energy Research Institute Corporate Environment Award |
| 2000 | ISO 9001:2000 certification received for production and marketing systems |
| 1999 | ISO 14001:1996 certification received for environment management system |
| 1997 | ISO 9002:1994 certification received for quality system |
| 1996-2000 | State Award for “excellence in exports” instituted by the Visvesvaraya Industrial Trade Centre, an arm of the Government of Karnataka. |
| 1987 | National Safety Award from the President of India |

Main Objects

1. To purchase, take on lease, or otherwise acquire any mines, mining rights, and metaliferrous land and any interest therein, and to explore, work, exercise, develop and turn to account the same, on such terms and conditions to be decided by the Board of Directors.
2. To crush, win, get, quarry, smelt, calcine, refine, dress, amalgamate, and prepare for market ore, metal, and mineral substances of all kinds, and to carry on any metallurgical operations, which may seem conducive to any of the objects of the company.
3. To buy, and or sell, and or manufacture, and deal in minerals, plant machineries, implements, conveniences, provisions and things capable of being used in connection with metallurgical operations, which may seem conducive to any of the objects of the Company.
4. To carry on the business of mining smelting, and refining company and as auxiliary thereto; to purchase or take on lease or otherwise acquire buildings and works and to construct, carry out, maintain, improve, manage, work control, and superintend any roads, ways, tramways, railways, bridges, reservoirs, water house, aqueducts, wharves, furnaces, mills, crushing works, hydraulic works, electric works, factories, warehouse, shops and other works and convenience, which may seem directly or indirectly conducive to any of the objects of the Company and to contribute to, subsidise or otherwise aid or take part in any such operations.
5. To search for, get, work, raise, mine, make merchantable, sell, and deal in iron ore, manganese ore, ferromanganese, Red oxide of iron, china clay, coal, ironstones brickearth, mica, lead, tin, copper, graphite, asbestos, and other metals, minerals, and substances and to manufacture, export, import and sell fuel and other products.
6. To carry on business as manufacturers of chemicals and manures, distillers, dyemakers, gas makers, metallurgists and mechanical engineers.
 - (a) To manufacture, produce, prepare, deal in, export, import, purchase, sell and generally, to carry on business in Oxygen dissolved Acetylene, Nitrogen, Argon, Hydrogen, Carbonic Gases, Medical Gases and all other kinds of Gass and all other kinds of Gases or kindred substances or any compounds or preparations thereof.
 - (b) To Purchase or otherwise acquire, to sell, let on hire and otherwise deal in gas cylinders and other containers.

7.
 - (a) To build, own and/or operate power plants either alone or in joint venture, especially in India.
 - (b) To generate, develop and accumulate electrical power at any place or places in India and to transmit, distribute and supply such power.
 - (c) To carry on the business of an electric power light and supply company in all its branches and in particular to construct, lay down, establish fix and carry out all necessary power stations, cables, wires, lines, accumulators, lamps and works, and to generate, accumulate, distribute and supply electricity, and to light cities, towns, streets, docks, markets, theatres, buildings and places both public and private.
8.
 - (a) To operate an air taxi service, organizing charters and group tours in India and abroad.
 - (b) To operate scheduled/non-scheduled air services in India and abroad for the purpose of carrying passengers and cargo.
 - (c) To carry on the business of international couriers and mail and cargo handlers.
 - (d) To carry on the business as importers, exporters, traders, buyers, sellers, suppliers, indenters, agents, sub-agents, jobbers, brokers, repairers, cleaners, take on lease or otherwise deal in and operate all types of aero planes, seaplanes, flying boats, hovercrafts, helicopters, and other craft or conveyances appropriate for the carriage of passengers, freight and mails by air and all or any parts, equipments, engines, machinery and plant relating thereto and to carry out and conduct any tests, experiments, research or development necessary or expedient for such purposes.
 - (e) To purchase, take on lease, hire, take licences of, or otherwise acquire or sell, let out, or otherwise give any exclusive or other right or interest in aerodromes, landing grounds, airports, helipads, land and seas planes bases hangers, machine shops, engineering shops for servicing, maintaining, and landing all kinds of aircraft in any part of the world and to obtain and hold from any state, sovereign, governmental, or semi-governmental authority, and licences, authorities or rights necessary, or convenient for such purposes.
 - (f) To carry on the business of travel agents, tour operators, general carriers, forwarding agents, packers and movers, air transporters.
 - (g) To establish flying school for training of Pilots on Helicopters & Aero planes & Flight dispatchers and to setup flying training simulator
 - (h) To establish training school for Air-craft Maintenance Engineers, Technicians etc.
 - (i) To establish training school for training of Air-hostesses, Air-port security staff, Cargo handling staff and other operation staff connected with flying activities.
9. To develop, construct, maintain and operate infrastructure facility like Road, highway, bridges, airport, port, rail systems, water supply project, sanitation and sewerage systems or any other public facility of a similar nature and to provide long-term finance to an enterprise engaged in the above said business.
10. To carry on the business of exhibitors of raw films, photo graphics and optical goods, cinematographic films, video cassettes, develop, construct, maintain and operate entertainment facilities like cinema theatres, I-Max theatres, multiplex, theme parks.
11. To develop resources of all land purchased or acquired on lease or otherwise and to turn to account all the available bye-products, Manganese ores, iron ores, Red oxide of Iron and mines in which the Company is interested and in particular to carry on the business of tiles, fire bricks, glasses, earthen-ware, emery-wheels, powder, cement stone, paper cloth, pipes, china terracota and wares of all kinds and pottery manufacturers, merchants and dealers or any of such business and to carry on the business of pavions and manufacturers of and dealers in artificial stones whether for

building, paying or for other purpose and such other business as usually is or may be profitably or conveniently carried on in connection with any of the foregoing.

12. To carry on the business of exporting, importing prospecting and boring for, extracting, pumping, drawing, transporting, refining and dealing in natural gas, petroleum and other mineral oils and fuels and of manufacturing all kinds of petroleum products and bye-products and to construct, lay down and maintain pipelines, pumping stations, and other appliances for the transportation of natural gas, petroleum and other products.
13. To work mines on quarries and to prospect for, search for, win, get, crush, smelt, calcine, concentrate, refine, dress, amalgamate, manipulate, prepare for market or otherwise exploit, import, export, or otherwise deal in metals and metallic and nonmetallic minerals of all kinds, metallurgical operations and to carry on the business of manufacture of iron and steels including special alloys and to manufacture pig iron, galvanised and plated irons of all kinds.
14. To carry on the business of producers as well as refiners of all kinds of metals including all precious metals and as manufacturers, importers, exporters, of and dealers in sheets, circles, rods, electrodes and wires of all metals and alloys including precious metals and also as manufacturers of solders of all kinds including silver solders.
15. To carry business of general order suppliers, indentors and commission agents, in particular, to act as suppliers of various kinds of articles to Government institutions, Hospitals, Corporations, Railways and other public and private bodies.
16. To carry on business as manufacturers and or dealers in Motors, Motor Cars, Lorries, Trucks Auto-rikshas, Bicycles and other Vehicles and spare parts thereof, to sell, purchase, give or take on hire or on hire purchase basis-Motors, Motor Cars, Lorries, Trucks, Auto-rikshas Bicycles and other Vehicles and to carry on business as Public Carriers, and to own, maintain, sell and or purchase, take or give on hire Motor Garages, and Repairing Workshops.
17. To buy, sell, import, export, manufacture, manipulate, treat, prepare and deal in, merchandise, commodities, articles of all kinds and generally to carry on business as merchants, importers and exporters.
18. To acquire by purchase, lease, exchange or otherwise, land, building and hereditaments of any nature or description situated in the Dominion of India or elsewhere and any Estate or interest therein, any rights over or connected with the land so situated and to turn the same to account to as many as may seem expedient and in particular by preparing building sites and by constructing, reconstructing, altering, improving, decorating, furnishing and maintaining offices, flats, house factories, warehouses, shops, wharves, buildings, works and conveniences of all kinds and by resolidation or connecting or sub-dividing properties and by leasing and disposing of the same and generally to deal in immoveable properties of all description and tenures by purchase and sale or otherwise as may be necessary or thought proper.
19. To establish, maintain and carry on the business of agricultural, horticultural and dairy farm in any part of India, and to buy and sell such farms or the interest of the Company.
20. To open and carry on business of iron foundry, workshop or factories, to build, construct and repair cargo boats, steam lanches, steamers, flats barges and other vessels of any class or description as also motorcars, motor lorries and omnibuses of all kinds.
21. To carry on business as agents, managing agents, secretaries, selling agents, buying agents, publicity agents, brokers, jobbers, mucedams, shipping agents, clearing agents, commission agents, indentors, indenting agents, canvassers, advertisers, advertising agents, travel agents, stockists and distributors of or for any persons, firms, companies, (including without prejudices to the said generality and in particular for importers, exporters, shippers, buyers, sellers, manufactures, merchants, tradesmen, insurers, financiers, builders, property owners and others) and generally to undertake and carry on agency booking, commission, canvassing, distributing and advertising business.
22. To prepare, manufacture and produce machineries, plants, tools, implements, and other articles

whatsoever used or required by the company in relation or incidental to the above mentioned businesses or any of them or which the company may think profitable to prepare, manufacture or produce.

23. To carry on manufacturing or other business which may seem to the company capable of being carried on in connection with the aforesaid business or any of them or calculated directly or indirectly to enhance the value of or render profitable any of the company's properties, rights or businesses.
24. To acquire and undertake the whole or any part of the business property and liabilities of any person or company carrying on any business which this company is authorised to carry on or possessed of property suitable for the purposes of this company.
25. To enter into partnership or into any arrangement of sharing profits, union of interests, co-operation, joint venture, reciprocal concessions or otherwise with any person or company carrying on or engaged in or about to carry on or engage in any business or transaction capable of being carried on or conducted so as directly or indirectly to benefit this company and to lend money to or guarantee the contracts or otherwise assist any such person or company and to acquire shares and securities of any such company and to sell, hold, reissue, with or without guarantee or otherwise deal with the same.
26. To guarantee the payment of money secured by or payment under or in respect of bonds, debentures, debenture-stocks, contracts, mortgage, charges, obligations and securities of any authority supreme, municipal, Local or otherwise or of any other persons whomsoever whether incorporated or not incorporated.
27. To remunerate any person, firm or company for services rendered or to be rendered in placing or assigning to place or guaranteeing the placing of any of the shares in the company's capital or any debentures or other securities of the company or in or about the formation or promotion of the company or the conduct of its business.
28. To sell the undertaking of the company or any part thereof for such consideration as the company may think fit and in particular for shares, debentures, or securities of any other company having objects, altogether or in part similar to those of this company and if thought fit to distribute the same among the shareholders of this company.
29. To promote any other company for the purpose of acquiring all or any of the property and liabilities of this company or for any other purpose, which may seem directly or indirectly calculated to benefit this company.
30. To receive money on deposit and interest or otherwise and to lend money on mortgage of immoveable property or on hypothecation or pledge of moveable property or without any security to such person and on such terms as may seem expedient and in particular to customers of the persons having dealings with the company.
31. To purchase or otherwise acquire any patents, inventions, licences concessions, monopolies and the like conferring any exclusive or nonexclusive or limited right to use any invention which may seem capable of being used for any of the purposes of the company or the acquisition of which may seem calculated, directly or indirectly, to benefit the company and to use, exercise, develop, or grant licences in respect of or otherwise turn into account the property and rights so acquired.
32. To distribute any of the property of the company among the members in specie but so that no distribution amounting to a reduction in capital be made without the sanction of the court if requisite.
33. To draw, accept, make, endorse, execute and issue promissory notes, Hundies, Bills of Exchange Debentures and other negotiable or transferable instruments and also deal in foreign currencies.
34. To guarantee the performance of the contracts by members or persons having dealings with the company.

35. To provide for the welfare of the persons in the employment of the company or formerly in the employment of company or its predecessors in business and wives, widows and families of such persons by grants of money, pension or other payment and providing or subscribing towards all places or institutions, and recreations and hospitals dispensaries for such person medical and other assistance as the company shall think fit.
36. From time to time subscribe or contribute to any religious, benevolent, charitable or useful objects of public character.
37. To adopt all means of making known the products of the company as may seem expedient and in particular by advertising in the press by circular, by purchase and execution of works of art or interest by publication of books and periodicals and by granting prizes, rewards and donations.
38. To invest the moneys and assets of the company upon such securities or otherwise in such manner as may from time to time be determined.
39. To borrow or raise or secure the payment of money or to receive money or deposits on interest for any of the purposes of the company and at such time or times and in such manner as may be thought fit by promissory notes or by taking credits in or opening current or over draft accounts with any persons, firm, bank or company and with or without security by such other means as the directors may in their absolute discretion deem expedient and particularly by the issue of debentures or debenture stock, convertible into shares of this or any other company or perpetual annuities and as security for any such money so borrowed, raised or received or if any such debentures, debenture stock so issued, to mortgage, pledge, or charge, the whole or any part of the Property, assets or revenue and profits 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 lender power of sale and other powers as may seem expedient and to purchase, redeem or pay off any such securities.
40. To establish agencies or branches for the purchase and sale of goods of all descriptions in India, or in any part of the world and to undertake the management of any company or companies having objects altogether or in part similar to those of this company.
41. To manage, lease, mortgage, sell, underlet or otherwise turn to account, dispose off, deal with all or any part of the real or immovable and personal or moveable property of the company whenever and however acquired.
42. To do all or any of the above things as principals, agents contractors, trustees, or otherwise and by or through Trustees, agents or otherwise and either alone or in conjunction with others.
43. To manufacture, import, export, buy, sell, exchange, alter, improve, manipulate, prepare for market, and otherwise deal in goods, merchandise and commodities of all kinds, and generally to carry on business of coal dealers, mine owners, merchants, importers and exporters, colliery proprietors, coke manufacturers, smelters, lime burners, pottery workers, cement manufacturers, builders and contractors in their respective branches.
44. To carry on business as Principal to Principal and or as brokers, Delcredre agents commission agents, Pakka Adatias in stock shares, securities, Government Papers, Debentures, cotton, Gold, Silver, seeds and any other commodities and goods (which may be advantageous to the company) in ready and/or forward delivery and to enroll as member of any exchange or association as it may be considered desirable in the company's interests and to initiate and conduct guaranteed profit schemes, margin deposit systems or any other schemes or system or systems designed to facilitate and encourage business between the company and its members or clients.
45. Generally to do and perform all such other acts, and things as may in the opinion of the company be incidental or conducive to the attainment of the above objects or any of them.
46. And it is hereby declared that the word 'Company' in this Memorandum when applied otherwise than to this company shall be deemed to include any partnership or other body of persons whether incorporated or not incorporated and whether domiciled in India or elsewhere and the intention is that the objects specified in paragraph of this clause shall not except where limited or restricted by

reference to or reference from the terms of any other paragraph or the names of the Company.

PROVIDED that the company shall not carry on any business, which may come within the purview of the Banking Companies Act or the Insurance Act.

Amendments to our Memorandum of Association

| Year | Nature of Amendment |
|--------------------|---|
| November 20, 1987 | Increase in authorised share capital from Rs. 500,000 to Rs. 2,000,000 |
| August 8, 1991 | Increase in authorised share capital from Rs. 2,000,000 to Rs. 5,000,000 |
| September 14, 1996 | Increase in authorised share capital from Rs. 5,000,000 to Rs. 50,000,000 |
| July 1, 1997 | Change of the name of the company from Mineral Sales Private Limited to Mineral Sales Limited |
| December 15, 1998 | Change of name of the Company from Mineral Sales Limited to MSPL Limited |
| February 8, 1999 | Increase in authorised share capital from Rs. 50,000,000 to Rs. 100,000,000 |
| September 6, 1999 | Insertion of existing clause 6A and 6B |
| June 22, 2002 | Insertion of existing clauses 7, 9 and 10 |
| August 14, 2002 | Increase in authorised share capital from Rs. 100,000,000 to Rs. 300,000,000 |
| December 17, 2004 | Insertion of existing clause 8 |
| June 30, 2005 | Increase in authorised share capital from Rs. 300,000,000 to Rs. 500,000,000 |
| July 30, 2005 | Sub-division of each equity share of Rs. 100 each into ten equity shares of Rs. 10 each |
| December 23, 2005 | Sub-division of each equity share of Rs. 10 each into two equity shares of Rs. 5 each |

OUR MANAGEMENT

Board of Directors

Under our Articles of Association we are required to have no less than three Directors and no more than twelve Directors. We currently have six 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/Spouse's Name, Address, Designation, Occupation and Term | Nationality | Age | Other Directorships |
|---|-------------|-----|---|
| <p>Mr. Narendrakumar A. Baldota S/o Late Mr. Abheraj H. Baldota</p> <p>Chinar, Baldota Colony Hospet, Karnataka 583 203, India</p> <p>Chairman and Managing Director</p> <p><i>Business</i></p> <p>Whole time Director Term: Up to September 8, 2010</p> | Indian | 65 | <p>Greater Bombay Co-operative Bank Limited</p> <p>Vijaya Oxygen Company Limited</p> <p>Vijayanagar Industrial Credits Limited</p> <p>AARESS Iron and Steel Limited</p> <p>MSPL Gases Limited</p> <p>Ramgad Minerals and Mining Private Limited</p> <p>Good Earth Chemicals Private Limited</p> |
| <p>Mr. Rahulkumar N. Baldota S/o Mr. Narendrakumar A. Baldota</p> <p>Chinar, Baldota Colony Hospet, Karnataka 583 203, India</p> <p>Executive Director</p> <p><i>Business</i></p> <p>Whole time Director Term: Up to March 31, 2010</p> | Indian | 38 | <p>Vijaya Oxygen Company Limited</p> <p>Vijayanagar Industrial Credits Limited</p> <p>AARESS Iron and Steel Limited</p> <p>MSPL Gases Limited</p> |
| <p>Mr. Shrenikkumar N. Baldota S/o Mr. Narendrakumar A. Baldota</p> <p>Chinar, Baldota Colony Hospet, Karnataka 583 203, India</p> <p>Executive Director</p> <p><i>Business</i></p> <p>Whole time Director Term: Up to March 31, 2010</p> | Indian | 34 | <p>Vijaya Oxygen Company Limited</p> <p>Vijayanagar Industrial Credits Limited</p> <p>AARESS Iron and Steel Limited</p> <p>MSPL Gases Limited</p> <p>Ramgad Minerals and Mining Private Limited</p> |
| <p>Mr. R H Sawkar S/o Mr. Hemappa Sawkar</p> <p>No. 292, 5th Block 38th Cross, Jayanagar Bangalore 560 041</p> <p>Independent Director</p> <p>Service</p> <p>Liabile to retire by rotation</p> | Indian | 71 | Nil |
| <p>Mr. M. Ravindra S/o Mr. K Madhava Krishna Sarma Flat 1B, PGP Manor</p> | Indian | 66 | <p>Sowil Limited</p> <p>Purple Infotech Services Limited</p> |

| Name, Father's/Spouse's Name, Address, Designation, Occupation and Term | Nationality | Age | Other Directorships |
|---|-------------|-----|--|
| 29, Barnaby Road, Kilpauk Chennai 600 010, India | | | |
| Independent Director | | | |
| <i>Service</i> | | | |
| Liable to retire by rotation | | | |
| Mr. Anirudha R Barwe S/o Mr. Ramkrishna Ganesh Barwe | Indian | 67 | IFCI Financial Services Limited Jain Irrigation Systems Limited Sigma Laboratories Limited Kotak Mahindra Trustee Company Limited Jayant Oils and Derivatives Limited IL&FS Investsmart India Limited Sigma Laboratories Limited |
| B-1, Bageshree Shankar Ghanekar Marg Prabhadevi Mumbai 400 025, India | | | |
| Independent Director | | | |
| <i>Banker</i> | | | |
| Liable to retire by rotation | | | |

Brief Biographies of our Directors

Mr. Narendrakumar A. Baldota is a second generation industrialist and has been associated with our Company ever since its inception and is currently its Chairman and Managing Director. He holds a bachelors degree in commerce. He was actively involved in the day to day operations of our Company for over three decades. During such time he was instrumental in the introduction and the implementation of mechanized and scientific mining in our Company. He also promoted measures for the conservation of the environment and soil protection through afforestation and soil plantations. Under his leadership our Company also diversified into the production of industrial gases. He now supervises the overall operations and business of our Company and specially focuses on the treasury and investment operations. Mr. Baldota is also the Chairman of Greater Bombay Cooperative Bank Limited.

He was the President of the Iron Ore Mine Owners and Suppliers Association of Bellary-Hospet from 1974-1981 and the President of the Federation of Indian Mineral Industries, New Delhi from 1979-1981.

Mr. Rahulkumar N. Baldota holds a bachelors degree in engineering and has a masters in business administration from the University of Illinois at Chicago. After his graduation he joined the Company. He is actively involved in the day to day functioning and more specifically oversees the marketing and logistics of the business, which includes negotiations with exporters, pricing and costs, invoicing and shipping. He is also in charge of public relations and business and development, which includes the acquisition of new mines either through leases or run of mine purchase agreements. He was also instrumental in obtaining the export license to China. Legal issues and regulatory clearances are also supervised by Mr. Rahulkumar N. Baldota.

He was the Chairman of the Standing Committee for Ferrous Minerals and Industries as well as member of the Standing Committee for Non-Ferrous Minerals and Industries of the Federation of Indian Mineral Industries. He is presently the President of the Organisation of Mine Owners in the Bellary-Hospet sector and the Senior Vice President of the Federation of Indian Mineral Industries.

Mr. Shrenikkumar N. Baldota holds a bachelors degree in commerce from the University of Mumbai. After his graduation he joined the Company. He is actively involved in the day to day functioning and more specifically oversees the production and processing of iron ore. He is also in charge of the finance and accounting functions in our Company including the raising of funds. He has the responsibility of spearheading our Company's wind energy production division and is involved in the negotiation of the offtake arrangements with the state governments and negotiation with the generator and wind turbine manufacturers and suppliers. He is a keen adventure enthusiast and his photographs of Antarctica have been published in magazines.

Mr. R. H. Sawkar, is an independent Director. He holds a bachelors degree in geology and a master's degree from Mysore University. For the past four decades he has been actively involved in various geological studies and exploration activities. He has explored iron ore deposits in western ghats, limestone deposits in Kaladgi Basin, been involved in the reclamation and mine development of gold deposits in Gadag Gold fields, conducted detailed field mapping with an emphasis on the development of Donimalai, Kemmanagundi & Kudremukh iron ore deposits, implementation of expansion programme for Hutti Gold units and conversion of copper processing plants to treat low grade gold ore. Specifically, in 1968 he was involved in the investigation of raw materials required for steel plants and site investigation at Toranagallu and Vyasankere. He has undergone one year training in remote sensing techniques under Dutch geologist Dr. Rupke and also under Colombo Plan in Australia. He was deputed to Kalyadi Copper in 1977 and during this period he developed Kalyadi Copper Mine and erected 250 TPD beneficiation plant. He was also in charge of joint research and development initiatives by Karnataka Copper Consortium and Department of Science and Technology, Government of India, for recovery of copper and other noble metals from copper concentrate by Hydro metallurgical process.

He is a fellow of Earth Science related scientific organizations in India such as the Geological Society of India, Mining Engineers Association of India and Mineralogical Society of India. He has worked as honorary Secretary of the Geological Society of India. He has also worked as Chairman of Mining Engineers Association of India, Bangalore Chapter. He is also presently the Secretary of the Geological Society of India & treasurer of Mining Engineers Association of India, Bangalore Chapter. He has published more than 20 papers.

Mr. M. Ravindra is an independent Director. He is a graduate in civil engineering with first class honours from the Banaras Hindu University. He has worked for over 40 years in various posts with the Indian Railways and retired as the Chairman, Railway Board and Principal Secretary to the Government of India. During this time he was in charge of civil engineering infrastructure, instrumental in implementation of policies, was involved in the managing construction and execution of major projects and also a trainer at the Indian Railways Institute of Civil Engineering as its head. He was also the consultant to the government of Iraq, in charge of the design of their high speed rail network. He was also a member of the Telecom Regulatory Authority of India from 1998 to 2000 where he played an active role in the rationalization of tariff and in framing recommendations on licensing conditions for the liberalization of long distance sector operators.

Mr. Anirudha R Barwe is an independent Director. He is a post graduate in mathematics and a certified associate of the Indian Institute of Bankers. He has experience of over 40 years in the banking industry, having worked for various departments of the State Bank of India in a multitude of roles, including the Chief General Manager of the State Bank of India and Managing Director of SBI Capital Markets Limited. After retiring from the State Bank of India in 1998, he was the Chief Financial Officer of IDFC Limited for a period of three years. He is presently a member of the mutual fund advisory committee of SEBI.

Borrowing powers of the Board

Pursuant to a resolution dated December 17, 2004 passed by our shareholders in accordance with provisions of the Companies Act, our Board has been authorized to borrow sums of money for the purpose of the Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that the money or monies to be borrowed together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) shall not exceed, at any time, a sum of Rs. 5,000 million over and above the aggregate of paid up capital and free reserves of the Company.

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. We are in compliance with the SEBI guidelines in respect of corporate governance especially with respect to constitution of our Board of Directors and the Committees thereof, which is in accordance with Clause 49 (as applicable) of the Listing Agreement to be entered into with the Stock Exchanges prior to listing.

Our Board of Directors is constituted in compliance with the Companies Act and listing agreements with the stock exchanges. The Board functions either as a full Board or through various committees constituted to oversee specific operational areas.

The Board has six Directors, of which the Chairman of the Board is an executive Director. In compliance with the requirements of Clause 49 of the Listing Agreement, we have three executive Directors on our Board, and three independent Directors on our Board.

Audit Committee

The Audit Committee was constituted by our Directors at their Board meeting held on December 21, 2000. The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of the company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The Audit Committee was reconstituted on January 4, 2006 and presently consists of three independent Directors, Mr. A. R. Barwe (Chairman), Mr. M. Ravindra and Mr. R. H. Sawkar.

The terms of reference of the Audit Committee are as follows:

- Regular review of accounts, accounting policies, disclosures, etc.
- Review of the major accounting entries based on exercise of judgment by management and review of significant adjustments arising out of audit.
- Qualifications in the draft audit report.
- Establishing and reviewing the scope of the independent audit including the observations of the auditors and review of the quarterly, half-yearly and annual financial statements before submission to the Board.
- The Committee shall have post audit discussions with the independent auditors to ascertain any area of concern.
- Establishing the scope and frequency of internal audit, reviewing the findings of the internal auditors and ensuring the adequacy of internal control systems.
- To look into reasons for substantial defaults in the payment to depositors, debenture holders, shareholders and creditors.
- To look into the matters pertaining to the Director's Responsibility Statement with respect to compliance with Accounting Standards and accounting policies.
- Compliance with Stock Exchange legal requirements concerning financial statements, to the extent applicable.
- The Committee shall look into any related party transactions i.e., transactions of the Company of material nature, with promoters or management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.
- Appointment and remuneration of statutory and internal auditors.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Audit Committee.

Remuneration Committee

The Remuneration Committee was constituted by our Directors at their Board meeting held on January 4, 2006. The Committee's goal is to ensure that the Company attracts and retains highly qualified employees in accordance with its business plans, that the Company fulfils its ethical and legal responsibilities to its employees, and that management compensation is appropriate. The Remuneration Committee was reconstituted on March 10, 2006 and presently consists of three independent Directors, Mr. R. H. Sawkar,

(Chairman), Mr. M. Ravindra and Mr. Anirudha R. Barwe. The terms of reference of the Remuneration Committee are as follows:

- To determine the remuneration, review performance and decide on variable pay of executive Directors.
- To determine the number of stock options to be granted under the company's Employees Stock Option Schemes and administration of the stock option plan.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Compensation Committee.
- Establishment and administration of employee compensation and benefit plans.

Investor Grievance Committee

The Investor Grievance Committee was constituted by our Directors at their Board meeting held on January 4, 2006. This Committee is responsible for the redressal of shareholder grievance. The Investor Grievances Committee consists of Mr. M. Ravindra, an independent Director (Chairman), Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota.

The terms of reference of the Investor Grievance Committee are as follows:

- Investor relations and redressal of shareholders grievance in general and relating to non-receipt of dividends, interest, non-receipt of balance sheet etc in particular.
- Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Shareholders and Investor Grievances Committee.

Shareholding of our Directors in the Company

Our Articles of Association do not require our Directors to hold any qualification Equity Shares in our Company. The following table details the shareholding of our Directors in their personal capacity, as at the date of this Draft Red Herring Prospectus.

| Shareholder | Equity Shares owned before the Offer | | Equity Shares owned after the Offer | | | |
|------------------------------|--------------------------------------|----------------------|--|----------------------|--|----------------------|
| | No. of shares | % of paid up capital | Assuming Green Shoe Option is exercised in full* | | Assuming Green Shoe Option is not exercised* | |
| | No. of shares | % of paid up capital | No. of shares | % of paid up capital | No. of shares | % of paid up capital |
| Mr. Shrenikkumar N. Baldota | 30,442,980 | 39.64 | 22,942,980 | 29.87 | 23,921,241 | 31.15 |
| Mr. Rahulkumar N. Baldota | 19,353,600 | 25.20 | 15,353,600 | 19.99 | 15,875,339 | 20.67 |
| Mr. Narendrakumar A. Baldota | 9,024,000 | 11.75 | 8,524,000 | 11.10 | 8,589,217 | 11.18 |

* Subject to change as a result of any pre-Offer placement by the Selling Shareholders

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 or a Committee thereof 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 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 Offer. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota are

entitled to receive remuneration from us. For further details see the section titled “Our Management-Remuneration of Directors” on page 129.

Except as stated in the section titled “Related Party Transactions” on page 146, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by the Company within two years of the date of filing of this Red Herring Prospectus.

Our Articles provide that our Directors and officers shall be indemnified by our Company against loss in defending any proceeding brought against Directors and officers in their capacity as such, if the indemnified Director or officer receives judgement in his favour or is acquitted in such proceeding. We currently do not have any directors’ and officers’ insurance policy.

Our Articles provide that if our Directors become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security cover affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors for any loss in respect of such liability.

Our Company has obtained Keyman Insurance Policy from Life Insurance Corporation of India and ING Vysya Life Insurance for Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota. The details in respect of such insurance policies are as follows:

(i) *Rahulkumar N. Baldota*

| | LIC | ING Vysya Life | |
|---------------------------------|----------------|----------------|----------------|
| | | Powering Life | Freedom Plan |
| Sum Assured (Rs.) | 350,000,000 | 565,080,948 | 977,000,000 |
| Annual Premium(Rs.) | 59,164,000 | 112,794,000 | 487,206,000* |
| Date of payment of last premium | March 28, 2009 | March 28, 2010 | March 28, 2030 |
| Maturity Date | March 28, 2014 | March 28, 2015 | March 28, 2038 |

Note : In the case of ING Vysya Life, total premiums paid under both policies will amount to Rs.700 million.

* The premium paid in the case of 'Freedom Plan' is for the entire duration of premium tenor and the annual premiums payable for "Powering Life' will be paid out of the amounts redeemed from 'Freedom Plan'.

(ii) *Shrenikkumar N. Baldota*

| | LIC | ING Vysya Life | |
|---------------------------------|----------------|----------------|----------------|
| | | Powering Life | Freedom Plan |
| Sum Assured (Rs.) | 350,000,000 | 94,404,384 | 165,000,000 |
| Annual Premium(Rs.) | 59,061,100 | 18,813,000 | 81,187,000* |
| Date of payment of last premium | March 28, 2009 | March 28, 2010 | March 28, 2030 |
| Maturity Date | March 28, 2014 | March 28, 2015 | March 28, 2038 |

Note : In the case of ING Vysya Life, total premiums paid under both policies will amount to Rs.700 million.

* The premium paid in the case of 'Freedom Plan' is for the entire duration of premium tenor and the annual premiums payable for "Powering Life' will be paid out of the amounts redeemed from 'Freedom Plan'.

Remuneration of our Executive Directors

Mr. Narendrakumar A. Baldota, Chairman and Managing Director

Mr. Narendrakumar A. Baldota was appointed as our Managing Director with effect from September 9, 2005 pursuant to Section 269 and other applicable provisions of the Companies Act in accordance with the Articles of Association of the Company, for a period of five years. The same was approved by our members at the EGM held on September 19, 2005. He was appointed the Chairman with effect from October 7, 2005. The terms and conditions of his appointment with the Company are as follows:

- Salary of Rs. 500,000 per month along with furnished residential accommodation;
- Medical benefits for self and family;

- Leave travel concession for self and family once a year, as may be decided by the Board of Directors;
- Personal accident insurance of an amount the annual premium of which does not exceed Rs. 10,000;
- Company's contribution to Provident Fund as per the rules of the Company; and
- Gratuity not exceeding half a month salary for each completed year of service.

In addition, the shareholders have also given their approval for payment to Mr. Narendrakumar A. Baldota of commission of 1.5% of the net profits of the Company in respect of fiscal 2005.

Mr. Rahulkumar N. Baldota, Executive Director

Mr. Rahulkumar N. Baldota has been appointed as an Executive Director of our Company for a period of 5 years from April 1, 2005 by a resolution of our shareholders at an EGM held on March 12, 2005. The terms and conditions of his appointment with the Company are as follows:

- Salary of Rs. 450,000 per month along with furnished residential accommodation;
- Medical benefits for self and family;
- Leave travel concession for self and family once a year, as may be decided by the Board of Directors;
- Personal accident insurance of an amount the annual premium of which does not exceed Rs. 10,000;
- Company's contribution to Provident Fund as per the rules of the Company; and
- Gratuity not exceeding half a month salary for each completed year of service.

In addition, the shareholders have also given their approval for payment to Mr. Rahulkumar N. Baldota of commission of 1% of the net profits of the Company in respect of fiscal 2005.

Mr. Shrenikkumar N. Baldota, Executive Director

Mr. Shrenikkumar N. Baldota has been appointed as an Executive Director of our Company for a period of 5 years from April 1, 2005 by a resolution of our shareholders at an EGM held on March 12, 2005. The terms and conditions of his appointment with the Company are as follows:

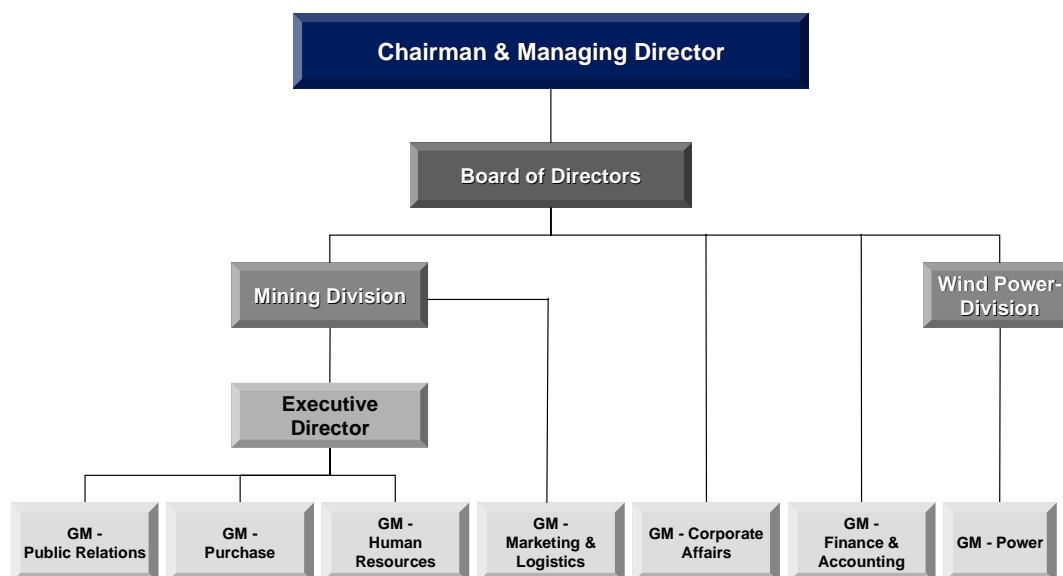
- Salary of Rs. 450,000 per month along with furnished residential accommodation;
- Medical benefits for self and family;
- Leave travel concession for self and family once a year, as may be decided by the Board of Directors;
- Personal accident insurance of an amount the annual premium of which does not exceed Rs. 10,000;
- Company's contribution to Provident Fund as per the rules of the Company; and
- Gratuity not exceeding half a month salary for each completed year of service.

In addition, the shareholders have also given their approval for payment to Mr. Shrenik N. Baldota of commission of 1% of the net profits of the Company in respect of fiscal 2005.

Changes in Our Board of Directors during the last three years

| Name | Date of Appointment | Date of Cessation | Reason |
|-------------------------|---------------------|--------------------|----------------------------------|
| Mr. S Gopinath | August 1, 2002 | September 30, 2004 | Resigned |
| Mr. Abheraj H. Baldota | October 18, 1961 | September 29, 2005 | Demise |
| Mrs. Vasanti A. Baldota | October 18, 1961 | October 25, 2005 | Resigned |
| Mr. M. Ravindra | November 1, 2005 | - | Appointed as Additional Director |
| Mr. Anirudha R. Barwe | January 4, 2006 | - | Appointed as Additional Director |

Managerial Organizational Structure



Key Managerial Personnel

The details regarding our key managerial personnel are as follows:

Mr. Meda Venkataiah, 60 years, is presently Executive Director (Mines) of our Company. He holds a degree in mining from the Osmania University. He is also an accredited Class I Mine Manager as certified by the Directorate of Mines Safety, Ministry of Labour, Government of India. He has experience of over 36 years in the field of mining. Prior to joining our Company in July 1982, he has worked for over ten years with Mysore Minerals Limited in various capacities. He has also worked for other iron ore mines in Hospet and Goa. He has received various awards and recognitions including the National Safety Award from the President of India in 1985, a gold medal from the Mining Engineers Association of India in 2001 and safety awards for more than 15 years from the Indian Bureau of Mines. He is also the President of the Mining Engineers Association of India and honorary secretary of the Mines Safety Association, Karnataka. During the last financial year, he was paid a gross compensation of Rs. 2.15 million.

Mr. G. V. S. B. Reddy, 40 years, is presently employed as General Manager (Corporate) in our Company. He holds a Bachelor of Commerce degree from the Andhra Pradesh Residential Degree College and has a MBA from Sri Venkateswara University, Tirupati. He has an experience of over 15 years in the field of corporate services. He joined our Company as Assistant General Manager (Corporate) in August 2002. Prior to that, he has worked as a Deputy General Manager with Mysore Cements Limited and as Executive (Finance and Accounts) with Lloyds Steel Industries. During the last financial year, he was paid a gross compensation of Rs. 0.96 million.

Mr. Kishore Kumar Kamiseti, 44 years, is General Manager (Marketing and Logistics) in our Company. He holds a Bachelor of Science degree from the College of Agriculture, Hyderabad. He is also a LLB from the ILS Law College, Pune and Masters Diploma in Business Administration from Institute of Management Development & Research, Pune. He has over 20 years experience in the field of marketing. Prior to joining our Company in July 2005, he worked as an Assistant General Manager in Nagarjuna Fertilisers and

Chemicals Limited and a Marketing Manager in Somkan Marine Foods Limited and has held various positions in Deepak Fertilisers and Petrochemicals Corporation Limited. During the last financial year, he was paid a gross compensation of Rs. 0.87 million.

Mr. S. Raghunathan, 48 years, is General Manager (Finance and Accounts) in MSPL. He joined MSPL in 2002 as Deputy General Manager (Finance and Accounts). He has a Bachelor of Commerce degree from Madras University and is a qualified chartered accountant from the Institute of Chartered Accountants of India. Prior to joining our Company in July 2002, he has worked as a Financial Controller in Webster Software Private Limited and as Manager (Accounts) in Cryovac India Private Limited. During the last financial year, he was paid a gross compensation of Rs. 1.32 million.

Mr. K. R. M. Reddy, 48 years, is General Manager (Public Relations) in our Company. He holds a Bachelor of Arts degree from Bangalore University, a Masters in Social Work from Bangalore University and a post graduate diploma in personnel management from Bharatiya Vidya Bhawan, Mumbai. He joined our Company as General Manager (Public Relations). Prior to joining our Company in April 2005, he worked as General Manager (Human Resource) at Bharat Earth Movers Limited and as Chief Manager in Hindustan Aeronautics Limited. He has over 22 years experience in the field of human resources and public relations. During the last financial year, he was paid a gross compensation of Rs. 0.70 million.

Mr. K. V. S. Subramanyam, 60 years, is General Manager (Power) in our Company. He holds a Bachelor of Science degree and a Bachelor of Engineering degree, both from the Andhra University. He joined our Company in October 2004 as General Manager (Power). He has over 33 years experience in the field of heavy engineering and Power Projects. Prior to joining our Company, he was working as Executive Director (Projects) in the Government of Karnataka. During the last financial year, he was paid a gross compensation of Rs. 0.35 million.

Mr. Arun Solomon, 55 years, is General Manager (Human Resource Development) in our Company. He holds a Bachelor of Arts degree from the University of Mysore and a Master of Arts degree from the Madras University with specialization in personnel management. He has over 32 years experience in the field of human resource training and development. Prior to joining our Company in May 2005, he worked as head of human resource at Cymbal Information Systems India and as General Manager (Human Resource) at Aalayance E-Com Services India. During the last financial year, he was paid a gross compensation of Rs. 0.74 million.

Mr. Virendra Agarwal, 43 years, General Manager-Audit, has a bachelor's and masters degree in commerce from Rajasthan University. He is a member of the Institute of Chartered Accountants of India. He has been associated with the Company since 2006 and is responsible for internal audit functions in the Company. Mr. Agarwal has more than 20 years of experience and has recently worked with Delta Steel Co., Nigeria as Head of Finance and Accounts. He has previously worked with Sunflag Iron and Steel Co. in various capacities including that of Manager, Finance and Accounts. During the last financial year, he was paid a gross compensation of Rs. 0.09 million.

Mr. Bhalachandra Shirolkar, 51 years, General Manager-Operation (Power), has a bachelor's degree in engineering from Karnataka University and a masters degree in business administration from Pune University. He has been associated with the Company since 2006 and is responsible for the operations of the wind power units of the Company. Mr. Shirolkar has more than 25 years of experience in the field of engineering and wind energy. He has previously worked in various capacities with the Indian Army, Finolx Cables Limited and Suzlon Engineers Limited. During the last financial year, he was paid a gross compensation of Rs. 0.11 million.

Mr. Shrikar Bhattbhatt, 51 years, Company Secretary, has a bachelor's and masters degree in commerce and a bachelor's degree in law from MS University, Baroda. He is a member of the Institute of Company Secretaries of India. He has been associated with the Company since 2006 and is responsible for secretarial functions of the Company. Mr. Bhattbhatt has more than 27 years of experience and has recently worked with Torrent Power AEC Ltd as Company Secretary. He has also served with Jyoti Ltd., Narmada Aluminium Extrusion Ltd., Neeka Tubes Limited and Jyoti Marketing and Projects Ltd. as Company Secretary. During the last financial year, he was paid a gross compensation of Rs. 0.13 million.

All our key managerial personnel are permanent employees of our Company.

Shareholding of the key managerial personnel

| Name of Key Managerial Personnel | Number of Equity Shares held |
|----------------------------------|------------------------------|
| Mr. M. Venkataiah | 2,000 |
| Mr. G.V.S.B.Reddy | 200 |
| Mr. Kishore Kumar Kamiseti | 200 |
| Mr. K.V.S. Subrahmanyam | 200 |
| Mr. K.R. M. Reddy | 200 |
| Mr. S.Raghunathan | 40 |
| Mr. Arun Solomon | 40 |

Bonus or profit sharing plan of the key managerial personnel

There is no bonus or profit sharing plan for our Key Managerial Employees.

Interest of Key Managerial Personnel




The key managerial 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, or to the extent of their shareholding in our Company.

Changes in the Key Managerial Personnel

The following are the changes in our key managerial personnel in the last three years up to the date of filing this Draft Red Herring Prospectus.

| Name | Date Of Appointment | Date Of Cessation | Reason |
|----------------------------|---------------------|-------------------|-------------|
| Mr. S Rangarajan | March 13, 1999 | March 31, 2004 | Resigned |
| Mr. S S Varma | August 12, 2000 | June 15, 2005 | Resigned |
| Mr. Manoj K. Aggarwal | February 1, 2001 | February 24, 2006 | Resigned |
| Mr. K.V.S.Subramanyam | October 16, 2004 | - | Appointment |
| Mr. K.R.M.Reddy | April 28, 2005 | - | Appointment |
| Mr. Arun Solomon | May 12, 2005 | - | Appointment |
| Mr. Kishore Kumar Kamiseti | July 12, 2005 | - | Appointment |
| Mr.Bhalachandra Shirolkar | February 10, 2006 | - | Appointment |
| Mr. Virendra Agarwal | February 14, 2006 | - | Appointment |
| Mr. A. T. Shyamsundar | July 1, 2004 | May 15, 2006 | Resigned |
| Mr. Srikar Bhatbhatt | February 17, 2006 | - | Appointment |

OUR PROMOTERS

| | |
|--|---|
|  | <p>Mr. Narendrakumar A. Baldota</p> <p>See the section titled “Our Management” on page 124 for further details.</p> <p>His voter ID is KT/04/034/264214 and his driving license is 152876.</p> |
|  | <p>Mr. Rahulkumar N. Baldota</p> <p>See the section titled “Our Management” on page 124 for further details.</p> <p>His voter ID is KT/04/034/264216 and his driving license is 86/D/5217.</p> |
|  | <p>Mr. Shrenikkumar N. Baldota</p> <p>See the section titled “Our Management” on page 124 for further details.</p> <p>His voter ID is KT/04/034/264318 and his driving license is 857/92/93.</p> |

We confirm that the Permanent Account Number, Bank Account Number and Passport Number of our Promoters have been submitted to the BSE and NSE at the time of filing this Draft Red Herring Prospectus with them.

Our Promoters have given personal guarantees in case of working capital loans and term loans taken by MSPL. For details, please refer “Management Discussion and Analysis of Financial Condition and Results of Operations of Restated Financial Statements under Indian Gaap – Review of Assets and Liabilities – Secured Loans and Unsecured Loans – Long-term Debt” on page 240.

Similarly for RMMPL, our Promoters have given personal guarantees as one of the collateral securities to the State Bank of India in respect of working capital loans and term loans, with limit of Rs. 143.80 million. The primary security for these loans comprises of items financed such as stocks, receivables, mining equipments and wind mills.

Similarly for R. S. Enterprises, certain of our Promoters have given personal guarantees as one of the collateral security for the cash credit of Rs. 3 million taken from the State Bank of India.

Promoter Group

Relatives of the Promoter that form part of the Promoter Group under Clause 6.8.3.2(m) of the SEBI Guidelines

| Name of the Person | Relationship |
|-------------------------|---------------------------------------|
| Mrs. Vasanti A. Baldota | Mother of Mr. Narendrakumar A Baldota |
| Mrs. Chitra N. Baldota | Wife of Mr. Narendrakumar A Baldota |
| Mrs. Lavina R. Baldota | Wife of Mr. Rahulkumar N. Baldota |
| Mrs. Rashmi S. Baldota | Wife of Mr. Shrenikkumar N. Baldota |

| Name of the Person | Relationship |
|---------------------------|--------------------------------------|
| Miss Vaamaa R. Baldota | Daughter of Mr. Rahulkumar N Baldota |
| Miss Veda R. Baldota | Daughter of Mr. Rahulkumar N Baldota |
| Mr. Jyothirmay R. Baldota | Son of Mr. Rahulkumar N Baldota |
| Mr. Karmaditya S. Baldota | Son of Mr. Shrenikkumar N Baldota |

Companies promoted by our Promoters under Clause 6.8.3.2(m) of the SEBI Guidelines

All entities forming part of the Promoter Group Companies are either controlled by the persons stated as 'Promoters' or certain persons categorized as 'Promoter Group' in this Red Herring Prospectus. None of the persons in control of the entities forming part of the Promoter Group Companies have been restrained from accessing the capital markets for any reason by SEBI or any other authority.

Ramgad Minerals and Mining Private Limited

The company was incorporated under the Companies Act on August 29, 1978 and has its registered office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is involved in the mining of iron ore and the generation of wind power.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------|------------------------------|-----------------------|----------------------------|
| 1 | Mrs. Vasanti A. Baldota | 10,000 | 25.0 |
| 2 | Mr. Narendrakumar A. Baldota | 19,800 | 49.5 |
| 3 | Mrs. Lavina R. Baldota | 200 | 0.5 |
| 4 | Mr. Shrenikkumar N. Baldota | 10,000 | 25.0 |
| | Total | 40,000 | 100.00 |

Directors as on May 15, 2006

The Board of Directors of RMMPL comprises of Mr. Narendrakumar A. Baldota, Mr. Shrenikkumar N. Baldota, Mrs. Vasanti A Baldota and Mrs. Lavina R Baldota.

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|---|----------------|----------------|----------------|
| Total Revenue | 2,454.35 | 493.95 | 72.87 |
| Profit/Loss after tax | 414.52 | 160.88 | 5.28 |
| Share Capital | 4.0 | 4.0 | 4.0 |
| Reserves and Surplus (excluding revaluation reserves) | 491.59 | 167.53 | 29.21 |
| Earning Per Share (Rs.) | 10,362.95 | 4,022.05 | 132.06 |
| Book Value per share (Rs.) | 12,389.82 | 4,288.25 | 830.26 |

Vijayanagar Industrial Credits Limited

The company was incorporated under the Companies Act on September 16, 1992 and has its registered office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is involved in the business of trading and investment in securities.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------|------------------------------|-----------------------|----------------------------|
| 1. | Mr. Narendrakumar A. Baldota | 191,900 | 12.81 |
| 2. | Mr. Rahulkumar N. Baldota | 548,195 | 36.60 |
| 3. | Mr. Shrenikkumar N. Baldota | 548,395 | 36.61 |

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------|-----------------------------|-----------------------|----------------------------|
| 4. | MSPL Limited | 3,100 | 0.21 |
| 5. | RMMPL | 102,100 | 6.81 |
| 6. | VOCL | 102,100 | 6.81 |
| 7. | Mrs. Vasanti A. Baldota | 1,900 | 0.13 |
| 8. | Mrs. Lavina R. Baldota | 200 | 0.01 |
| 9. | Narendrakumar A Baldota HUF | 100 | 0.01 |
| | Total | 1,497,990 | 100.00 |

Directors as on May 15, 2006

The Board of Directors of Vijayanagar Industrial Credits Limited comprises of Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Financial Performance

| For the period ended | <i>(Rs. in millions)</i> | | |
|---|--------------------------|----------------|---------------------------------------|
| | March 31, 2005 | March 31, 2004 | 18 month period ending March 31, 2003 |
| Total Revenue | 25.42 | 59.72 | 19.56 |
| Profit/Loss after tax | 4.34 | 8.87 | 1.70 |
| Share Capital | 14.98 | 14.98 | 14.98 |
| Reserves and Surplus (excluding revaluation reserves) | 3.65 | (0.69) | (9.57) |
| Earning Per Share (Rs.) | 2.90 | 5.92 | 1.13 |
| Book Value per share (Rs.) | 12.44 | 9.54 | 3.61 |

Vijaya Oxygen Company Limited

The company was incorporated under the Companies Act on August 28, 1975 and has its registered office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is involved in the manufacture and sale of industrial gases.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------|------------------------------|-----------------------|----------------------------|
| 1. | RMMPL | 3,539,940 | 100.00 |
| 2. | Mr. Narendrakumar A. Baldota | 10 | 0.00 |
| 3. | Mrs. Chitradevi N. Baldota | 10 | 0.00 |
| 4. | Mr. Rahulkumar N. Baldota | 10 | 0.00 |
| 5. | Mrs. Lavina R. Baldota | 10 | 0.00 |
| 6. | Mr. Shrenikkumar N. Baldota | 10 | 0.00 |
| 7. | Mrs. Rashmi S. Baldota | 10 | 0.00 |
| | Total | 3,540,000 | 100.00 |

Directors as on May 15, 2006

The Board of Directors of VOCL comprises of Mrs. Vasanti A Baldota, Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Financial Performance

| For the period ended | <i>(Rs.)</i> | | |
|-----------------------|----------------|----------------|---------------------------------------|
| | March 31, 2005 | March 31, 2004 | 18 month period ending March 31, 2003 |
| Total Revenue | 243,448 | 167,642 | 155,056 |
| Profit/Loss after tax | (38,730) | 9,845 | (154,066) |
| Share Capital | 35,400,000 | 35,400,000 | 35,400,000 |

| | | | |
|---|--------|--------|--------|
| Reserves and Surplus (excluding revaluation reserves) | 2,706 | 41,436 | 31,591 |
| Earning Per Share | (0.01) | 0.00 | (0.04) |
| Book Value per share | 10.00 | 10.01 | 10.01 |

Baldota Brothers Private Limited

The company was incorporated under the Companies Act on August 6, 1962 and has its registered office at Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020. It is involved in leasing out its properties and earning rentals on the same.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------|--------------------------|--------------------------|-------------------------------|
| 1. | Mrs. Madhuri Baldota | 14 | 14.00 |
| 2. | Mr. R H Baldota | 13 | 13.00 |
| 3. | Mr. Champaklal Lalwani | 13 | 13.00 |
| 4. | Mr. G R Baldota | 12 | 12.00 |
| 5. | Mrs. Kantabai Baldota | 12 | 12.00 |
| 6. | Mr. Rambhakunwar Lalwani | 12 | 12.00 |
| 7. | Mrs. Vasanti A. Baldota | 12 | 12.00 |
| 8. | Mrs. Chitra N. Baldota | 12 | 12.00 |
| | Total | 100 | 100.00 |

Directors as on May 15, 2006

The Board of Directors of Baldota Brothers Private Limited comprises of Mrs. Madhuri Baldota and Mrs. Deena Baldota.

Financial Performance

| For the period ended | (Rs.) | | |
|---|-------------------|-------------------|-------------------|
| | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Total Revenue | 4,224 | 4,576 | 14,784 |
| Profit/Loss after tax | (19,265) | (28,193) | (34,943) |
| Share Capital | 100,000 | 100,000 | 100,000 |
| Reserves and Surplus (excluding revaluation reserves) | (919,296) | (900,031) | (871,838) |
| Earning Per Share (Rs.) | (192.65) | (281.93) | (349.43) |
| Book Value per share (Rs.) | (8,192.96) | (8,000.31) | (7,718.38) |

AARESS Iron and Steel Limited

The company was incorporated under the Companies Act on December 8, 2005 and has its registered office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is engaged in the business of establishing, constructing, operating and maintaining facilities for iron ore pellets, pig iron, sponge iron, and steel.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------|------------------------------|--------------------------|-------------------------------|
| 1. | Mrs. Vasanti A. Baldota | 10,000 | 10.00 |
| 2. | Mr. Narendrakumar A. Baldota | 10,000 | 10.00 |
| 3. | Mr. Rahul Kumar N. Baldota | 10,000 | 10.00 |
| 4. | Mr. Shrenikkumar N. Baldota | 40,000 | 40.00 |
| 5. | Mrs. Chitra N. Baldota | 10,000 | 10.00 |
| 6. | Mrs. Lavina R. Baldota | 10,000 | 10.00 |

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------------|-------------------------|-----------------------|----------------------------|
| 7. | Mrs. Rashmi S. Baldota | 10,000 | 10.00 |
| Total | | 100,000 | 100.00 |

Directors as on May 15, 2006

The Board of Directors of AARESS Iron and Steel Limited comprises of Mr. Narendrakumar A. Baldota, Mr. Rahul Kumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Financial Performance

The financial statements of the company have not been prepared as the company was incorporated in December 2005.

MSPL Gases Limited

The company was incorporated under the Companies Act on January 3, 2006 and has its registered office at Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020. It is engaged in the business of manufacture and production of industrial gases.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------------|------------------------------|-----------------------|----------------------------|
| 1. | Mrs. Vasanti A. Baldota | 5,000 | 10.00 |
| 2. | Mr. Narendrakumar A. Baldota | 10,000 | 20.00 |
| 3. | Mr. Rahul Kumar N. Baldota | 10,000 | 20.00 |
| 4. | Mr. Shrenikkumar N. Baldota | 10,000 | 20.00 |
| 5. | Mrs. Chitra N. Baldota | 5,000 | 10.00 |
| 6. | Mrs. Lavina R. Baldota | 5,000 | 10.00 |
| 7. | Mrs. Rashmi S. Baldota | 5,000 | 10.00 |
| Total | | 50,000 | 100.00 |

Directors as on May 15, 2006

The Board of Directors of MSPL Gases Limited comprises of Mr. Narendrakumar A. Baldota, Mr. Rahul Kumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Financial Performance

The financial statements of the company have not been prepared as the company was incorporated in January 2006.

Good Earth Chemicals Private Limited

The company was incorporated under the Companies Act on February 23, 2006 and has its registered office at Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020. It is engaged in the business of setting up manufacturing facilities, research & development facilities, and patents and other chemical related business.

Shareholding Pattern as on May 15, 2006

| S. No. | Name of the shareholder | Number of shares held | Percentage of shareholding |
|--------------|------------------------------|-----------------------|----------------------------|
| 1. | Mr. Narendrakumar A. Baldota | 4,000 | 40.00 |
| 2. | Mr. Rahul Kumar N. Baldota | 3,000 | 30.00 |
| 3. | Mr. Shrenikkumar N. Baldota | 3,000 | 30.00 |
| Total | | 10,000 | 100.00 |

Directors as on May 26, 2006

The Board of Directors of Good Earth Chemicals Private Limited comprises of Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Financial Performance

The financial statements of the company have not been prepared as the company was incorporated in February 2006.

P Venganna Setty & Brother

P Venganna Setty & Brother is a partnership firm incorporated on April 1, 1999 and has its principal office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is engaged in the business of mining and export of processed iron ore and generation and sale of wind power. PVS has the mining leases for two mines, namely, PIOM and Ravi Mines, which is a non-operational mine. In terms of the partnership agreement in the event that Ravi Mines is disposed, the other partners would have to retire from the partnership firm.

Partners as on May 15, 2006

The partners of P Venganna Setty & Brother are P.G. Nagabhushan HUF, P.G. Chandrasekhar HUF, P.G. Shivashankar HUF, P.G. Ravindranath HUF, P.N. Shashidhar HUF, MSPL Limited and Mr. Shrenikkumar N. Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|-----------------------------|---------------|
| 1. | P.G. Nagabhushan HUF | 2.00% |
| 2. | P.G. Chandrasekhar HUF | 2.00% |
| 3. | P.G. Shivashankar HUF | 2.00% |
| 4. | P.G. Ravindranath HUF | 2.00% |
| 5. | P.N. Shashidhar HUF | 2.00% |
| 6. | MSPL Limited | 88.00% |
| 7. | Mr. Shrenikkumar N. Baldota | 2.00% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2006 | March 31, 2005 | March 31, 2004 |
|--------------------------|-------------------|-------------------|-------------------|
| Total Revenue | 467.18 | 217.87 | - |
| Profit/Loss before tax | 211.61 | 124.57 | - |
| Partners Capital Account | 600.48 | 206.12 | 37.34 |

MSPL Exports

MSPL Exports is a partnership firm incorporated on January 15, 2004 and has its principal office at Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020. It is engaged in the processing and export of iron ore.

Partners as on May 15, 2006

The partners of MSPL Exports are Narendrakumar A. Baldota HUF, Mrs. Vasanti A. Baldota, Mr. Narendrakumar A. Baldota, Mr. Rahulkumar N. Baldota, Mr. Shrenikkumar N. Baldota, Mrs. Chitra N. Baldota, Mrs. Lavina R. Baldota and Mrs. Rashmi S. Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|------------------------------|---------------|
| 1. | Narendrakumar A. Baldota HUF | 12.50% |
| 2. | Vasanti A. Baldota | 12.50% |

| S. No. | Name of Partner | Sharing Ratio |
|--------|--------------------------|---------------|
| 3. | Narendrakumar A. Baldota | 12.50% |
| 4. | Rahulkumar N. Baldota | 12.50% |
| 5. | Shrenikkumar N. Baldota | 12.50% |
| 6. | Chitra N. Baldota | 12.50% |
| 7. | Lavina R. Baldota | 12.50% |
| 8. | Rashmi S. Baldota | 12.50% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2006 | March 31, 2005 | March 31, 2004 |
|--------------------------|-------------------|-------------------|-------------------|
| Total Revenue | 1,823.24 | - | - |
| Profit/Loss before tax | 549.11 | - | - |
| Partners Capital Account | 431.87 | 126.65 | 0.81 |

R. S. Enterprises

R. S. Enterprises is a partnership firm incorporated on April 1, 2000 and has its principal office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is engaged in the manufacture and sale of industrial gases.

Partners as on May 15, 2006

The partners of R. S. Enterprises are Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|-----------------------------|---------------|
| 1. | Mr. Rahulkumar N. Baldota | 50.00% |
| 2. | Mr. Shrenikkumar N. Baldota | 50.00% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|--------------------------|-------------------|-------------------|-------------------|
| Total Revenue | 23.43 | 24.05 | 21.61 |
| Profit/Loss before tax | 0.37 | 1.47 | 2.28 |
| Partners Capital Account | 7.15 | 13.12 | 6.64 |

L. R. Industries

L. R. Industries is a partnership firm incorporated on August 23, 1997 and has its principal office at Desai Building, Lingapur, Munirabad 583 234, Karnataka. It is engaged in the manufacture and sale of industrial gases.

Partners as on May 15, 2006

The partners of L.R. Industries are Mrs. Lavina R. Baldota and Mrs. Rashmi S. Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|------------------------|---------------|
| 1. | Mrs. Lavina R. Baldota | 50.00% |
| 2. | Mrs. Rashmi S. Baldota | 50.00% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|--------------------------|-------------------|-------------------|-------------------|
| Total Revenue | - | 0.60 | 1.82 |
| Profit/Loss before tax | (0.18) | (0.19) | 0.02 |
| Partners Capital Account | 1.17 | 3.36 | 0.50 |

Baldota Brothers

Baldota Brothers is a partnership firm incorporated on June 14, 1990 and has its principal office at Baldota Bhavan, 117, Maharshi Karve Road, Mumbai 400 020. It is engaged in dealing in ferrous and non-ferrous metals and acting as commission agents and manufacturer's representatives.

Partners as on May 15, 2006

The partners of Baldota Brothers are Narendrakumar A. Baldota HUF, Mr. Narendrakumar A. Baldota, Mr. Pramod Ratanchand Baldota and Mr. Subhash Ratanchand Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|--------------------------------|---------------|
| 1. | Narendrakumar A. Baldota HUF | 25.00% |
| 2. | Mr. Narendrakumar A. Baldota | 25.00% |
| 3. | Mr. Pramod Ratanchand Baldota | 25.00% |
| 4. | Mr. Subhash Ratanchand Baldota | 25.00% |

Financial Performance

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|--------------------------|-------------------|-------------------|-------------------|
| | | | (Rs.) |
| Total Revenue (Rs.) | 64,125 | 65,565 | 56,900 |
| Profit/Loss before tax | (711,719) | (247,066) | (464,709) |
| Partners Capital Account | (16,939,889) | (15,777,819) | (15,532,848) |

Ratanhira Associates

Ratanhira Associates is a partnership firm incorporated on March 28, 1998 and has its principal office at 195, Narendra Bhavan, Station Road, Wadala, Mumbai 400 031. It is mainly engaged in dealing in ferrous and non-ferrous metals.

Partners as on May 15, 2006

The partners of Ratanhira Associates are Mrs. Chitra N. Baldota, Mrs. Lavina R. Baldota, Mrs. Rashmi S. Baldota, Mrs. Dina Pramod Baldota, Mrs. Ruchi Sandeep Baldota, Mr. Rushabh Pramod Baldota, Mrs. Veena Subhash Baldota and Mr. Yashesh Subhash Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|-----------------------------|---------------|
| 1. | Mrs. Chitra N. Baldota | 6.00% |
| 2. | Mrs. Lavina R. Baldota | 22.00% |
| 3. | Mrs. Rashmi S. Baldota | 22.00% |
| 4. | Mrs. Dina Pramod Baldota | 9.00% |
| 5. | Mrs. Ruchi Sandeep Baldota | 8.00% |
| 6. | Mr. Rushabh Pramod Baldota | 8.00% |
| 7. | Mrs. Veena Subhash Baldota | 12.50% |
| 8. | Mr. Yashesh Subhash Baldota | 12.50% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|--------------------------|-------------------|-------------------|-------------------|
| Total Revenue | 7.51 | 6.38 | 6.01 |
| Profit/Loss before tax | 5.15 | 4.02 | 1.94 |
| Partners Capital Account | 0.28 | (2.77) | (5.49) |

Yashodhan Enterprises

Yashodhan Enterprises is a partnership firm incorporated on June 14, 1990 and has its principal office at 194, Narendra Bhavan, Station Road, Wadala, Mumbai 400 031. It is mainly engaged in dealing in ferrous and non-ferrous metals.

Partners as on May 15, 2006

The partners of Yashodhan Enterprises are as Mr. Shrenikkumar N. Baldota, Mrs. Lavina R. Baldota, Mrs. Dina Pramod Baldota, Mrs. Veena Subhash Baldota, Mr. Sandeep Pramod Baldota, Mr. Rushubh Pramod Baldota and Mr. Yashesh Subhash Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|-----------------------------|---------------|
| 1. | Mr. Shrenikkumar N. Baldota | 10.00% |
| 2. | Mrs. Lavina R. Baldota | 40.00% |
| 3. | Mrs. Dina Pramod Baldota | 9.00% |
| 4. | Mrs. Veena Subhash Baldota | 12.50% |
| 5. | Mr. Sandeep Pramod Baldota | 8.00% |
| 6. | Mr. Rushubh Pramod Baldota | 8.00% |
| 7. | Mr. Yashesh Subhash Baldota | 12.50% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|--------------------------|-------------------|-------------------|-------------------|
| Total Revenue | 1.32 | 1.32 | 1.28 |
| Profit/Loss before tax | 0.84 | 0.94 | 0.90 |
| Partners Capital Account | 7.89 | 7.05 | 6.11 |

Siddarameswara Mining Company

Siddarameswara Mining Company is a partnership firm incorporated on April 1, 1993 and has its principal office at Sandur. It is mainly engaged in dealing in ferrous and non-ferrous metals. Narendrakumar Baldota HUF, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota acquired a stake in the partnership by an instrument of partnership dated April 25, 2000.

Partners as on May 15, 2006

The partners of Siddarameswara Mining Company are Mr. Ankamnal Shivappa, Mr. Ankamnal Chenna Basappa, Mr. Ankamnal Siddalingesh, Narendrakumar Baldota HUF, Mr. Rahulkumar N. Baldota and Mr. Shrenikkumar N. Baldota.

Capital and Profit Sharing Ratio as on May 15, 2006

| S. No. | Name of Partner | Sharing Ratio |
|--------|-----------------------------|---------------|
| 1. | Mr. Ankamnal Shivappa | 3% |
| 2. | Mr. Ankamnal Chenna Basappa | 2% |

| S. No. | Name of Partner | Sharing Ratio |
|--------|-----------------------------|---------------|
| 3. | Mr. Ankamnal Siddalingesh | 2% |
| 4. | Narendrakumar Baldota HUF | 31% |
| 5. | Mr. Rahulkumar N. Baldota | 31% |
| 6. | Mr. Shrenikkumar N. Baldota | 31% |

Financial Performance

The financial performance of the partnership is not available.

Mahalakshmi Gases

Mahalakshmi Gases is a proprietary concern of Mrs. Chitra N. Baldota that was incorporated on October 10, 2001 and has its principal office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is mainly engaged in the manufacture and sale of industrial gases.

Financial Performance

| For the period ended | (Rs. in millions) | | |
|------------------------------|-------------------|-------------------|-------------------|
| | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Total Revenue | 20.13 | 17.81 | 6.21 |
| Profit/Loss before tax | (0.76) | 0.92 | (1.21) |
| Proprietor's Capital Account | 9.09 | 8.70 | 16.35 |

Mahakali Gases

Mahakali Gases is a proprietary concern of Mrs. Rashmi S. Baldota that was incorporated on April 15, 2003 and has its principal office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is mainly engaged in the manufacture and sale of industrial gases.

Financial Performance

| For the period ended | (Rs. in millions) | | |
|------------------------------|-------------------|-------------------|-------------------|
| | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Total Revenue | 5.01 | - | - |
| Profit/Loss before tax | (1.31) | - | - |
| Proprietor's Capital Account | 7.31 | 5.02 | - |

Vijayanagar Trading Company

Vijayanagar Trading Company is a proprietary concern of Mrs. Chitra N. Baldota and has its principal office at Nehru Co-operative Colony, Hospet 583 203, Karnataka. It is mainly engaged in the production and sale of industrial gases.

Financial Performance

| For the period ended | (Rs. in millions) | | |
|------------------------------|-------------------|-------------------|-------------------|
| | March 31, 2005 | March 31, 2004 | March 31, 2003 |
| Total Revenue | 1.44 | 1.66 | 2.36 |
| Profit/Loss before tax | 0.94 | 0.50 | 0.61 |
| Proprietor's Capital Account | 25.01 | 25.57 | 22.81 |

Vasant Farm

Vasant Farm is a proprietary concern of Mrs. Vasanti A. Baldota. It is mainly engaged in agricultural activities.

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|------------------------------|-------------------|-------------------|-------------------|
| Total Revenue | 0.64 | 1.01 | 0.94 |
| Profit/Loss before tax (Rs.) | 34,119 | 215,864 | 277,411 |
| Proprietor's Capital Account | 37.04 | 15.08 | 8.70 |

Rahul Associates

Rahul Associates is a private trust settled under the Indian Trusts Act, 1881 and it was incorporated on June 5, 1981. Its income is mainly on account of the rent that it receives from its different properties.

Board of Trustees as on May 15, 2006

The trustees of Rahul Associates comprises of Mrs. Vasanti A. Baldota and Mrs. Gulabbai R. Baldota.

Beneficiaries as on May 15, 2006

| S. No. | Name of Beneficiary | Interest |
|--------|------------------------------|----------|
| 1. | Mr. Rahulkumar N. Baldota | 25.00% |
| 2. | Mr. Shrenikkumar N. Baldota | 25.00% |
| 3. | Mr. Sandeep Pramod Baldota | 10.00% |
| 4. | Mr. Rusbabh Pramod Baldota | 10.00% |
| 5. | Mrs. Priyanka Pramod Baldota | 5.00% |
| 6. | Mrs. Vina Subhash Baldota | 15.00% |
| 7. | Mrs. Payal Subhash Baldota | 10.00% |

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|----------------------|-------------------|-------------------|-------------------|
| Gross Receipts | 1.48 | 1.46 | 1.41 |
| Surplus Income | 0.95 | 1.20 | 1.15 |
| Capital Fund | 14.08 | 13.13 | 11.93 |

Abheraj Baldota Foundation

Abheraj Baldota Foundation is a public charitable trust and it was incorporated on July 30, 1976.

Board of Trustees as on May 15, 2006

The trustees of Abheraj Baldota Foundation comprise Mrs. Vasanti A. Baldota, Mr. Narendrakumar A. Baldota and Mrs. Chitra N. Baldota.

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|----------------------|-------------------|-------------------|-------------------|
| Gross Receipts | 15.77 | 4.05 | 2.28 |
| Surplus Income | 3.97 | 2.05 | 1.03 |
| Capital Fund | 16.98 | 4.37 | 2.32 |

Narendrakumar A. Baldota HUF

Narendrakumar A. Baldota HUF is a Hindu Undivided Family, represented by its karta Narendrakumar A. Baldota.

Financial Performance

(Rs. in millions)

| For the period ended | March 31, 2005 | March 31, 2004 | March 31, 2003 |
|-----------------------------|---------------------------|---------------------------|---------------------------|
| Total Revenue | 0.82 | 1.01 | 3.09 |
| Profit/Loss before tax | 0.29 | 0.00 | 0.58 |
| Capital Account | 4.26 | 4.24 | 4.51 |

Disassociation by the Promoter in the last three years

There has been no disassociation by our Promoters in the last three years.

RELATED PARTY TRANSACTIONS

List of Related Parties and Relationships

| Party | Relationship |
|---|---|
| • A Vijaya Oxygen Company Limited | Subsidiary (Upto September 27, 2005) |
| • B M/s P. Venganna Setty & Brother | Partnership Firm in which the Company is a major partner. |
| • <u>Key Management Personnel (KMP)</u> | |
| Shri Abheraj H. Baldota | Chairman (Upto September 29, 2005) |
| Shri Narendrakumar A. Baldota | Managing Director (Upto September 8, 2005) |
| | Jt. Managing Director (Upto September 8, '05) |
| | Managing Director (From September 9, 2005) |
| Shri Rahul Kumar N. Baldota | Chairman (From October 7, '05) |
| Shri Shrenik Kumar N. Baldota | Executive Director |
| Shri S. Gopinath | Executive Director |
| | Finance Director (Upto September 30, 2004) |
| • <u>Relatives of Key Management Personnel KMP</u> | |
| Smt. Vasanti A. Baldota | Wife of Shri Abheraj H. Baldota |
| Smt. Chitra N. Baldota | Wife of Shri Narendrakumar A. Baldota |
| Smt. Lavina R Baldota | Wife of Shri Rahul Kumar N. Baldota |
| Smt. Rashmi S. Baldota | Wife of Shri Shrenik Kumar N. Baldota |
| • <u>Enterprises over which Key Management Personnel (KMP) have Significant Influence</u> | |
| Narendrakumar A. Baldota – HUF | KMP are Members of HUF |
| Ramgad Minerals & Mining Pvt Limited(RMMPL) | |
| M/s R S Enterprises – Partnership Firm | |
| M/s MSPL Exports – Partnership Firm | |
| Vijaynagar Industrial Credits Ltd. | |
| MSPL Gases Limited | |
| Good Earth Chemicals Private Limited | |
| • <u>Enterprises over which Relatives of KMP have significant influence</u> | |
| Mahakali Gases | Proprietary concern of Smt. Rashmi S. Baldota |

| Party | Relationship |
|--------------------------------|--|
| Mahalakshmi Gases | Proprietary concern of Smt. Chitra N.Baldota. |
| L R Industries | Partnership firm in which wives of KMP are partners. |
| Vijaynagar Trading Corporation | Proprietary concern of Smt. Chitra N.Baldota. |

Notes:

- 1) Disclosures have been made for items of income or expenditure between entities in the Promoter Group and the Company when the amount of such income or expenditure exceeds in aggregate 10 % of the total value of that income or expenditure.
- 2) The disclosures of certain transactions and balances with related parties till the financial year ended March 31, 2004 have been revised to disclose the appropriate amount of transactions and balances and verified only by S. B. Chhajer & Co. Chartered Accountants, since the financial statements for those years have been audited only by them.

Related Party Transactions and Outstanding Balances as on March 31, 2006

(Rs. in Millions)

| Nature Of Transaction | Subsidiary Company & Partnership firm | Key Management Personnel (KMP) | Relatives of KMP | Entity where KMP have significant Influence | Enterprises where relatives of KMP have significant Influence |
|------------------------------|---------------------------------------|--------------------------------|------------------|---|---|
| Purchase of Goods | | | | | |
| RMMPL | | | | - | 209.90 |
| P Venganna Shetty & Bros | 63.63 | | | | - |
| Other | | | | - | 10.82 |
| Total | 63.63 | - | - | 220.72 | 13.71 |
| Sale of Goods | | | | | |
| RMMPL | | | | - | 74.43 |
| MSPL Exports | | | | - | 239.26 |
| Other | 10.23 | | | - | 1.94 |
| Total | 10.23 | - | - | 313.69 | 1.94 |
| Receiving of Services | | | | | |
| Vijay Nagar Trading Company | - | | | | |
| N A Baldota (HUF) | - | | - | 0.15 | 0.60 |
| Other | - | | 0.05 | | 0.01 |
| Total | - | - | 0.05 | 0.15 | 0.61 |
| Rendering of Services | | | | | |
| R S Enterprises | - | | | 1.67 | - |
| Others | | | | | 0.05 |
| Total | - | - | - | 1.67 | 0.05 |
| Loan Repaid | | | | | |
| Vijaya Oxygen Company Ltd | 3.32 | | | - | - |
| Total | 3.32 | - | - | - | - |

| Nature Of Transaction | Subsidiary Company & Partnership firm | Key Management Personnel (KMP) | Relatives of KMP | Entity where KMP have significant Influence | Enterprises where relatives of KMP have significant Influence |
|--|---------------------------------------|--------------------------------|------------------|---|---|
| Finance Received | | | | | |
| Shrenik Kumar N. Baldota | - | 80.00 | - | - | - |
| N.A.Baldota | | 42.50 | | | |
| Rahul Baldota | - | 125.00 | - | - | - |
| Vasanti A. Baldota | | | 50.00 | | |
| Lavina R.Baldota | | | 54.90 | | |
| Total | - | 247.50 | 104.90 | - | - |
| Finance Provided to Firm | | | | | |
| P Venganna Shetty & Bros | 234.94 | - | - | - | - |
| Total | 234.94 | - | - | - | - |
| Share of Profit from Firm | | | | | |
| P Venganna Shetty & Bros | 162.22 | - | - | - | - |
| Total | 162.22 | - | - | - | - |
| Advance Consideration paid for purchase of division | | | | | |
| MSPL Export | | | - | 260.00 | |
| Total | - | - | - | 260.00 | - |
| Advance Consideration Received for sale of division | | | | | |
| MSPL Gases Ltd | | | | 200.00 | |
| Good Earth Chemicals Pvt. Ltd. | | | | 1.00 | |
| Total | - | - | - | 201.00 | - |
| Sale of Shares | | | | | |
| RMMPL | | | - | 35.40 | |
| Total | - | - | - | 35.40 | - |
| Dividend Paid | | | | | |
| Narendrakumar A. Baldota | | 86.36 | - | - | |
| Rahul Kumar N. Baldota | | 185.22 | - | - | |
| Shrenik Kumar N. Baldota | | 291.36 | - | - | |
| Lavina R. Baldota | | - | 91.87 | - | |
| Others | | 3.10 | 64.37 | 12.71 | |
| Total | - | 566.04 | 156.25 | 12.71 | - |
| Remuneration Paid | | | | | |
| Abheraj H. Baldota | | 6.56 | - | - | |
| Narendrakumar A. Baldota | | 6.72 | - | - | |
| Rahul Kumar N. Baldota | | 6.05 | - | - | |
| Shrenik Kumar N. Baldota | | 6.05 | - | - | |

| Nature Of Transaction | Subsidiary Company & Partnership firm | Key Management Personnel (KMP) | Relatives of KMP | Entity where KMP have significant Influence | Enterprises where relatives of KMP have significant Influence |
|--|--|---------------------------------------|-------------------------|--|--|
| Total | - | 25.38 | - | - | - |
| Credit Balance Outstanding (Including loan balance) | | | | | |
| RMMPL | | - | | 96.85 | |
| Lavina R. Baldota | | | 68.34 | | |
| Rahul Kumar N. Baldota | | 127.25 | - | | |
| Shrenik Kumar N. Baldota | | 114.25 | - | | |
| Others | 0.49 | 47.43 | 50.50 | 6.65 | 0.53 |
| Total | 0.49 | 288.93 | 118.84 | 103.50 | 0.53 |
| Debit Balance Outstanding | | | | | |
| Lavina R. Baldota | | - | | | |
| Mahalakshmi Gases | | - | | | 0.93 |
| R.S.Enterprise | | - | | 1.31 | |
| Vijaynagar Trading Company | | - | | | 1.51 |
| Others | | 0.16 | | 0.38 | |
| Total | - | 0.16 | - | 1.69 | 2.44 |
| Guarantee Outstanding | | | | | |
| RMMPL | | - | | 143.80 | |
| Total | - | - | - | 143.80 | - |

EXCHANGE RATES AND CURRENCY OF PRESENTATION

The following table sets forth, for each period indicated, information concerning the number of Rupees for which one US dollar could be exchanged. The row titled 'average' in the table below is the average of the daily rate for each day in the period.

| Fiscal Year | Period End | Period Avg |
|--------------------|-------------------|-------------------|
| 2001 | 46.64 | 45.70 |
| 2002 | 48.80 | 47.69 |
| 2003 | 47.50 | 48.41 |
| 2004 | 43.39 | 45.92 |
| 2005 | 43.75 | 44.95 |
| 2006 | 44.61 | 44.28 |
| Month | Month End | Month Avg |
| Apr-05 | 43.65 | 43.74 |
| May-05 | 43.69 | 43.49 |
| Jun-05 | 43.51 | 43.59 |
| Jul-05 | 43.49 | 43.54 |
| Aug-05 | 44.04 | 43.63 |
| Sep-05 | 43.99 | 43.92 |
| Oct-05 | 45.11 | 44.82 |
| Nov-05 | 45.94 | 45.73 |
| Dec-05 | 45.07 | 45.65 |
| Jan-06 | 44.07 | 44.40 |
| Feb-06 | 44.44 | 44.33 |
| Mar-06 | 44.61 | 44.48 |
| Apr-06 | 44.97 | 44.95 |

Source: www.rbi.org.in

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 dividend. All dividend payments are made in cash to the shareholders of the Company. Successful bidders pursuant to this Offer, holding Equity Shares at the time of declaration of dividend by our Company, will be paid dividend as per the provisions of the Companies Act, 1956 and other applicable regulations, and for the full relevant financial year. The dividends declared by our Company during the last five fiscal years are presented below:

| Particulars | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Number of Shares | 960,000 | 960,000 | 960,000 | 960,000 | 76,800,000 ¹ |
| Nominal Value per share | 100 | 100 | 100 | 100 | 5 ¹ |
| Amount of Dividend (Rs) | | | | | |
| Interim Dividend | 24,000,000 | 24,000,000 | 192,000,000 | 288,000,000 | 590,991,781 ² |
| Rate of Dividend | 25% | 25% | 200% | 300% | 300% |

¹ The Company undertook a split of 960,000 equity shares of face value of Rs. 100 each to 9,600,000 equity shares of face value Rs.10 each at the Extraordinary General Meeting held on July 30, 2005. The Company made a bonus issue of 28,800,000 fully paid up equity shares of Rs 10 each in the ratio of 3 fully paid up equity shares for every 1 equity share held at the Extraordinary General Meeting held on July 30, 2005. As a result of the bonus issue and share split, the issued and paid up capital of the Company increased to 38,400,000 fully paid up equity shares of Rs. 10 each. The Company further undertook a split of 38,400,000 equity shares of face value of Rs. 10 each to 76,800,000 equity shares of face value Rs. 5 each at the Extraordinary General Meeting held on December 23, 2005.

² The dividend has been paid on pro rata basis on the bonus shares issued from the date of allotment to the record date for payment of dividend.

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V: FINANCIAL STATEMENTS

FINANCIAL INFORMATION

SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES AS RESTATED UNDER INDIAN GAAP FOR THE YEARS ENDED MARCH 31, 2002, 2003, 2004, 2005 AND 2006.

Auditors' report as required by Part II of Schedule II of the Companies Act, 1956

May 22, 2006

To
The Board of Directors
MSPL Limited
Baldota Bhavan,
117 Maharshi Karve Road,
Churchgate,
Mumbai – 400 020
India

Dear Sirs,

At your request, we S. B. Chhajed & Co., Chartered Accountants ('SBC') and Deloitte Haskins and Sells, Chartered Accountants ('DHS') joint auditors of MSPL Limited ('MSPL' or 'the Company') have examined the financial information annexed to this report which have been prepared in accordance with the requirements of:

- a. paragraph B(1) of Part II of Schedule II to the Companies Act, 1956 ('the Act');
- b. the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines 2000 ('the Guidelines') and the related clarifications issued by the Securities and Exchange Board of India ('SEBI') from time to time;
- c. request dated October 1, 2005 received from the Company to carry out work relating to the Draft Red Herring Prospectus being issued by the Company in connection with the offer for sale by the selling shareholders of certain equity shares held by them in the Company (referred to as 'offer for sale').

Financial information as per audited financial statements

1. We have examined the attached restated summary statement of assets and liabilities of the Company as at March 31, 2002, 2003, 2004, 2005 and 2006 and the attached restated summary statement of profits and losses for the years ended on those dates ('Summary Statements') (See Annexure I and II) as prepared by the Company and approved by the Board of Directors. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate and more fully described in the notes on adjustments appearing in Annexure VI to this report. The summary statements for the years ended March 31, 2002, 2003 and 2004 are based on the financial statements of those years, which have been audited solely by SBC. Further, the impact of retrospective adjustments on account of changes in accounting policies and estimates, extra ordinary items disclosure, prior period items and regroupings in the years March 31, 2002, 2003 and 2004 have been verified by SBC, which DHS, has relied upon for the purpose of this report. DHS has not carried out any audit tests or review procedures for those years since they did not perform the audit. The summary statements for the year ended March 31, 2005 and 2006 is based on the financial statements for the years ended March 31, 2005 and 2006, which have been jointly audited by SBC and DHS.

Based on our examination of these summary statements, we confirm that:

- The impact arising on account of changes in accounting policies and estimates adopted by the Company as at and for the year ended March 31, 2005 have been adjusted with retrospective effect in the attached summary statements. There are no changes in accounting policies during the financial year ended March 31, 2006;
- The prior period items have been adjusted in the summary statements in the years to which they relate;
- There are no extraordinary items which need to be disclosed separately in the summary statements; and
- There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.

However, the retrospective adjustments on accounting of changes in accounting policies and estimates, prior period items and regroupings in the years ended March 31, 2002, 2003 and 2004 have been verified solely by SBC. Accordingly, in respect of the years ended March 31, 2002, 2003 and 2004, since DHS has not performed any audit procedures, they do not report on the same.

2. The summary of significant accounting policies adopted by the Company pertaining to the audited financial statements for the financial year ended March 31, 2006 are enclosed as part of Annexure VI to this report.

Other Financial Information

3. At your request, we have also examined the following other financial information of the Company proposed to be included in the Draft Red Herring Prospectus as approved by you and annexed to this report:

| Details of other financial information examined | Annexure |
|--|-----------------|
| Balance of Profit and Loss Account as at April 1, 2001 (Restated) | III |
| Details of Other Income | IV |
| Statement of Cash Flows, As Restated | V |
| Notes on Adjustments, Significant Accounting Policies for Restated Financial Statements and other disclosures | VI |
| Details of Rates of Dividend | VII |
| Details of Principal terms and conditions of Secured Loans outstanding as at March 31, 2006 and assets charged as security | VIII A |
| Details of Principal terms and conditions of Unsecured Loans outstanding as at March 31, 2006 | VIII B |
| Details of Investments | IX |
| Details of Sundry Debtors | X |
| Details of Loans and Advances | XI |
| Details of Contingent Liabilities and Commitments | XII |
| List of Related Parties and Relationships | XIII A |
| Related Party Transactions | XIII B |
| Capitalisation Statement as at March 31, 2006 | XIV |

| Details of other financial information examined | Annexure |
|---|-----------------|
| Statement of Accounting Ratios (on Restated numbers) | XV |
| Statement of Tax Shelters | XVI |
| Summary Statement of Assets and Liabilities of Vijaya Oxygen Company Limited (VOCL) | XVII A |
| Summary Statement of Profits and Losses of VOCL | XVII B |
| Significant Accounting Policies of VOCL | XVII C |
| Statement of Cash Flows of VOCL | XVII D |

4. In respect of matters covered by 'Other Financial Information', contained in this report, DHS has relied upon the audited financial statements for the years ended March 31, 2002, 2003 and 2004, which were audited solely by SBC. Accordingly, in respect of matters covered by the 'Other Financial Information' for the years ended March 31, 2002, 2003 and 2004, since DHS has not performed any audit procedures, they do not report on the same.
5. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of the Act and the Guidelines.
6. The Company had acquired 100% stake in Vijaya Oxygen Company Limited (VOCL) during the financial year ended on March 31, 2003. The Company has divested its 100% stake in VOCL on September 28, 2005. Since VOCL is no longer a subsidiary of the Company consolidated financial statements are not presented. However the summary statements of assets and liabilities, profits and losses and cash flow statements of VOCL as adopted by the Board of Directors of VOCL and audited by their respective auditors, for the years for which it was a subsidiary, are presented in Annexure XVIA, XVIIB, XVIIC and XVIID.
7. This report should not be in any way construed as a reissuance or redating 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.
8. This report is intended solely for your information and for inclusion in the Draft Red Herring Prospectus in connection with the proposed offer for sale by the selling shareholders of certain equity shares in the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

S. B. Chhajed & Co.
Chartered Accountants

Deloitte Haskins & Sells
Chartered Accountants

S. B. Chhajed
Partner
Membership No: 5291

A. C. Khanna
Partner
Membership No. 17814

Place:

Date: May 22, 2006

ANNEXURE I : SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

| | (Rs. in millions) | | | | |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
| A. Fixed Assets | | | | | |
| Gross Block | 356.86 | 421.27 | 1,272.98 | 4,543.45 | 5,973.21 |
| Less: Depreciation/Impairment | 151.47 | 188.61 | 234.93 | 604.07 | 1,339.79 |
| Net Block | 205.39 | 232.66 | 1,038.05 | 3,939.38 | 4,633.42 |
| Capital Work-in-Progress | 0.14 | 37.32 | 16.45 | 168.88 | 1,128.34 |
| Total | 205.53 | 269.98 | 1,054.50 | 4,108.26 | 5,761.76 |
| B. Investments | 23.37 | 53.19 | 156.63 | 809.87 | 1,786.63 |
| C. Current Assets, Loans and Advances | | | | | |
| Inventories | 294.42 | 281.34 | 245.05 | 369.66 | 251.07 |
| Sundry Debtors | 50.65 | 62.68 | 304.18 | 381.96 | 806.54 |
| Cash and Bank Balances | 32.14 | 100.84 | 385.29 | 277.10 | 485.04 |
| Loans and Advances | 46.63 | 32.85 | 207.77 | 294.13 | 767.02 |
| Total | 423.84 | 477.71 | 1,142.29 | 1,322.85 | 2,309.67 |
| D. Liabilities and Provisions | | | | | |
| Secured Loans | 124.46 | 133.99 | 450.97 | 1,618.30 | 3,373.12 |
| Unsecured Loans | 12.70 | 0.15 | 3.32 | 171.12 | 352.40 |
| Current Liabilities and Provisions | 162.67 | 258.36 | 803.11 | 1,782.09 | 1,577.77 |
| Total | 299.83 | 392.50 | 1,257.40 | 3,571.51 | 5,303.29 |
| E. Deferred Tax Liability | - | 24.71 | 118.76 | 620.92 | 1,007.92 |
| F. Networth (A+B+C-D-E) | 352.91 | 383.67 | 977.26 | 2,048.55 | 3,546.85 |
| G Represented by | | | | | |
| H Share Capital | 96.00 | 96.00 | 96.00 | 96.00 | 384.00 |
| I Reserves | 252.61 | 285.98 | 880.32 | 1,952.09 | 3,163.85 |
| J Deferred Governments Grants | 4.30 | 3.01 | 2.11 | 1.48 | 1.14 |
| K Miscellaneous Expenditure (to the extent not written off or adjusted) | - | 1.32 | 1.17 | 1.02 | 2.14 |
| Networth (H+I+J-K) | 352.91 | 383.67 | 977.26 | 2,048.55 | 3,546.85 |

Note: The above statement should be read with the Notes on Adjustments, Significant Accounting Policies and Other disclosures for restated financial statements as appearing in Annexure VI, to this report.

ANNEXURE II : SUMMARY STATEMENT OF PROFITS & LOSSES, AS RESTATED

| | (Rs. in millions) | | | | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
| INCOME: | | | | | |
| Sales | | | | | |
| Of products manufactured (Net off Excise Duty) [See Note I (D) (7) - Annexure VI] | 814.23 | 871.31 | 2,707.34 | 5,582.95 | 6,554.89 |
| Of products traded (See Note 3 below) | 220.56 | 214.46 | 414.64 | 443.06 | 367.57 |
| Total | 1,034.79 | 1,085.77 | 3,121.98 | 6,026.01 | 6,922.46 |
| Other Income | 39.33 | 65.57 | 110.69 | 323.72 | 821.93 |
| Total Income (A) | 1,074.12 | 1,151.34 | 3,232.67 | 6,349.73 | 7,744.39 |
| EXPENDITURE: | | | | | |
| Purchase of products | 78.60 | 87.56 | 164.39 | 280.88 | 378.02 |
| Royalty on mining iron ore | 20.34 | 24.11 | 36.45 | 41.42 | 65.67 |
| Manufacturing and other expenses | 139.13 | 263.17 | 446.97 | 432.28 | 1,000.37 |
| Wages & Salaries | 48.79 | 53.07 | 87.80 | 229.78 | 113.87 |
| Port charges and other expenses | 136.41 | 134.04 | 204.72 | 260.28 | 389.22 |
| Railway freight, handling and transport expenses | 457.01 | 431.07 | 1,018.46 | 1,764.44 | 1,963.47 |
| Keyman Insurance | - | - | 118.22 | 818.22 | 256.63 |
| Miscellaneous Expenditure written off | - | 0.15 | 0.15 | 0.15 | 0.29 |
| Depreciation | 36.43 | 39.87 | 93.00 | 335.51 | 750.86 |
| Less: Transferred from Deferred Government Grants | (0.50) | (0.37) | (0.28) | (0.63) | (0.33) |
| | 35.93 | 39.50 | 92.72 | 334.88 | 750.53 |
| Interest | 16.80 | 11.99 | 15.39 | 57.57 | 160.64 |
| Total Expenditure (B) | 933.01 | 1,044.66 | 2,185.27 | 4,219.90 | 5,078.71 |
| PROFIT BEFORE TAX (A-B) | 141.11 | 106.68 | 1,047.40 | 2,129.83 | 2,665.68 |
| Provision for Tax | | | | | |
| (a) (i) Current Tax | 1.50 | 13.50 | 174.80 | 180.00 | 106.50 |
| (ii) (Excess)/Short Provision of tax for earlier years | 0.46 | - | 30.57 | 39.47 | (23.36) |
| (iii) Fringe Benefit Tax | - | - | - | - | 5.79 |
| (b) Deferred Tax | - | 11.97 | 94.05 | 502.16 | 387.00 |
| NET PROFIT BEFORE ADJUSTMENTS BUT AFTER REGROUPINGS AS PER AUDITED ACCOUNTS | 139.15 | 81.21 | 747.98 | 1,408.20 | 2,189.75 |
| ADJUSTMENTS | | | | | |
| Impact of Changes in Accounting Policies / Estimates | | | | | |
| Gratuity [See Note I (A) (1) - Annexure VI] | (0.97) | (2.92) | (1.32) | 6.87 | - |
| Leave Encashment [See Note I (A) (2) - Annexure VI] | - | (0.42) | (0.48) | 0.90 | - |
| Investments [See Note I (A) (3) - Annexure VI] | - | - | 0.19 | 0.43 | - |
| Fixed Assets [See Note I (A) (4) - Annexure VI] | 1.30 | (2.72) | (2.39) | (1.34) | (1.26) |
| Other Adjustments | | | | | |
| Prior Period Items [See note I (B) (1) - Annexure VI] | (51.03) | 1.99 | 74.77 | (31.39) | 9.18 |
| (Short)/Excess Provision of tax for earlier years | (18.79) | (1.48) | (8.90) | 39.47 | (23.36) |

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| restated | | | | | |
| [See note I (B) (2) - Annexure VI] | | | | | |
| (Charge)/Credit for tax on account of Assessments/appeals | 0.46 | (2.89) | 26.25 | - | - |
| TOTAL IMPACT OF ADJUSTMENTS | (69.03) | (8.44) | 88.12 | 14.94 | (15.44) |
| Tax Impact of Adjustments [See note I (C) - Annexure VI] | 19.60 | 0.42 | (25.16) | 8.97 | (0.67) |
| TOTAL OF ADJUSTMENTS AFTER TAX IMPACT | (49.43) | (8.02) | 62.96 | 23.91 | (16.11) |
| NET PROFIT, AS RESTATED | 89.72 | 73.19 | 810.94 | 1,432.11 | 2,173.64 |
| Profit and loss account at the beginning of the year | 161.14 | 209.91 | 245.03 | 729.37 | 1,684.47 |
| Balance available for appropriation, as restated | | | | | |
| Appropriations | | | | | |
| Interim Dividend | (24.00) | (24.00) | (192.00) | (288.00) | (590.99) |
| Tax on Interim Dividend | (2.45) | (3.07) | (24.60) | (39.01) | (82.88) |
| Utilisation for issue of Bonus Shares | - | - | - | - | (288.00) |
| Transfer to General Reserve | (14.50) | (11.00) | (110.00) | (150.00) | (220.00) |
| Balance carried forward, as restated | 209.91 | 245.03 | 729.37 | 1,684.47 | 2,676.24 |

Notes:

- 1) The above statement should be read with the Notes on Adjustments, Significant Accounting Policies and Other disclosures for restated financial statements as appearing in Annexure VI, to the report.
- 2) The reconciliation between the audited and restated accumulated profit and loss balance as at April 1, 2001, is given in Annexure III.
- 3) In the absence of specific identification of purchased iron ore quantity comprised in the total closing stock upto the financial year ended March 31, 2004, it is assumed that all the quantities of iron ore purchased during the respective years have been sold. Further the average selling price of iron ore during the respective years is considered to arrive at the sales value of the purchased iron ore.

ANNEXURE III : BALANCE OF PROFIT AND LOSS ACCOUNT AS AT APRIL 1, 2001 (RESTATED)

| | (Rs. in Millions) |
|---|--------------------------|
| Opening Balance as on April 1, 2001 (Audited) | 164.28 |
| Deferred Government Grants | 10.25 |
| Gratuity [See note I (A) (1) - Annexure VI] | (1.66) |
| Depreciation | 17.19 |
| Prior Period Items [See note I (B) (1) - Annexure VI] | (13.76) |
| Tax charge on account of assessments and appeals adjusted | (5.84) |
| Current Tax Impact on Adjustments | (9.32) |
| Balance of Profit and Loss Account as at April 1, 2001 (Restated) | 161.14 |

ANNEXURE IV: DETAILS OF OTHER INCOME

| (Rs. in Millions) | | | | | | |
|--|--------------------|--------------|--------------|---------------|---------------|---------------|
| Sources and Particulars | Nature | Year | Year | Year | Year | Year |
| | | Ended | Ended | Ended | Ended | Ended |
| | | March | March | March | March | March |
| | | 31, | 31, | 31, | 31, | 31, |
| | | 2002 | 2003 | 2004 | 2005 | 2006 |
| Interest Income | Recurring | 1.76 | 1.86 | 5.81 | 19.83 | 23.76 |
| Dividend Income | Recurring | - | 0.02 | 0.17 | 13.33 | 56.28 |
| Exchange Gain (Net) | Recurring | - | 0.74 | 4.72 | 16.86 | - |
| Gain on cancellation of Forward/Swap contracts | Recurring | - | - | 31.36 | 8.05 | 6.41 |
| Profit/(loss) on sale of Investments (Net) | See Note 3 | - | - | 1.96 | 73.41 | 255.21 |
| Profit on sale of Fixed Assets | See Note 3 | - | 0.15 | 3.48 | 0.55 | 3.24 |
| Share of Profit from Partnership firm | Recurring | - | - | - | 109.62 | 162.22 |
| Cylinder Retention Charges | Recurring | 11.53 | 5.79 | 2.79 | 3.57 | 4.89 |
| Equipment Hire Receipts | Non - Recurring | 5.67 | 27.39 | - | - | - |
| Transportation Receipts | Recurring | 16.63 | 20.07 | 48.10 | 28.93 | 45.26 |
| VICS Hire Charges | Recurring | 1.08 | 1.16 | 5.27 | 6.03 | 6.95 |
| Incentive for Early Despatches | Recurring | 0.29 | 0.06 | 0.02 | 6.02 | 8.32 |
| Demurrage Money | Recurring | 0.48 | 0.21 | 1.07 | 0.26 | 0.44 |
| Credit Balances Written Back | See Note 4 | 0.72 | 0.30 | 0.92 | 0.27 | - |
| Sale of Sales Tax Exemption Certificate | See Note 5 | - | 6.04 | 6.77 | 6.77 | 6.25 |
| Barge Hire Receipts (Net) | Recurring | - | - | - | 23.59 | 19.55 |
| Appreciation in value of Mutual Fund units linked to keyman insurance policies | Recurring | - | - | - | - | 62.45 |
| Amount received on surrender of Keyman insurance policy | See Note 3 | - | - | - | - | 138.40 |
| Miscellaneous Income | Recurring | 1.17 | 1.78 | 1.27 | 6.93 | 22.30 |
| Other Income as per Profit & Loss Account as Restated | | 39.33 | 65.57 | 113.71 | 324.02 | 821.93 |

Notes:

- 1) The details of "Other Income" disclosed above are stated after adjusting the effect of restatements and regroupings. The same have been shown gross of restatement in the Summary Statement of Profit and Losses, as restated and the adjustments have been listed separately under the head "Adjustments" therein.
- 2) The classification of "Other Income" as recurring or non-recurring is based on the current operations of the Company as determined by the management and has arisen out of normal business activities.
- 3) Profit/(Loss) on sale of Investments and Fixed Assets and amounts received on surrender of Keyman insurance policies are dependent on Company's decision to sell the respective assets.
- 4) Credit balances written back is a function of accounting estimate and it is therefore, difficult to comment on its nature in terms of its recurrence in the future.
- 5) The Company is entitled to Sales Tax Exemption Certificate for a period of 6 years. The Company has obtained the Sales Tax Exemption certificates from Sales Tax Department for 4 years till March 31, 2006 and has sold them to third parties.

ANNEXURE V: STATEMENT OF CASH FLOWS, AS RESTATED
(Rs. In Millions)

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| A. Cash flow from Operating Activities: | | | | | |
| Net profit before tax (Restated) | 90.41 | 102.61 | 1,118.17 | 2,105.30 | 2,673.60 |
| Adjustments for: | | | | | |
| Depreciation | 35.13 | 42.77 | 95.66 | 336.40 | 752.12 |
| Deferred Government Grant credited | (1.84) | (1.29) | (0.90) | (0.63) | (0.33) |
| (Profit) / Loss on sale of Fixed Assets(net) | - | (0.15) | 0.38 | (0.55) | 6.39 |
| (Profit) / Loss on sale of Investments(net) | - | - | (1.96) | (73.41) | (255.21) |
| Diminution in value of Investments | - | - | 2.10 | 8.77 | 23.23 |
| Provision for doubtful debts | - | - | - | 29.91 | 25.11 |
| Share of profit from Partnership firm | - | - | - | (109.62) | (162.22) |
| Appreciation in value of mutual fund units linked to keyman insurance policies | - | - | - | - | (62.45) |
| (Profit) / Loss from Swap and Options contracts | - | - | - | (8.05) | 28.00 |
| Interest Income | (1.76) | (1.86) | (5.81) | (19.83) | (23.76) |
| Interest expense | 16.80 | 11.99 | 15.39 | 57.57 | 160.64 |
| Dividend Income | - | (0.02) | (0.17) | (13.33) | (56.28) |
| Miscellaneous expenditure written off | - | 0.15 | 0.15 | 0.15 | 0.29 |
| Operating Profit before working capital changes | 138.74 | 154.20 | 1,223.01 | 2,312.68 | 3,109.13 |
| Adjustments for: | | | | | |
| Trade and other receivables | 8.71 | 3.25 | (419.58) | (180.55) | (531.85) |
| Inventories | (73.50) | 13.08 | 36.29 | (124.61) | 118.58 |
| Trade and other payables | 40.75 | 82.22 | 269.92 | 58.51 | 99.33 |
| Cash generated from Operations | 114.70 | 252.75 | 1,109.64 | 2,066.03 | 2,795.19 |
| Direct Taxes Refund / (Paid) (Net) | (1.59) | (4.60) | (72.94) | (336.60) | (159.36) |
| Net Cash from Operating Activities (A) | 113.11 | 248.15 | 1,036.70 | 1,729.43 | 2,635.83 |
| B. Cash Flow from Investing Activities: | | | | | |
| Purchase of Fixed Assets | (85.05) | (110.46) | (893.29) | (2,343.59) | (2,774.21) |
| Sale of Fixed Assets | 5.29 | 3.37 | 12.73 | 2.04 | 16.50 |
| Purchase of Shares, Securities and other Investments | (10.33) | (18.38) | (98.38) | (984.73) | (3,356.15) |
| Sale of Shares and Securities | - | - | 15.44 | 551.47 | 2,961.81 |
| Investment in Partnership firm (net) | - | (11.45) | (20.64) | (45.72) | (223.62) |
| Sale consideration on disposal of subsidiary company (Received in cash and cash equivalents) | - | - | - | - | 35.40 |
| Advance consideration paid for purchase of business of MSPL Exports (See note 5 below) | - | - | - | - | (260.00) |
| Advance consideration received for sale of Gas Division (See note 4 below) | - | - | - | - | 200.00 |
| Profit / (Loss) from Swap and Options contracts | - | - | - | 8.05 | (28.00) |
| Dividend received | - | 0.02 | 0.17 | 13.33 | 56.28 |
| Interest received | 0.47 | 0.37 | 8.19 | 6.32 | 3.18 |
| Net Cash used in Investing Activities(B) | (89.62) | (136.53) | (975.78) | (2,792.83) | (3,368.81) |
| C. Cash Flow from Financing Activities: | | | | | |

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|--|--|--|--|--|
| Proceeds from Borrowings | 32.79 | 115.01 | 433.78 | 1,790.23 | 2,403.96 |
| Repayment of Borrowings | (38.62) | (118.03) | (113.63) | (455.64) | (468.76) |
| Share Capital Expenses | - | (1.46) | - | - | (1.40) |
| Dividend Paid (Including Dividend Tax) | - | (26.45) | (81.23) | (325.27) | (838.07) |
| Interest Paid | (16.80) | (11.99) | (15.39) | (54.11) | (154.81) |
| Net Cash from Financing Activities (C) | (22.63) | (42.92) | 223.53 | 955.21 | 940.92 |
| Net Increase/(Decrease) in cash and cash equivalents (A+B+C) | 0.86 | 68.70 | 284.45 | (108.18) | 207.94 |
| Cash and Cash Equivalents as at April 1 (Beginning) | 31.28 | 32.14 | 100.84 | 385.29 | 277.10 |
| Cash and Cash Equivalents as at March 31 (Closing) | 32.14 | 100.84 | 385.29 | 277.10 | 485.04 |

Notes:

- 1) Figures in brackets represent outflows.
- 2) Cash and cash equivalents comprise of cash and bank balances as per restated balance sheet.
- 3) Cash and cash equivalents as at March 31, 2006 include an amount of Rs. 40 millions deposited in an escrow account which is not available for use till the repayment of borrowings.
- 4) The Company has entered into a Business Transfer Agreement dated February 6, 2006 to sell the Gas division with effect from April 1, 2006. The consideration for disposal of Gas division has been received in advance in cash and cash equivalents
- 5) The Company has entered into a Business Transfer Agreement dated February 6, 2006 to acquire the business of MSPL Exports, a partnership firm with effect from April 1, 2006. The part consideration for acquisition has been paid in advance in cash and cash

ANNEXURE VI: NOTES ON ADJUSTMENTS AND SIGNIFICANT ACCOUNTING POLICIES AND OTHER DISCLOSURES FOR RESTATED FINANCIAL STATEMENTS

I. NOTES ON ADJUSTMENTS:

A. Changes in Accounting Policies and Estimates:

1) Gratuity

The Company was accounting for gratuity charge on the basis of annual premium paid to Life Insurance Corporation of India (LIC) under the group gratuity scheme for and up to the financial year ended March 31, 2004. From April 1, 2004 the Company changed its accounting policy to provide gratuity on the basis of an actuarial valuation obtained from LIC and to charge the shortfall between the fund balance with LIC and the actuarial liability to the profit and loss account. Accordingly, the gratuity charge and liability has been recomputed based on the actuarial valuation obtained from LIC for the years ended March 31, 2002, 2003 and 2004. Further the accumulated profit and loss balance as at April 1, 2001 has been appropriately adjusted to reflect the impact of changes pertaining to earlier years.

2) Leave Encashment

Upto the financial year ended March 31, 2002 the unavailed leave entitlement of employees was paid to them at the end of respective year. From April 1, 2002 the Company allowed employees to accumulate their leave entitlement. However, no provision was made in the financial statements. From April 1, 2004 the Company changed its accounting policy to accrue leave encashment liability in respect of unutilised leave balance of the employees at the year end on an arithmetic basis. Accordingly, leave encashment charge has been recomputed as per the new accounting policy and adjustments have been made for the financial year ended on March 31, 2003 and 2004.

3) Investments

Investments were valued on First-in-First Out (basis) for and up to the financial year ended on March 31, 2004. However during the year ended March 31, 2005 the Company had changed its accounting policy to value investments on an average basis in accordance with Accounting Standard AS-13 "Accounting for Investments". Accordingly, investments have been valued on an average basis for the years ended on March 31, 2002, 2003 and 2004.

4) Fixed Assets

Upto the financial year ended March 31, 2002, depreciation was charged on additions to fixed assets on a full year basis instead of pro rata basis. Further upto the financial year ended March 31, 2001 the rates of depreciation in respect of the following class of assets were different from the current rates, which were as under;

| Sr. No. | Class of Asset | Rates of Depreciation | |
|---------|------------------------|-----------------------|---|
| | | Old Rates | Current Rates |
| 1 | Plant and Machinery | 25% | 15.33% / 27.82% (Based on number of shifts worked in each year) |
| 2 | Earth Moving Machinery | 25% | 30.00% |
| 3 | Motor car | 25% | 25.89% |
| 4 | Computers | 25% | 40.00% |
| 5 | Furniture and Fixtures | 10% | 18.10% |

The current rates have been applied on the opening block of fixed assets as on April 1, 1999 as appearing in the audited financial statements of the Company, without considering the impact that the above mentioned adjustment, if made, would have on the opening block as on April 1, 1999. However in the opinion of the Company the impact of the same on the summary statement of assets and liabilities and profit and losses, as restated will not be material. Subsequent to April 1, 1999, the

Company has recalculated the depreciation charge on a pro rata basis for the additions to fixed assets at the current rates of depreciation. The Company has not considered the effect of the revised depreciation calculation on the deletions from fixed assets of mining division only as the impact will not be material.

B. Other Adjustments:

1) Prior Period Items:

In the audited profit and loss account of certain years the Company had classified certain items of income/expense as prior period items. For the purpose of this statement, the said income/expenses have been appropriately adjusted in the respective years.

2) The profit and loss account of certain years includes amounts paid/provided for or refunded, in respect of short/excess income tax arising out of assessments, appeals etc. and on account of short/excess provision of tax for earlier years. The impact on account of such short/ excess income tax has been adjusted in respective years.

C. Tax impact of Adjustments:

Tax impact of adjustments pertains to tax effect on restatement adjustments at the tax rates applicable for respective years. The current tax provision for the financial year ended March 31, 2006 has been made in accordance with the provisions and as per the rates prescribed in section 115JB of the Income tax Act, 1961 pertaining to Minimum Alternate Tax (MAT) and accordingly the tax impact of adjustments have also been calculated at MAT rates.

D. Material Regroupings:

1) Netting off of Advance tax and Provision for taxation

Upto the year ended March 31, 2004, advance tax paid was grouped under Loans and Advances and the corresponding provision for tax was shown under Provisions. During the year ended March 31, 2005, the Company has netted off the advance tax paid against the provision for tax on a year to year basis and the net impact is disclosed as either under Provisions or under Loans and Advances.

The classification in the restated summary statement of assets and liabilities, for the previous years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.

2) Capital Work-in-Progress

Upto and for the year ended March 31, 2004, capital advances were grouped under Loans and Advances. During the year ended March 31, 2005, these have been regrouped under Capital Work-in-Progress. The classification in the restated summary statement of assets and liabilities, for the years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.

3) Deferred Government Grants received:

Upto and for the year ended March 31, 2004 Grants received by the Company for purchase of fixed assets were grouped in capital reserves. During the year ended March 31, 2005 the Company has, in accordance with Accounting Standard – 12 “Accounting for Government Grants”, disclosed the amounts of grants as a separate item after reserves and surplus but before secured and unsecured loans in the balance sheet. The classification in the restated summary statement of assets and liabilities, for the years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.

4) Current Liabilities and Provisions

Upto and for the year ended March 31, 2004 the Company had classified certain Current Liabilities as Provisions and certain Provision as Current Liabilities. The classification in the restated summary statement of assets and liabilities, for the previous years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.

5) Bullion stock

Upto and for the year ended March 31, 2004 the Company had classified bullion stock as an item of inventory. However during the year ended on March 31, 2005 bullion stock was classified as investments. The classification in the restated summary statement of assets and liabilities, for the previous years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.

6) Investment in equity shares

During the year ended on March 31, 2004 the Company had, except for the equity shares of the subsidiary company, classified equity shares as an item of inventory. However during the year ended on March 31, 2005 equity shares were classified as investments. The classification in the restated summary statement of assets and liabilities, for the year ended March 31, 2004 has been regrouped and disclosed accordingly.

7) Excise duty paid

Upto and for the year ended March 31, 2004 the Company had grouped excise duty expense under the head Administration and Selling expenses. However during the year ended March 31, 2005, the Company has netted off excise duty from the turnover. The classification in the restated summary statement of assets and liabilities, for the previous years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.

E. Applicability of Accounting Standards:

1) Accounting Standard (AS) 22 – Accounting for taxes on Income

Consequent upon the AS 22 becoming effective from April 1, 2002 for the Company the deferred tax on timing differences as on March 31, 2002 amounting to Rs.12.75 million had been adjusted against Opening General Reserve in financial year ended March 31, 2003 in accordance with the transitional provision contained in AS 22. From the financial year ended March 31, 2003 the Company had charged / credited the deferred tax on timing differences to the profit and loss account.

2) Accounting Standard (AS) 28 – Impairment of assets

Consequent upon the AS 28 becoming effective from April 1, 2004 the impairment loss on a liquid oxygen plant at Hospet factory amounting to Rs. 27.80 millions had been adjusted against Opening General Reserve in financial year ended March 31, 2005 in accordance with the transitional provision contained in AS 28. Further as a result of changes mentioned in Note I A (4) above the impairment loss has increased by Rs. 5.54 millions which is also adjusted against the Opening General Reserve.

F. Changes in Business Activities:

The Company had commenced windmill business in financial year ended March 31, 2002 and has invested significantly in purchase of windmill machineries thereafter.

II. SIGNIFICANT ACCOUNTING POLICIES:

A. General:

The financial statements of the Company are prepared on an accrual basis.

B. Revenue Recognition:

Sales revenue is recognised when property in the goods with all risks and rewards are transferred to the buyer.

C. Fixed Assets:

a. Fixed assets are stated at actual cost less accumulated depreciation and impairment loss. The actual cost comprises of purchase price, freight, duties and taxes and other incidental expenses relating to acquisition and installation.

b. Borrowing costs attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use are capitalised till the time all activities necessary to prepare qualifying asset for its intended use are complete or substantially complete.

D. Depreciation, Amortization and Impairment of Assets:

a. Leasehold land is amortised equally over the period of lease.

b. Mining lease rights acquired / renewed are amortised equally over the period of such rights.

c. Depreciation is provided on a pro rata basis as per the written down value method rates and in the manner specified in schedule XIV to the Companies Act, 1956 except in case of :

| | |
|--|----------|
| Administrative buildings | – 10.00% |
| General Machinery, Office and Other Equipments | – 15.33% |
| Gas cylinders | – 80.00% |

d. At each balance sheet date the Company reviews the carrying amount of the fixed assets to determine whether there are factors giving rise to any indications of impairment. If any such factors exist, the Company determines and provides / reverses an impairment loss following principles stated in Accounting Standard 28 – “Impairment of Assets”.

E. Investments:

Investments are either classified as current or long term based on management’s intention at the time of purchase. Long term investments are stated at cost less provision for diminution other than temporary. Current investments are carried at lower of cost and market value. Share of profit / loss from investment in partnership firm is accounted at period end.

F. Inventories:

a. Stores and spares and finished goods produced and purchased by the Company are valued at lower of cost and net realisable value.

b. Cost of inventories is ascertained on a weighted average basis. Finished goods are valued on full absorption cost basis.

G. Foreign Currency Transactions:

a. Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date.

b. Gain or loss on account of cancellation/ expiry of forward contracts designated as hedge of highly probable forecast transactions are recognised in the profit and loss account in the period in which the contracts mature or are cancelled.

H. Retirements Benefits:

- a. Provision is made for value of unutilised leave due to the employees at the end of the year on an arithmetic basis.
- b. Provision for gratuity is made on the basis of actuarial valuation obtained from Life Insurance Corporation of India (LIC) at the year end.
- c. Contribution to provident fund is recognised as expense when incurred.

I. Research and Development:

Revenue expenditure on research and development is written off in the profit and loss account in the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on fixed assets.

J. Government Grants:

Government grants related to depreciable fixed assets are treated as deferred income which are recognised in the profit and loss statement over the period and in the proportion in which the depreciation on those assets is charged.

K. Taxes on Income:

Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income tax Act, 1961.

Deferred tax is recognised on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods.

L. Keyman Insurance Policies:

The Company has taken endowment policies and unit linked insurance policies on the lives of the Executive Directors. Insurance premiums paid by the Company are charged to the profit and loss account. The Company is required to pay annual installment in respect of aforesaid policies except in respect of the "top up premium" relating to the unit linked insurance policy wherein a one time payment is made and annual premiums are adjusted against the income received from the units. In this regards income / expenditure in value of unit invested on account of appreciation / depreciation in value of units at year end, net of adjustment of premiums payable, are accounted in the profit and loss account.

M. Miscellaneous Expenditure (Not Written Off):

Miscellaneous expenditure relating to share capital is charged to the profit and loss account over a period of 10 years.

III. OTHER DISCLOSURES:

1. The Board of Directors of the Company have at its meeting held on January 04, 2006, subject to the approval of the shareholders of the Company, approved the sale of the Gas Division which is a separate business segment in accordance with Accounting Standard 17 'Segment Reporting'. The shareholders of the Company have in terms of Sec 293 (1) (a) of the Companies Act, 1956 approved this sale at the Extraordinary General Meeting held on January 30, 2006. The Company has entered into a Business Transfer Agreement dated February 6, 2006 with MSPL Gases Limited for the sale of its Gas Division for a lump sum consideration of Rs.200 millions effective from April 1, 2006. Since the net realisable value of the Gas division was less than the carrying amount of net assets of the Gas Division an impairment loss of Rs. 22.90 millions has been provided on the fixed assets of the Gas Division for the financial year ended March 31, 2006.

ANNEXURE VI: NOTES ON ADJUSTMENTS, SIGNIFICANT ACCOUNTING POLICIES AND OTHER DISCLOSURES FOR RESTATED FINANCIAL STATEMENTS (Contd.)

III. OTHER DISCLOSURES (Contd.):

2. SUMMARY STATEMENT OF ASSETS, LIABILITIES, INCOME, EXPENDITURE & CASH FLOWS OF GAS DIVISION, A DISCONTINUING BUSINESS SEGMENT

| | (Rs. in Millions) | | | | |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
| I. Assets and Liabilities | | | | | |
| A. Fixed Assets | | | | | |
| Net Fixed Assets (Including CWIP) | 62.11 | 74.59 | 81.20 | 53.00 | 181.18 |
| B Current Assets, Loans and Advances | 36.46 | 31.88 | 31.08 | 38.16 | 46.82 |
| C Current Liabilities and Provisions | 39.08 | 38.37 | 57.52 | 47.61 | 18.08 |
| D Net Current Assets (B-C) | (2.62) | (6.49) | (26.44) | (9.45) | 28.74 |
| Application of Funds (A+D) | 59.49 | 68.10 | 54.76 | 43.55 | 209.92 |
| E Loan Funds | | | | | |
| Secured Loans | 23.55 | 22.40 | 21.30 | 14.64 | 9.98 |
| F Head Office Current Account (Net of Operating Losses) | 35.94 | 45.70 | 33.46 | 28.91 | 199.94 |
| Sources of Funds (E+F) | 59.49 | 68.10 | 54.76 | 43.55 | 209.92 |
| II. Income and Expenditure | | | | | |
| INCOME | | | | | |
| Sales | 71.90 | 60.89 | 54.88 | 56.19 | 70.81 |
| Other Income | 31.47 | 28.78 | 33.59 | 41.27 | 60.66 |
| Total | 103.37 | 89.67 | 88.47 | 97.46 | 131.47 |
| EXPENDITURE | | | | | |
| Manufacturing and other expenses | 92.81 | 85.53 | 81.72 | 91.05 | 105.08 |
| Depreciation | 12.57 | 14.72 | 30.94 | 35.86 | 40.95 |
| Interest | 4.94 | 1.36 | 1.74 | 1.43 | 0.79 |
| Total | 110.32 | 101.61 | 114.40 | 128.34 | 146.82 |
| NET LOSS BEFORE TAXES AND EXCEPTIONAL ITEMS | (6.95) | (11.94) | (25.93) | (30.88) | (15.35) |
| Impairment | - | - | - | - | (22.90) |
| Exceptional Item | - | - | - | - | - |
| NET LOSS BEFORE TAXES | (6.95) | (11.94) | (25.93) | (30.88) | (38.25) |
| Provision for tax | - | - | - | - | - |
| Current Tax | - | - | - | - | - |
| Fringe Benefit Tax | - | - | - | - | (0.16) |
| Deferred Tax | - | - | - | - | - |

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|--|--|--|--|--|
| NET LOSS AFTER TAXES | (6.95) | (11.94) | (25.93) | (30.88) | (38.41) |
| III. Cash Flows | | | | | |
| Net Cash from Operating Activities | 9.66 | 10.52 | 26.54 | (11.10) | (4.50) |
| Net Cash used in Investing Activities | (4.28) | (27.73) | (37.55) | (35.46) | (190.83) |
| Net Cash from Financing Activities | (3.84) | 19.34 | 12.09 | 46.08 | 204.15 |

ANNEXURE VII: DETAILS OF RATES OF DIVIDEND

| Particulars | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Number of Shares | 960,000 | 960,000 | 960,000 | 960,000 | @ 76,800,000 |
| Nominal Value per share (Rs.) | 100 | 100 | 100 | 100 | @ 5 |
| Amount of Dividend (Rs.) | | | | | |
| Interim Dividend | 24,000,000 | 24,000,000 | 192,000,000 | 288,000,000 | # 590,991,781 |
| Rate of Dividend | 25% | 25% | 200% | 300% | 300% |

@ The Company had split 9,60,000 equity shares having face value of Rs. 100 each to 96,00,000 equity shares of face value of Rs. 10 each at the Extraordinary General Meeting held on July 30, 2005. The Company had made a bonus issue of 2,88,00,000 fully paid up equity shares of Rs 10 each in the ratio of 3 fully paid up equity shares for every 1 equity share held at the Extraordinary General Meeting held on July 30, 2005. As a result of the bonus issue and share split, the issued and paid up capital of the Company had increased to 3,84,00,000 fully paid up equity shares of Rs. 10 each. The Company had further split 3,84,00,000 equity shares of face value of Rs. 10 each to 7,68,00,000 equity shares of face value of Rs. 5 each at the Extraordinary General Meeting held on December 23, 2005

Dividend pay out on the bonus shares allotted during the year has been made on a pro rata basis from the date of allotment to the record date for payment of dividend

ANNEXURE VIII - A: DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF SECURED LOANS OUTSTANDING AS AT MARCH 31, 2006 AND ASSETS CHARGED AS SECURITY

| Sr No | Name of the Bank/Institution | Nature of Loan | Amount (Rs. in Millions) | Interest Rate | Repayment Terms | Assets charged |
|-------|------------------------------|-----------------------|--------------------------|---------------------------|---|--|
| 1 | State Bank of India | FCNRB Term Loan | 42.43 | 3.00% above 6 month LIBOR | Number of Installments (Payable quarterly) USD Amount per Installment | All loans are secured by way of hypothecation of stocks (Ore), spares, book debts, receivables, machineries and equipments purchased out of bank finance and further, secured by hypothecation of unencumbered plant and machinery, equitable mortgage of lease hold rights of Vysanakere Iron Ore Mines, factory land and building, lien on term deposit, hypothecation of windmill machineries purchased out of finance and equitable mortgage of land with building and structures thereon at Satara and Chitradurga and also secured by personal guarantee of directors. |
| | | | | | 2 151,752 | |
| | | | | | 1 156,188 | |
| | | | | | 8 120,701 | |
| | | | | | 1 94,700 | |
| | | | | | Repayment of installment to begin from March 31, 2005. | |
| | | Export Packing Credit | 61.04 | 6.50% | Demand Loan | |
| | | Cash Credit | 918.09 | 11% | Overdraft Account | |
| | | Demand Loan | 161.15 | 8.5% | Demand Loan | Secured against mutual fund units of Rs. 200 million |
| | | FCNRB Term Loan | 1,128.40 | 2.00% above 6 month LIBOR | Repayable in 19 equal quarterly installments of USD 1,572,105 commencing from September 2005. | All loans are secured by wind mill machineries and equipments purchased out of bank finance and further, secured by hypothecation of unencumbered plant and machinery, equitable mortgage of lease hold rights of Vysanakere Iron Ore Mines. |

| Sr No | Name of the Bank/Institution | Nature of Loan | Amount (Rs. in Millions) | Interest Rate | Repayment Terms | Assets charged |
|-------|--------------------------------|-------------------|--------------------------|---------------------------|---|---|
| | | FCNRB Term Loan | 461.19 | 2.00% above 6 month LIBOR | Repayable in 19 equal quarterly installments of USD 604,737 commencing from October 2005. | |
| 2 | RABO Bank – Singapore Branch | ECB Term Loan | 336.45 | 2.00% above 6 month LIBOR | Repayable in July 2007 | Secured by first pari-passu charge on receivables from wind farm project, charge on Escrow Account where receivables from Karnataka Power Transmission Corporation Ltd. would be deposited, further first pari-passu charge on moveable and fixed assets of the Company being financed and pari-passu assignment of all mining leases and project documents of the Company. |
| 3 | Pragati Gramin Bank | Overdraft Account | 102.52 | 7.50% | Overdraft Account | Secured against lien on Fixed Deposits with the Bank of Rs. 100 millions. |
| 4 | RABO India Finance Private Ltd | Term Loan | 161.50 | 8.25% | Repayable in July 2006. | Secured by first charge on receivables from wind farm project and exclusive charge on moveable and fixed assets being financed, further first pari passu charge on all movable and fixed assets, exclusive charge on escrow account where receivables from Karnataka Power Transmission Corporation Ltd. would be directly |

| Sr No | Name of the Bank/Institution | Nature of Loan | Amount (Rs. in Millions) | Interest Rate | Repayment Terms | Assets charged |
|-------|---------------------------------|----------------|--------------------------|---------------|---|---|
| | | | | | | deposited, assignment of all mining lease and project documents of the Company. |
| 5 | Ford Credit Kotak Mahindra Ltd. | Term Loan | 0.35 | 7.50% | Repayable in 36 Equated Monthly Installments of Rs 36,176 each which commenced from March 2004. | Secured against the hypothecation of car purchased out of the loan. |

Notes:

- 1) The above figures are inclusive of interest accrued and due of Rs. 1.43 millions as at March 31, 2006.
- 2) LIBOR refers to London Inter Bank Offer Rate.

ANNEXURE VIII - B: DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF UNSECURED LOANS OUTSTANDING AS AT MARCH 31, 2006

| Sr No | Lenders | Nature of Loan | Amount (Rs. in Millions) | Interest Rate | Repayment Terms |
|--------------|----------------|-----------------------|---------------------------------|----------------------|---|
| 1 | Promoters | Demand Loan | 352.40 | Interest Free | Temporary financing arrangement, to be repaid as per the discretion of the Company. |

ANNEXURE IX : DETAILS OF INVESTMENTS
(Rs. in Millions)

| Particulars | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|------------------------------------|--|--|--|--|--|
| Quoted Investments | | | | | |
| In Fully paid Equity shares | | | 71.51 | 447.30 | 868.63 |
| Total (A) | - | - | 71.51 | 447.30 | 868.63 |
| Unquoted Investments | | | | | |
| In Promoter Group Companies | 17.00 | 35.43 | 35.43 | 35.43 | 0.03 |
| In Capital of Partnership Firm | 4.80 | 16.25 | 36.89 | 192.23 | 578.06 |
| In Mutual Fund Units | 0.10 | 0.10 | 0.10 | 122.21 | 327.21 |
| In Others (including Bullion) | 1.47 | 1.41 | 12.70 | 12.70 | 12.70 |
| Total (B) | 23.37 | 53.19 | 85.12 | 362.57 | 918.00 |
| Total (A + B) | 23.37 | 53.19 | 156.63 | 809.87 | 1,786.63 |
| Market Value of Quoted Investments | - | - | 76.05 | 489.40 | 1,156.54 |

Notes:

- 1) The list of entities classified as Promoter Group is determined by the management and relied upon by the Auditors.
- 2) The figures disclosed above are based on the restated financial statements of the Company.

ANNEXURE X : DETAILS OF SUNDRY DEBTORS
(Rs. in Millions)

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|---|--|--|--|--|--|
| Debts outstanding for a period | | | | | |
| - exceeding six months | 7.03 | 11.24 | 14.60 | 97.81 | 230.99 |
| - other debts | 43.62 | 51.44 | 289.58 | 286.33 | 596.03 |
| | 50.65 | 62.68 | 304.18 | 384.14 | 827.02 |
| Unsecured - Considered good | 50.65 | 62.68 | 304.18 | 381.96 | 806.54 |
| Unsecured - Considered doubtful | - | - | - | 2.18 | 20.48 |
| | 50.65 | 62.68 | 304.18 | 384.14 | 827.02 |
| Less: Provision for doubtful debts | - | - | - | 2.18 | 20.48 |
| Total Debtors | 50.65 | 62.68 | 304.18 | 381.96 | 806.54 |
| Promoter Group balances included above | | | | | |

Notes:

- 1) The list of entities classified in Promoter Group is determined by the management and relied upon by the Auditor.
- 2) The figures disclosed above are based on the restated financial statements of the Company.

ANNEXURE XI : DETAILS OF LOANS AND ADVANCES
(Rs. in Millions)

| Particulars | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|---|--|--|--|--|--|
| Advances to Suppliers, contractors and others | 2.36 | 2.32 | 86.70 | 116.48 | 211.95 |
| Advances recoverable in cash or in kind or for value to be received | 36.96 | 24.65 | 116.27 | 192.68 | 515.49 |
| Balance with Customs, Port Trust, Excise, etc. | 0.15 | 0.12 | 2.33 | 10.07 | 20.17 |
| Other deposits | 6.37 | 4.97 | 2.47 | 2.63 | 4.76 |
| Advance payment of taxes | 0.79 | 0.79 | - | - | 47.69 |
| | 46.63 | 32.85 | 207.77 | 321.86 | 800.06 |
| Less: Provision for doubtful loans and advances | - | - | - | 27.73 | 33.04 |
| Total | 46.63 | 32.85 | 207.77 | 294.13 | 767.02 |
| Promoter Group balances included above | - | 5.96 | 10.97 | 7.10 | 2.97 |

Notes:

- 1) The list of entities classified as Promoter Group is determined by the management and relied upon by the Auditors.
- 2) The figures disclosed above are based on the restated financial statements of the Company.

ANNEXURE XII : DETAILS OF CONTINGENT LIABILITIES AND COMMITMENTS

| Particulars | (Rs. in Millions) | | | | |
|---|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
| <u>Contingent Liabilities:</u> | | | | | |
| A) Foreign currency bills discounted | 17.58 | 76.24 | 348.81 | 434.89 | 772.77 |
| B) Guarantees given to banks on behalf of Promoter Group Company | - | 7.50 | 7.50 | 143.80 | 143.80 |
| C) Claims against the company not acknowledged as debt | | | | | |
| Income Tax matters | - | 10.20 | 3.89 | 3.89 | 3.89 |
| Central Excise matters | - | 0.11 | 0.82 | 1.04 | 1.04 |
| Lease Rental demanded by Forest Department | - | - | 13.23 | 13.23 | 13.23 |
| Other matters | - | - | 0.61 | 1.01 | 2.01 |
| Total | 17.58 | 94.05 | 374.86 | 597.86 | 936.74 |
| <u>Commitments:</u> | | | | | |
| A) Estimated amount of contracts remaining to be executed on capital accounts and not provided for (net of advances) | - | 8.59 | 565.31 | 470.46 | 742.56 |
| B) The Company has entered into a Business Transfer Agreement (BTA) dated February 6, 2006 to acquire all assets and liabilities of MSPL Exports, a partnership firm, with effect from April 1, 2006. The total consideration payable as per the BTA and as per the supplemental agreement is Rs. 500 million out of which the Company has already paid an amount of Rs. 260 million upto March 31, 2006. | | | | | |

ANNEXURE XIII - A: RELATED PARTY DISCLOSURE

List of Related Parties and Relationships

| | Party | Relationship |
|---|---|---|
| A | Vijaya Oxygen Company Limited | Subsidiary (Upto September 27, 2005) |
| B | M/s P. Venganna Setty & Brother | Partnership Firm in which the Company is a major partner. |
| C | <u>Key Management Personnel (KMP)</u> | |
| | Shri Abheraj H. Baldota | Chairman (Upto September 29, 2005) Managing Director (Upto September 8, 2005) |
| | Shri Narendrakumar A. Baldota | Jt. Managing Director (Upto September 8, '05) Managing Director (From September 9, 2005) Chairman (From October 7, '05) |
| | Shri Rahul Kumar N. Baldota | Executive Director |
| | Shri Shrenik Kumar N. Baldota | Executive Director |
| | Shri S. Gopinath | Finance Director (Upto September 30, 2004) |
| D | <u>Relatives of key Management Personnel KMP)</u> | |
| | Smt. Vasanti A. Baldota | Wife of Shri Abheraj H. Baldota |
| | Smt. Chitra N. Baldota | Wife of Shri Narendrakumar A. Baldota |
| | Smt. Lavina R Baldota | Wife of Shri Rahul Kumar N. Baldota |
| | Smt. Rashmi S. Baldota | Wife of Shri Shrenik Kumar N. Baldota |
| E | <u>Enterprises over which Key Management Personnel (KMP) have Significant Influence</u> | |
| | Narendrakumar A. Baldota – HUF | KMP are Members of HUF |
| | Ramgad Minerals & Mining Pvt Limited(RMMPL) | |
| | M/s R S Enterprises – Partnership Firm | |
| | M/s MSPL Exports – Partnership Firm | |
| | Vijaynagar Industrial Credits Ltd. | |
| | MSPL Gases Limited | |
| | Good Earth Chemicals Private Limited | |
| F | <u>Enterprises over which Relatives of KMP have significant influence</u> | |
| | Mahakali Gases | Proprietary concern of Smt. Rashmi S. Baldota |
| | Mahalakshmi Gases | Proprietary concern of Smt. Chitra N. Baldota. |
| | L R Industries | Partnership firm in which wives of KMP are partners. |
| | Vijaynagar Trading Corporation | Proprietary concern of Smt. Chitra N. Baldota. |

Notes:

- 1) Disclosures have been made for items of income or expenditure between entities in the Promoter Group and the Company when the amount of such income or expenditure exceeds in aggregate 10 % of the total value of that income or expenditure.
- 2) The disclosures of certain transactions and balances with related parties till the financial year ended March 31, 2004 have been revised to disclose the appropriate amount of transactions and balances and verified only by S. B. Chhajer & Co. Chartered Accountants, since the financial statements for those years have been audited only by them.

ANNEXURE XIII - B : RELATED PARTY TRANSACTIONS
Related Party Transactions and Outstanding Balances as on March 31, 2002

| (Rs. in Millions) | | | | | |
|------------------------------|---------------------------------------|--------------------------------|------------------|--|---|
| Nature Of Transaction | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
| Purchase of Goods | | | | | |
| RMMPL | - | - | - | 29.60 | - |
| R. S. Enterprises | - | - | - | 15.68 | - |
| Other | - | 2.87 | 1.21 | 1.75 | - |
| Total | - | 2.87 | 1.21 | 47.03 | - |
| Sale of Goods | | | | | |
| RMMPL | - | - | - | 0.12 | - |
| Total | - | - | - | 0.12 | - |
| Receiving of Services | | | | | |
| Lavina Baldota | - | - | 2.92 | - | - |
| Rashmi Baldota | - | - | 1.60 | - | - |
| Rahul N.Baldota | - | 0.86 | - | - | - |
| Shrenik N.Baldota | - | 1.13 | - | - | - |
| Chitradevi Baldota | - | - | 2.04 | - | - |
| Narendrakumar A.Baldota HUF | - | - | - | - | 1.11 |
| Other | - | - | 0.29 | - | 0.25 |
| Total | - | 1.99 | 6.85 | - | 1.36 |
| Rendering of Services | | | | | |
| RMMPL | - | - | - | 5.67 | - |
| Others | - | - | - | 0.54 | - |
| Total | - | - | - | 6.21 | - |
| Sale of Fixed Asset | | | | | |
| Chitra N.Baldota | - | - | 0.24 | - | - |
| Total | - | - | 0.24 | - | - |
| Dividend Paid | | | | | |
| Narendrakumar A. Baldota | - | 2.82 | - | - | - |
| Rahul Kumar N. Baldota | - | 6.05 | - | - | - |
| Shrenik Kumar N. Baldota | - | 9.52 | - | - | - |
| Lavina R. Baldota | - | - | - | - | - |
| Others | - | 2.61 | - | - | - |
| Total | - | 21.00 | - | - | - |
| Remuneration | | | | | |

| Nature Of Transaction | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|-----------------------------------|--|---------------------------------------|-------------------------|---|--|
| Paid | | | | | |
| Abheraj H. Baldota | - | 0.60 | - | - | - |
| Narendrakumar A. Baldota | - | 3.00 | - | - | - |
| Rahul Kumar N. Baldota | - | 2.40 | - | - | - |
| Shrenik Kumar N. Baldota | - | 2.40 | - | - | - |
| S. Gopinath | - | 2.16 | - | - | - |
| Total | - | 10.56 | - | - | - |
| Credit Balance Outstanding | - | 13.22 | 0.23 | 2.61 | 0.34 |

ANNEXURE XIII - B : RELATED PARTY TRANSACTIONS

Related Party Transactions and Outstanding Balances as on March 31, 2003

(Rs. in Millions)

| Nature Of Transaction | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|------------------------------|--|---------------------------------------|-------------------------|---|--|
| Purchase of Goods | | | | | |
| RMMPL | - | - | - | 29.11 | - |
| R. S. Enterprises | - | - | - | - | 8.41 |
| Shrenik Baldota | - | 10.13 | - | - | - |
| Other | - | 3.52 | 2.30 | 0.00 | 6.06 |
| Total | - | 13.65 | 2.30 | 29.11 | 14.47 |
| Sale of Goods | | | | | |
| Mahalakshmi Gas | - | - | - | 0.43 | - |
| Other | - | - | - | 0.09 | - |
| Total | - | - | - | 0.52 | - |
| Receiving of Services | | | | | |
| Lavina Baldota | - | - | 3.45 | - | - |
| Rashmi Baldota | - | - | 2.25 | - | - |
| RMMPL | - | - | - | 9.20 | - |
| Other | - | 1.49 | 2.33 | - | 2.18 |
| Total | - | 1.49 | 8.03 | 9.20 | 2.18 |
| Rendering of Services | | | | | |
| RMMPL | - | - | - | 2.27 | - |
| R. S. Enterprises | - | - | - | 1.18 | - |
| Mahalakshmi Gas | - | - | - | - | 1.08 |
| Total | - | - | - | 3.45 | 1.08 |
| Sale of Fixed Asset | | | | | |
| Rashmi S. Baldota | - | - | 1.50 | - | - |
| Lavina R. Baldota | - | - | 1.00 | - | - |
| Total | - | - | 2.50 | - | - |
| Dividend Paid | | | | | |
| Narendrakumar A. Baldota | - | 2.82 | - | - | - |
| Rahul Kumar N. Baldota | - | 6.05 | - | - | - |
| Shrenik Kumar N. Baldota | - | 9.52 | - | - | - |
| Lavina R. Baldota | - | - | 3.00 | - | - |
| Others | - | 2.61 | - | - | - |
| Total | - | 21.00 | 3.00 | - | - |

| Nature Of Transaction | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|-----------------------------------|--|---------------------------------------|-------------------------|---|--|
| Remuneration Paid | | | | | |
| Abheraj H. Baldota | - | 0.60 | - | - | - |
| Narendrakumar A. Baldota | - | 3.00 | - | - | - |
| Rahul Kumar N. Baldota | - | 2.40 | - | - | - |
| Shrenik Kumar N. Baldota | - | 2.40 | - | - | - |
| S. Gopinath | - | 1.55 | - | - | - |
| Total | - | 9.95 | - | - | - |
| Credit Balance Outstanding | 30.00 | 0.52 | 0.89 | 0.90 | 0.30 |
| Debit Balance Outstanding | - | - | - | 4.46 | 1.50 |

ANNEXURE XIII - B : RELATED PARTY TRANSACTIONS

Related Party Transactions and Outstanding Balances as on March 31, 2004

(Rs. in Millions)

| Nature Of Transaction | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|------------------------------|--|---------------------------------------|-------------------------|---|--|
| Purchase of Goods | | | | | |
| RMMPL | - | - | - | 106.93 | - |
| M/S R S Enterprise | - | - | - | 9.84 | - |
| Chitra N Baldota | - | - | 8.68 | - | - |
| Others | - | - | - | - | 0.66 |
| Total | - | - | 8.68 | 116.77 | 0.66 |
| Sale of Goods | | | | | |
| RMMPL | - | - | - | 0.07 | - |
| Lavina R. Baldota | - | - | 1.04 | - | - |
| Rashmi S. Baldota | - | - | 0.31 | - | - |
| Other | - | - | 0.07 | - | - |
| Total | - | - | 1.42 | 0.07 | - |
| Receiving of Services | | | | | |
| Lavina Baldota | - | - | 6.10 | - | - |
| Rashmi Baldota | - | - | 2.05 | - | - |
| Other | - | 0.69 | 1.85 | 0.77 | - |
| Total | - | 0.69 | 10.00 | 0.77 | - |
| Rendering of Services | | | | | |
| RMMPL | - | - | - | 52.44 | - |
| Others | - | - | 0.03 | 1.32 | - |
| Total | - | - | 0.03 | 53.76 | - |
| Sale of Fixed Asset | | | | | |
| N.A. Baldota (HUF) | - | - | - | 0.23 | - |
| Total | - | - | - | 0.23 | - |
| Dividend Paid | | | | | |
| Narendrakumar A. Baldota | - | 5.64 | - | - | - |
| Rahul Kumar N. Baldota | - | 12.10 | - | - | - |
| Shrenik Kumar N. Baldota | - | 19.03 | - | - | - |
| Lavina R. Baldota | - | - | 6.00 | - | - |
| Others | - | 1.03 | 4.20 | - | - |
| Total | - | 37.80 | 10.20 | - | - |

| Nature Of Transaction | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|---|--|---------------------------------------|-------------------------|---|--|
| Interest Paid | | | | | |
| Vijaya Oxygen Company Ltd | 0.15 | - | - | - | - |
| Total | 0.15 | - | - | - | - |
| Remuneration Paid | | | | | |
| Abheraj H. Baldota | - | 5.48 | - | - | - |
| Narendrakumar A. Baldota | - | 6.86 | - | - | - |
| Rahul Kumar N. Baldota | - | 6.09 | - | - | - |
| Shrenik Kumar N. Baldota | - | 6.08 | - | - | - |
| S. Gopinath | - | 3.79 | - | - | - |
| Total | - | 28.30 | - | - | - |
| Guarantees given during the year | | | | | |
| RMMPL | - | - | - | 7.50 | - |
| Total | - | - | - | 7.50 | - |
| Credit Balance Outstanding | 33.32 | 0.42 | 0.17 | 0.64 | 0.39 |
| Debit Balance Outstanding | - | - | - | 9.47 | 1.50 |
| Guarantee Outstanding | - | - | - | 7.50 | - |

ANNEXURE XIII - B : RELATED PARTY TRANSACTIONS
Related Party Transactions and Outstanding Balances as on March 31, 2005
(Rs. in Millions)

| Particulars | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|----------------------------------|---------------------------------------|--------------------------------|------------------|--|---|
| Purchase of Goods | | | | | |
| RMMPL | - | - | - | 145.62 | - |
| M/S R S Enterprise | - | - | - | 10.91 | - |
| Others | - | - | - | - | 10.23 |
| Total | - | - | - | 156.53 | 10.23 |
| Sale of Goods | | | | | |
| RMMPL | - | - | - | 0.07 | - |
| Mahalakshmi Gas | - | - | - | - | 0.12 |
| Total | - | - | - | 0.07 | 0.12 |
| Receiving of Services | | | | | |
| Lavina Baldota | - | - | 5.56 | - | - |
| Rashmi Baldota | - | - | 2.71 | - | - |
| Other | - | 0.93 | 1.54 | 0.23 | - |
| Total | - | 0.93 | 9.81 | 0.23 | - |
| Finance Received | | | | | |
| Shrenik Kumar N. Baldota | - | 107.50 | - | - | - |
| Rahul Baldota | - | 81.00 | - | - | - |
| Other | - | 8.00 | 2.50 | - | - |
| Total | - | 196.50 | 2.50 | - | - |
| Finance Provided to Firm | 45.72 | - | - | - | - |
| Total | 45.72 | - | - | - | - |
| Share of profit from firm | 109.62 | - | - | - | - |
| Total | 109.62 | - | - | - | - |
| Dividend Paid | | | | | |
| Narendrakumar A. Baldota | - | 33.84 | - | - | - |
| Rahul Kumar N. Baldota | - | 72.58 | - | - | - |
| Shrenik Kumar N. Baldota | - | 114.19 | - | - | - |
| Lavina R. Baldota | - | - | 36.00 | - | - |
| Others | - | 6.19 | 25.20 | - | - |
| Total | - | 226.80 | 61.20 | - | - |
| Remuneration Paid | | | | | |

| Particulars | Subsidiary Company & Partnership Firm | Key Management Personnel (KMP) | Relatives of KMP | Enterprises where KMP have significant Influence | Enterprises where relatives of KMP have significant influence |
|---|--|---------------------------------------|-------------------------|---|--|
| Abheraj H. Baldota | - | 36.50 | - | - | - |
| Narendrakumar A. Baldota | - | 37.77 | - | - | - |
| Rahul Kumar N. Baldota | - | 26.12 | - | - | - |
| Shrenik Kumar N. Baldota | - | 26.08 | - | - | - |
| S. Gopinath | - | 3.83 | - | - | - |
| Total | - | 130.30 | - | - | - |
| Guarantees given during the year | | | | | |
| RMMPL | - | - | - | 143.80 | - |
| Total | - | - | - | 143.80 | - |
| Credit Balance Outstanding | 33.32 | 15.49 | 3.71 | 6.90 | - |
| Debit Balance Outstanding | - | 2.92 | - | - | 4.18 |
| Guarantee Outstanding | - | - | - | 143.80 | - |

ANNEXURE XIII - B : RELATED PARTY TRANSACTIONS

Related Party Transactions and Outstanding Balances as on March 31, 2006

| (Rs. in Millions) | | | | | |
|--|---------------------------------------|--------------------------------|------------------|---|--|
| Nature Of Transaction | Subsidiary Company & Partnership firm | Key Management Personnel (KMP) | Relatives of KMP | Entity where KMP have significant Influence | Entity where relatives of KMP have significant influence |
| Purchase of Goods | | | | | |
| RMMPL | | | | 209.90 | - |
| P Venganna Shetty & Bros | 63.63 | | | | |
| Other | | | | 10.82 | 13.71 |
| Total | 63.63 | - | - | 220.72 | 13.71 |
| Sale of Goods | | | | | |
| RMMPL | | | | 74.43 | - |
| MSPL Exports | | | | 239.26 | - |
| Other | 10.23 | | | | 1.94 |
| Total | 10.23 | - | - | 313.69 | 1.94 |
| Receiving of Services | | | | | |
| Vijay Nagar Trading Company | - | | | | |
| N A Baldota (HUF) | - | | | 0.15 | 0.60 |
| Other | - | | 0.05 | | 0.01 |
| Total | - | - | 0.05 | 0.15 | 0.61 |
| Rendering of Services | | | | | |
| R S Enterprises | - | | | 1.67 | - |
| Others | | | | | 0.05 |
| Total | - | - | - | 1.67 | 0.05 |
| Loan Repaid | | | | | |
| Vijaya Oxygen Company Ltd | 3.32 | | | | |
| Total | 3.32 | - | - | - | - |
| Finance Received | | | | | |
| Shrenik Kumar N. Baldota | - | 80.00 | | | |
| N.A.Baldota | | 42.50 | | | |
| Rahul Baldota | - | 125.00 | | | |
| Vasanti A. Baldota | | | 50.00 | | |
| Lavina R.Baldota | | | 54.90 | | |
| Total | - | 247.50 | 104.90 | - | - |
| Finance Provided to Firm | | | | | |
| P Venganna Shetty & Bros | 234.94 | | | | |
| Total | 234.94 | - | - | - | - |
| Share of Profit from Firm | | | | | |
| P Venganna Shetty & Bros | 162.22 | | | | |
| Total | 162.22 | - | - | - | - |
| Advance Consideration paid for purchase of division | | | | | |
| MSPL Export | | | | 260.00 | |
| Total | - | - | - | 260.00 | - |

| Nature Of Transaction | Subsidiary Company & Partnership firm | Key Management Personnel (KMP) | Relatives of KMP | Entity where KMP have significant Influence | Entity where relatives of KMP have significant influence |
|--|--|---------------------------------------|-------------------------|--|---|
| Advance Consideration Received for sale of division | | | | | |
| MSPL Gases Ltd | | | | 200.00 | |
| Good Earth Chemicals Pvt. Ltd. | | | | 1.00 | |
| | | | | - | |
| Total | - | - | - | 201.00 | - |
| Sale of Shares | | | | | |
| RMMPL | | | | 35.40 | |
| Total | | | | 35.40 | |
| Dividend Paid | | | | | |
| Narendrakumar A. Baldota | | 86.36 | - | - | |
| Rahul Kumar N. Baldota | | 185.22 | - | - | |
| Shrenik Kumar N. Baldota | | 291.36 | - | - | |
| Lavina R. Baldota | | - | 91.87 | - | |
| Others | | 3.10 | 64.37 | 12.71 | |
| Total | - | 566.04 | 156.25 | 12.71 | - |
| Remuneration Paid | | | | | |
| Abheraj H. Baldota | | 6.56 | - | - | |
| Narendrakumar A. Baldota | | 6.72 | - | - | |
| Rahul Kumar N. Baldota | | 6.05 | - | - | |
| Shrenik Kumar N. Baldota | | 6.05 | - | - | |
| Total | - | 25.38 | - | - | - |
| Credit Balance Outstanding (Including loan balance) | | | | | |
| RMMPL | | - | | 96.85 | |
| Lavina R. Baldota | | | 68.34 | | |
| Rahul Kumar N. Baldota | | 127.25 | - | | |
| Shrenik Kumar N. Baldota | | 114.25 | - | | |
| Others | 0.49 | 47.43 | 50.50 | 6.65 | 0.53 |
| Total | 0.49 | 288.93 | 118.84 | 103.50 | 0.53 |
| Debit Balance Outstanding | | | | | |
| Lavina R. Baldota | | - | | | |
| Mahalakshmi Gases | | - | | | 0.93 |
| R.S.Enterprise | | - | | 1.31 | |
| Vijaynagar Trading Company | | - | | | 1.51 |
| Others | | 0.16 | | 0.38 | |
| Total | - | 0.16 | - | 1.69 | 2.44 |

| Nature Of Transaction | Subsidiary Company & Partnership firm | Key Management Personnel (KMP) | Relatives of KMP | Entity where KMP have significant Influence | Entity where relatives of KMP have significant influence |
|------------------------------|--|---------------------------------------|-------------------------|--|---|
| Guarantee Outstanding | | | | | |
| RMMPL | | | - | 143.80 | |
| Total | - | - | - | 143.80 | - |

ANNEXURE XIV : CAPITALISATION STATEMENT AS AT MARCH 31, 2006

(Rs. in Millions)

| | Pre-issue as at March 31, 2006 | Post Issue (See Note 5 Below) |
|--|---|--|
| Short - term debt (A) (See Note 1 Below) | 2,174.73 | 2,174.73 |
| Long - term debt (B) (See Note 2 Below) | 1,550.79 | 1,550.79 |
| Total Debt (C = A + B) | 3,725.52 | 3,725.52 |
| Shareholders' Funds | | |
| - Equity share capital | 384.00 | 384.00 |
| - Reserves, as restated (See Note 3 Below) | 3,161.71 | 3,161.71 |
| Total shareholders' funds (D) | 3,545.71 | 3,545.71 |
| Long - term debt/Shareholders' funds (B/D) | 0.44 | 0.44 |
| Total debt/Shareholders' funds (C/D) | 1.05 | 1.05 |

Notes :

- 1) Short-term debt represents debts which are due within twelve months from March 31, 2006 and include installments of Long term debt repayable within 12 months.
- 2) Long-term debt represents debt other than short-term debt, as defined above.
- 3) Reserves exclude Deferred Government Grants and is net off Miscellaneous Expenditure not written off
- 4) The figures disclosed above are based on the restated financial statements of the Company.
- 5) The Post issue Equity of the Company will remain unchanged as the existing shareholders have offered their shares for sale. There is no issue of shares by the Company.

ANNEXURE XV : STATEMENT OF ACCOUNTING RATIOS (ON RESTATED NUMBERS)

| Particulars | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|--|--|--|--|--|
| Basic and Diluted Earnings Per Share (EPS) (Rs.) (Nominal Value Rs. 5 per share) [See Note 1 (A) below] | 1.17 | 0.95 | 10.56 | 18.65 | 28.30 |
| Return on Net Worth (in percentage) [See Note 1 (B) below] | 25.42% | 19.08% | 82.98% | 69.91% | 61.28% |
| Net Asset Value per Equity Share (Rs.) (Nominal Value Rs. 5 per share) [See Note 1 (C) below] | 18.38 | 19.98 | 50.90 | 106.69 | 46.18 |
| Weighted average number of equity shares outstanding during the year (Nominal Value Rs. 5 per share) | 76,800,000 | 76,800,000 | 76,800,000 | 76,800,000 | 76,800,000 |
| [See Notes 1 A (i), (ii), (iii) below] | | | | | |
| Total number of equity shares outstanding at the end of the year (Nominal Value Rs. 5 per share) [See Note 1 C (i) below] | 19,200,000 | 19,200,000 | 19,200,000 | 19,200,000 | 76,800,000 |

Notes:

1) The ratios have been computed as below:

A) Basic and Diluted Earnings Per Share (EPS) (Rs.) =

$$\frac{\text{Net profit as restated, attributable to equity shareholders}}{\text{Weighted average number of equity shares outstanding during the year}}$$

- i)** The Company has split 9,60,000 equity shares of face value of Rs. 100 each outstanding as on March 31, 2005 to 96,00,000 equity shares of face value of Rs. 10 each at the Extraordinary General Meeting held on July 30, 2005.
- ii)** The Company has made a bonus issue of 2,88,00,000 fully paid up equity shares of Rs 10 each in the ratio of 3 fully paid up equity shares for every 1 equity share held at the Extraordinary General Meeting held on July 30, 2005. As a result of the bonus issue and share split [per note (i) above], the issued and paid up capital of the Company has increased to 3,84,00,000 fully paid up equity shares of Rs. 10 each.
- iii)** The Company has further split the nominal value of Rs.10 per share to Rs. 5 per share resulting in increase in number of shares from 3,84,00,000 equity shares to 7,68,00,000 equity shares at the Extraordinary General Meeting held on December 23, 2005. In accordance with the requirement of Accounting Standard 20 'Earnings per Share' the EPS has been restated for all the periods presented considering the share split and the bonus shares issued.

B) Return on Net Worth (%) Net profit after tax as restated

Net worth at the end of the year/period

C) Net Asset Value per Equity Share (Rs.) $\frac{\text{Net Assets at the end of the year/period}}{\text{Total Number of equity shares outstanding at the end of the year/period}}$

- i) For the computation of Net Asset Value per equity share the number of equity shares outstanding at the end of the respective years till financial year ended March 31, 2005 have been considered and proportionately increased to reduce the nominal value from Rs. 100 to Rs. 5 per share. The nominal value has been altered, considering the share split at the Extraordinary General Meeting held on July 30, 2005 and on December 23, 2005, to make the ratio comparable.

ANNEXURE XVI : STATEMENT OF TAX SHELTERS
(Rs. in Millions)

| | | Year ended March 31, 2002 | Year Ended March 31, 2003 | Year ended March 31, 2004 | Year ended March 31, 2005 | Year ended March 31, 2006 |
|--|-------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Profit before current and deferred taxes, as restated | A | 90.41 | 102.61 | 1,118.17 | 2,105.30 | 2,673.60 |
| Applicable Tax Rates (%) (including surcharge and cess) | B | 35.7000% | 36.7500% | 35.8750% | 36.5925% | 33.6600% |
| Tax on Actual Rate on Book Profits | C=A*B | 32.28 | 37.71 | 401.14 | 770.38 | 899.93 |
| Adjustments | | | | | | |
| Permanent Differences | | | | | | |
| Donations | | 1.69 | 2.89 | 4.59 | 10.15 | 14.82 |
| Dividend | | - | - | (0.04) | (13.33) | (56.28) |
| Transferred from Deferred Government Grant | | (0.50) | (0.37) | (0.28) | (13.13) | (0.33) |
| Deduction under Section 80 HHC | | (102.15) | (40.48) | (312.77) | - | - |
| Deduction under Section 80 IB | | (16.01) | - | - | - | (1,187.12) |
| Prior Period Expenses not allowable | | - | - | 70.25 | - | - |
| Share of Profit from Partnership Firm | | - | - | - | (109.62) | (162.22) |
| Profit on Sale of Investments | | - | - | - | (73.13) | (255.21) |
| Others | | 0.27 | 1.08 | 1.76 | 5.05 | 32.05 |
| Total Permanent Differences | D | (116.70) | (36.88) | (236.49) | (194.01) | (1,614.29) |
| Timing Differences | | | | | | |
| Difference between Book Depreciation and Tax Depreciation | | (26.68) | (31.54) | (260.47) | (1,565.38) | (1,223.43) |
| Disallowance under Section 43B of the Income Tax Act, 1961 | | 2.26 | (2.22) | 0.02 | 7.87 | 9.55 |
| Provision for Doubtful Debts and Advances | | - | - | - | 29.91 | 29.25 |
| Diminution in value of Investments | | - | - | - | 8.92 | 23.23 |
| Disallowance u/s. 40 (a) (ia) of the Income Tax Act, 1961 | | - | - | - | 26.16 | 26.16 |
| Others | | - | (0.15) | 0.05 | (0.15) | 0.29 |
| Total Timing Differences | E | (24.42) | (33.91) | (260.40) | (1,492.67) | (1,134.95) |
| Net Adjustments | F=D+E | (141.12) | (70.79) | (496.89) | (1,686.68) | (2,749.24) |
| Tax Saving thereon | G=F*B | (50.38) | (26.02) | (178.26) | (617.20) | (925.39) |
| Total Capital Gain Tax | H | - | - | - | 7.66 | 28.63 |

| | | Year ended March 31, 2002 | Year Ended March 31, 2003 | Year ended March 31, 2004 | Year ended March 31, 2005 | Year ended March 31, 2006 |
|---|---------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Total Tax charge | I=C+G+H | (18.10) | 11.69 | 222.88 | 160.85 | 3.17 |
| Interest U/s 234 of the Act | J | - | 1.39 | 14.25 | 0.75 | - |
| Interest provided in subsequent year now restated | K | - | - | 11.97 | - | - |
| Taxable Income as per MAT as restated | | - | - | - | - | 1,273.52 |
| Tax as per MAT | | - | - | - | - | 107.17 |
| Restated Tax Provision for the year | L=I+J-K | (18.10) | 13.08 | 225.16 | 161.60 | 107.17 |
| Tax Effect of (Saving)/Charge on account of Adjustments included in restated tax provision | M | (18.10) | (1.50) | 25.39 | (8.97) | 0.67 |
| (Excess) / Short provision in the financial statement as compared to Return of Income | N | (1.50) | 1.08 | (0.23) | (9.43) | - |
| Total Tax Effect of Adjustments and Excess / Short Provision | O=M+N | (19.60) | (0.42) | 25.16 | (18.40) | 0.67 |
| Actual Provision made in books of account | P=L-O | 1.50 | 13.50 | 200.00 | 180.00 | 106.50 |

Notes:

- 1) The permanent/timing differences have been computed considering the acknowledged copies of the Income-Tax returns filed by the Company for each of the respective years stated above. The Income tax assessments upto the financial year ended March 31, 2004 have been completed and accordingly the difference in the Income-Tax charge between the provision in the financial statements and Return of Income is charged/credited in the restated financial statements for those years.
- 2) The figures for the financial year ended March 31, 2006 are based on the provisional computation of Income tax prepared by the Company. Income tax has been provided as per the provisions of Section 115 JB of Income Tax Act, 1961 relating to Minimum Alternate Tax (MAT) as the normal tax is below the MAT. Accordingly the tax effect of adjustments have also been calculated at MAT rate.

VIJAYA OXYGEN COMPANY LIMITED

ANNEXURE XVII - A : SUMMARY STATEMENT OF ASSETS AND LIABILITIES

| | (Amount in Rs.) | | | |
|--|--|------------------------------------|------------------------------------|--|
| | 18 months Period Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Period Ended September 27, 2005 |
| A. Fixed Assets | | | | |
| Gross Block | 816,834 | 1,238,608 | 1,238,608 | 1,238,608 |
| Less: Depreciation/Impairment | 93,418 | 93,418 | 205,075 | 230,913 |
| Net Block | 723,416 | 1,145,190 | 1,033,533 | 1,007,695 |
| B. Investments | | | | |
| | 1,029,500 | 1,021,000 | 1,021,000 | 1,021,000 |
| C. Current Assets, Loans and Advances | | | | |
| Sundry Debtors | 2,132,480 | - | - | - |
| Cash and Bank Balances | 1,281,568 | 108,869 | 156,661 | 66,548 |
| Loans and Advances | 30,304,627 | 33,398,171 | 33,376,320 | 33,296,320 |
| Total | 33,718,675 | 33,507,040 | 33,532,981 | 33,362,868 |
| D. Liabilities and Provisions | | | | |
| Current Liabilities and Provisions | 40,000 | 231,794 | 184,808 | 35,883 |
| Total | 40,000 | 231,794 | 184,808 | 35,883 |
| E Networth (A+B+C-D) | 35,431,591 | 35,441,436 | 35,402,706 | 35,355,680 |
| F Represented by | | | | |
| G Share Capital | 35,400,000 | 35,400,000 | 35,400,000 | 35,400,000 |
| H Reserves | 31,591 | 41,436 | 2,706 | - |
| I Profit and Loss Account (Debit Balance) | - | - | - | 44,320 |
| Networth (G+H-I) | 35,431,591 | 35,441,436 | 35,402,706 | 35,355,680 |

Notes:

The above statement should be read with the Notes on Summary Statements of Assets and Liabilities and Profits and Losses and Significant Accounting Policies for financial statements as appearing in Annexure XVII - C.

VIJAYA OXYGEN COMPANY LIMITED

ANNEXURE XVII - B : SUMMARY STATEMENT OF PROFITS AND LOSSES

(Amount in Rs.)

| | 18 months Period Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Period Ended September 27, 2005 |
|---|--|--|--|--|
| INCOME: | | | | |
| Other Income | 155,056 | 167,642 | 243,448 | - |
| Total Income (A) | 155,056 | 167,642 | 243,448 | - |
| EXPENDITURE: | | | | |
| Administrative and Operative Expenses | 286,717 | 155,511 | 167,146 | 21,075 |
| Interest and Bank Charges | 4,274 | 2,286 | 3,375 | 113 |
| Depreciation | 18,131 | - | 111,657 | 25,838 |
| Total Expenditure (B) | 309,122 | 157,797 | 282,178 | 47,026 |
| PROFIT BEFORE TAX (A-B) | (154,066) | 9,845 | (38,730) | (47,026) |
| Profit and loss account at the beginning of the year | (81,691,112) | (81,845,178) | (81,835,333) | (81,874,063) |
| Balance carried forward, as restated | (81,845,178) | (81,835,333) | (81,874,063) | (81,921,089) |

Note:

The above statement should be read with the Notes on Summary Statements of Assets and Liabilities and Profits and Losses and Significant Accounting Policies for financial statements as appearing in Annexure XVII - C.

VIJAYA OXYGEN COMPANY LIMITED

ANNEXURE XVII - C: NOTES ON SUMMARY STATEMENTS OF ASSETS AND LIABILITIES, PROFIT AND LOSSES AND SIGNIFICANT ACCOUNTING POLICIES

- 1) The summary statements of assets and liabilities, profits and losses and cash flow statements are based on the financial statements which are audited by M/s B. R. V. Goud & Co. and adopted by the Board of Directors of Vijaya Oxygen Company Limited.
- 2) Vijaya Oxygen Company Limited was not a 100 % subsidiary of MSPL Limited for the full 18 months period ended on March 31, 2003. However in the absence of financial statements from the date it became a subsidiary to March 31, 2003, the available financial statements for 18 months period have been presented.
- 3) **Significant Accounting Policies**
 - A) **Accounting Convention:** The Financial statements are prepared under the historical cost convention.
 - B) **Recognition of Revenue and Expenditures:** Revenues / Incomes and Costs / Expenditure are generally accounted on accrual basis as they are earned or accrued
 - C) **Investments:** Investments are stated at "Cost"
 - D) **Fixed Asset:** Building is stated at cost less depreciation
 - E) Income Tax has not been provided in view of Carry Forward of Losses

VIJAYA OXYGEN COMPANY LIMITED

ANNEXURE XVII - D : STATEMENT OF CASH FLOWS

(Amount in Rs.)

| | 18 months Period Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Period Ended September 27, 2005 |
|--|---|------------------------------------|------------------------------------|--|
| A. Cash flow from Operating Activities: | | | | |
| Net profit before tax | (154,066) | 9,845 | (38,730) | (47,026) |
| Adjustments for: | | | | |
| Depreciation | 18,131 | - | 111,657 | 25,838 |
| Income Tax | - | 6,617 | 1,262 | - |
| Interest / Rental Income | (148,156) | (167,642) | (3,448) | - |
| Operating Profit before working capital changes | (284,091) | (151,180) | 70,741 | (21,188) |
| Increase / Decrease in Sundry Debtors | 50,000 | 2,132,480 | - | - |
| Increase / Decrease in Other Current Assets | 144,010 | (3,166,320) | 21,702 | 80,000 |
| Increase / Decrease in Current Liabilities and Provisions | (40,000) | 187,480 | (42,672) | (148,925) |
| Payment of Taxes | - | - | (5,576) | - |
| Cash generated from operations | (130,081) | (997,540) | 44,195 | (90,113) |
| Net Cash from Operating Activities (A) | (130,081) | (997,540) | 44,195 | (90,113) |
| B. Cash Flow from Investing Activities | | | | |
| Additions made to Fixed Assets | (63,960) | (421,774) | - | - |
| Investment in Non Trade | - | 8,500 | - | - |
| Interest received | 148,156 | 238,115 | 3,597 | - |
| Net Cash used in Investing Activities (B) | 84,196 | (175,159) | 3,597 | - |
| Net Increase/(Decrease) in cash and cash equivalents (A+B) | (45,885) | (1,172,699) | 47,792 | (90,113) |
| Opening Cash and Cash Equivalents | 1,327,453 | 1,281,568 | 108,869 | 156,661 |
| Closing Cash and Cash Equivalents | 1,281,568 | 108,869 | 156,661 | 66,548 |

AUDITORS REPORT ON THE SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES AS RESTATED UNDER INDIAN GAAP FOR THE YEARS ENDED MARCH 31, 2001, 2002, 2003, 2004, 2005 AND 2006

To
The Managing Partner;
M/s. P. Venganna Setty & Brothers,
N. C. Colony,
Hospet,
Dist: Bellary,
Karnataka, India

Dear Sirs,

At your request, we have examined and found correct the financial statements of M/s. P. Venganna Setty & Brothers for the past five financial years ended 31st March 2002, 2003, 2004, 2005 and 2006 being the last date upto which the accounts of the firm have been made up. We have examined the financial information annexed to this report which has been prepared in accordance with the requirements of:

- a. request letter dated April 4, 2006 received from the firm to carry out work relating to the Offer Document being issued by the MSPL Limited (referred to as Company) in connection with the offer for sale by the selling shareholders of certain equity shares held by them in the Company (referred to as 'offer for sale').

Financial information as per audited financial statements

1. We have examined the attached restated summary statement of assets and liabilities of the firm as at 31st March 2002, 2003, 2004, 2005 and 2006, and the attached restated summary statement of profits and losses for the years ended on those dates ('Summary Statements') (See Annexure I and II) as prepared and approved by the firm. These profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate.
2. The summary statements for the years ended 31st March 2002, 2003 and 2004 are based on the unaudited financial statements of those years. As we have carried out only a limited review of the same, we are providing less assurance than an audit, and as we have not carried out any audit tests for those years we do not express an audit opinion on the same.
3. The summary statements for the years ended March 31, 2005 and 2006 are based on the financial statements for the years ended March 31, 2005 and 2006 which have been audited by us.
4. Based on our examination of these summary statements, we confirm that:
 - The impact arising on account of changes in accounting policies and estimates adopted by the Company as at and for the year ended March 31, 2006 have been adjusted with retrospective effect in the attached summary statements;
 - The prior period items have been adjusted in the summary statements in the years to which they relate;
 - There are no extraordinary items which need to be disclosed separately in the summary statements; and
 - There are no qualifications in the auditors' reports, which require any adjustments to the summary statements.
5. The summary of significant accounting policies adopted by the firm pertaining to the audited financial statements for the year ended March 31, 2006 are enclosed as part of Annexure IV to this report.

Other Financial Information

6. At your request, we have also examined the following other financial information of the firm as approved by you and annexed to this report:

| Details of other financial information examined | Annexure |
|--|-----------------|
| Statement of Cash Flows, As Restated | III |
| Notes on Adjustments and Significant Accounting Policies for Restated Financial Statements | IV |

7. In respect of matters covered by 'Other Financial Information', contained in this report, we have relied upon the unaudited financial statements for the years ended March 31, 2002, 2003 and 2004, approved by you. Accordingly, in respect of matters covered by the 'Other Financial Information' for the years ended March 31, 2002, 2003 and 2004, since we have not performed any audit procedures, we do not report on the same.
8. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of The Companies Act, 1956 and the Guidelines.
9. This report should not be in any way construed as a re-issuance or re-dating 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.
10. This report is intended solely for your information and in connection with the proposed offer for sale by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. B. Chhajed & Co.
Chartered Accountants

Place : Hospet
May 19th, 2006

S. B. Chhajed
Partner
Membership No: 5291

M/s P.VENGANNA SETTY AND BROTHER.

SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Amount in Rs.)

| | As On March 31, 2001 | As On March 31, 2002 | As On March 31, 2003 | As On March 31, 2004 | As On March 31, 2005 | As On March 31, 2006 |
|---|----------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| A. Fixed Assets | | | | | | |
| Gross Block | 14.427 | 14,422,300 | 14,456,933 | 30,952,741 | 417,077,449 | 456,310,366 |
| Less: Depreciation | - | - | - | - | 8,885,960 | 90,603,498 |
| Net Block | 14.427 | 14,422,300 | 14,456,933 | 30,952,741 | 408,191,489 | 365,706,868 |
| Capital Work-in-Progress | - | - | - | - | 7,620,772 | 27,000,000 |
| Total | 14.427 | 14,422,300 | 14,456,933 | 30,952,741 | 415,812,261 | 392,706,868 |
| B. Current Assets, Loans & Advances | | | | | | |
| Sundry Debtors | 0.144 | - | - | - | 10,935,925 | 80,927,881 |
| Cash and Bank Balances | 0.011 | 12,281 | 51,709 | 73,559 | 9,486,574 | 48,084,313 |
| Loans and Advances | 0.007 | 7,000 | 25,400 | 3,024,560 | 75,324,614 | 53,067,007 |
| Inventories | - | - | - | - | 31,397,998 | 18,316,486 |
| Total | 0.163 | 19,281 | 77,109 | 3,098,119 | 127,145,111 | 200,395,686 |
| C. Liabilities and Provisions | | | | | | |
| Secured Loans | - | - | - | 10,118,122 | 6,331,094 | 2,412,872 |
| Current Liabilities and Provisions | 5.123 | 5,811,426 | 4,735,318 | 5,708,105 | 372,499,192 | 27,004,111 |
| Total | 5.123 | 5,811,426 | 4,735,318 | 15,826,227 | 378,830,286 | 29,416,983 |
| Networth (A+B-C) | 9.467 | 8,630,155 | 9,798,724 | 18,224,633 | 164,127,086 | 563,685,571 |
| Represented by | | | | | | |
| D. Partners Capital Account | 14.618 | 14,832,574 | 16,690,934 | 37,335,935 | 205,446,605 | 600,475,690 |
| E. Miscellaneous Expenditure (to the extent not written off or adjusted) | 5.151 | 6,202,419 | 6,892,211 | 19,111,302 | 41,319,519 | 36,790,119 |
| Networth (D-E) | 9.467 | 8,630,155 | 9,798,724 | 18,224,633 | 164,127,086 | 563,685,571 |

Note:

- 1) The figures for the F.Y's, ending 31.3.2002, 2003 and 2004 based on unaudited financial statements reviewed by us.
- 2) Miscellaneous Expenditure is expenses incurred for development of mine upto the date of commercial production.
- 3) The above statement should be read with the Significant Accounting Policies on restated financial statements as appearing in Annexure IV to this report.

**AS PER OUR REPORT OF
EVEN DATE**

**FOR S.B.CHHAJED AND CO.
CHARTERED ACCOUNTANTS**

**For P.VENGANNA
SETTY & BRO;**

**PLACE : HOSPET
DATED : 19th MAY 2006**

**(S.B.CHHAJED)
PARTNER
MEMB. NO. 5291**

**(SHRENIK
BALDOTA)
PARTNER N.**

M/s P.VENGANNA SETTY AND BROTHER.

SUMMARY STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Amount in Rs.)

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| A INCOME: | | | | | |
| . | | | | | |
| Sales | - | - | - | 217,870,079 | 466,990,064 |
| Other Income | - | - | - | 3,400 | 192,526 |
| Total Income (A) | - | - | - | 217,873,479 | 467,182,589 |
| B. INCREASE / (DECREASE) IN | | | | | |
| SEMI FIN./ FIN. GOODS (B) | - | - | - | 30,717,645 | (15,888,561) |
| EXPENDITURE: | | | | | |
| Mining Expenses | - | - | - | 13,052,614 | 42,799,088 |
| Repairs & Maintenance | - | - | - | 1,206,708 | 7,892,688 |
| Personnel Expenses | - | - | - | 3,844,905 | 6,397,010 |
| Administrative Expenses | - | - | - | 1,796,007 | 5,409,498 |
| Selling & Distribution Expenses | - | - | - | 95,776,287 | 95,103,126 |
| Interest Expense | - | - | - | 138,944 | 365,447 |
| Depreciation | - | - | - | 8,885,961 | 81,717,538 |
| C Total Expenditure (C) | - | - | - | 124,701,427 | 239,684,395 |
| . | | | | | |
| PROFIT BEFORE TAX (A+B-C) | - | - | - | 123,889,698 | 211,609,633 |
| Provision for Income Tax | - | - | - | - | 26,595,000 |
| PROFIT AFTER TAX | - | - | - | 123,889,698 | 185,014,633 |

Note:

- 1) The firm had commenced commercial production from January 2005.
- 2) Deferred Revenue Exps. written off during the year 2004 & 2005 is shown under the head of Mining Exps.
- 3) Sale includes the revenue from sale of wind-power.
- 4) The above statement should be read with the Significant Accounting Policies on restated financial statements as appearing in Annexure IV to this report.

**AS PER OUR REPORT OF
EVEN DATE**

**FOR S.B.CHHAJED AND CO.
CHARTERED
ACCOUNTANTS**

**For P.VENGANNA SETTY &
BRO;**

**PLACE : HOSPET
DATED : 19th MAY 2006**

**(S.B.CHHAJED)
PARTNER
MEMB. NO. 5291**

**(SHRENIK N. BALDOTA)
PARTNER**

M/s P.VENGANNA SETTY AND BROTHER.

STATEMENT OF CASH FLOWS, AS RESTATED

(Amount in Rs.)

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| A. Cash flow from Operating Activities: | | | | | |
| Net profit after tax | - | - | - | 123,889,698 | 185,014,633 |
| <i>Adjustments for:</i> | | | | | |
| Depreciation | - | - | - | 8,885,961 | 81,717,538 |
| Interest Expenses | - | - | - | 138,944 | 365,447 |
| Ammortisation & Write-off | - | - | - | 6,934,475 | 4,529,401 |
| (Profit) / Loss on sale of Fixed Assets | (4,984) | - | - | - | - |
| Income tax provision | - | - | - | - | 26,595,000 |
| Interest / Rental Income | - | - | - | (3,400) | (184,526) |
| <i>Operating Profit before working capital changes</i> | (4,984) | - | - | 139,845,678 | 298,037,494 |
| (Increase) / Decrease in Sundry Debtors | 144,494 | - | - | (10,935,925) | (69,991,956) |
| (Increase) / Decrease in stock | - | - | - | (31,397,998) | 13,081,512 |
| (Increase) / Decrease in Other Current Assets | - | (18,400) | (2,999,160) | (75,260,053) | 40,117,183 |
| Increase / (Decrease) in Cur. Liabilities & Prov. | 688,611 | (1,076,108) | 972,787 | 366,791,088 | (372,090,081) |
| Payment of Taxes | - | - | - | - | (17,859,576) |
| Net Cash from Operating Activities (A) | 828,121 | (1,094,508) | (2,026,373) | 389,042,789 | (108,705,424) |
| B. Cash Flow from Investing Activities | | | | | |
| Net Additions made to Fixed Assets | 9,700 | (34,633) | (16,495,808) | (393,745,480) | (58,612,145) |
| (Increase) / Decrease in Def. Revenue Expdt. | (1,051,469) | (689,791) | (12,219,091) | (26,182,693) | - |
| Interest received | - | - | - | 3,400 | 184,526 |
| Net Cash used in Investing Activities (B) | (1,041,769) | (724,425) | (28,714,899) | (419,924,773) | (58,427,619) |
| C. Cash Flow from Financing Activities | | | | | |
| Proceeds from Borrowings | - | - | 13,751,583 | - | - |
| Repayment of Borrowings | - | - | (3,633,461) | (3,787,028) | (3,918,222) |
| Interest Paid on Borrowing | - | - | - | (138,944) | (365,447) |
| Increase / (Decrease) in Capital of Partners | 214,779 | 1,858,360 | 20,645,000 | 44,220,971 | 210,014,451 |
| Net Cash used in Financing Activities (C) | 214,779 | 1,858,360 | 30,763,122 | 40,294,999 | 205,730,782 |
| Net Increase/(Decrease) in cash and cash equivalents (A+B+C) | 1,131 | 39,428 | 21,850 | 9,413,016 | 38,597,739 |
| Cash & cash equivalents at the beginning of the | 11,149 | 12,281 | 51,709 | 73,559 | 9,486,574 |

| | Year Ended March 31, 2002 | Year Ended March 31, 2003 | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|--|--|--|--|--|
| period | | | | | |
| Cash & cash equivalents at the end of the period | 12,281 | 51,709 | 73,559 | 9,486,574 | 48,084,313 |
| <i>Components of cash and cash equivalents as at the end of the period</i> | | | | | |
| Cash & Cheques on hand | 4,330 | 16,381 | 6,902 | 81,188 | 39,692,046 |
| With scheduled banks | | | | | |
| - on current account | 7,951 | 35,328 | 66,656 | 9,405,386 | 2,181,945 |
| - on deposit account | - | - | - | - | 6,210,322 |
| | 12,281 | 51,709 | 73,559 | 9,486,573 | 48,084,313 |

**AS PER OUR REPORT OF
EVEN DATE**

FOR S.B.CHHAJED AND CO.

**CHARTERED
ACCOUNTANTS**

**(S.B.CHHAJED)
PARTNER
MEMB. NO. 5291**

**For P.VENGGANNA SETTY &
BRO;**

**(SHRENIK N. BALDOTA)
PARTNER**

**PLACE : HOSPET
DATED : 19th MAY 2006**

P. VENGGANNA SETTY & BROTHER**Significant Accounting Policies and notes on accounts.**1. *System of Accounting:*

- i) The Firm follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial Statements are prepared under the Historical cost convention. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

2. *Revenue recognition:*

- i) The sale of iron – ore is recognised when property in the goods with all risks and rewards are transferred to the buyer.
- ii) Sale of power is accounted on the basis certification given by power utility based on the joint meter reading taken upto the year ended.

3. *Fixed Assets and Depreciation:*

(a) Fixed Assets:

Fixed Assets are stated at cost of acquisition or construction/manufacturing cost in the case of self manufactured assets, less accumulated depreciation, amortisation and impairment loss.

(b) Depreciation and Amortisation:

(c)

❖ Leasehold land:

Premium on leasehold land is amortised over the period of lease.

❖ Depreciation is provided on other assets on written down value method at the rates mentioned below:

❖

| Nature of Asset | - | Depreciation Rate |
|-----------------------------|---|-------------------|
| Plant & Machinery | - | 15% |
| Computers | - | 60% |
| Motor Cars & Other Vehicles | - | 15% |
| Furniture & Fixtures | - | 10% |
| Wind Electricity Generator | - | 20% |

❖ Depreciation on assets is being provided on pro-rata basis from the month in which the assets having being put to commercial use.

4. *Inventories:*

- ❖ Cost of inventories have been computed to include all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
- ❖ Stock of iron - ore and consumables are valued at cost or net realisable value whichever is lower.

5. *Foreign Currency Transactions:*

- (a) Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities if any denominated in foreign currency are translated at the appropriate exchange rates prevailing at the close of the year.
- (b) The gain or loss due to decrease/increase in reporting currency due to fluctuations in rates of exchange is recognised in the profit and loss account.

6. *Research & Development Expenditure:*

Research & Development Expenditure is charged to revenue under the natural heads of account in the year in which it is incurred. However, expenditure incurred in development phase and pre – commencement phase, where it is reasonably certain that outcome of research will be commercially exploited to yield economic benefits to the firm, is considered as deferred revenue expenditure and amortised over a period of 10 years.

7. *Employee related Benefits:*

Contributions are made to Provident Fund, Pension Fund, and Employees deposits linked insurance Scheme at the prescribed rates and are charged to Profit & Loss Account.

8. *Provisions:*

Necessary provisions are made for present obligations that arise out of events prior to the balance sheet date entailing future outflow of economic resources. Such provisions reflect best estimate based on available information.

9. *Miscellaneous Expenditure (to the extent not written off):*

Expenditure incurred upto the date of commencement of commercial production is treated as deferred revenue expenditure and amortised over a period of 10 years. 1/10th of expenditure is charged to profit and loss account on pro – rata basis. The firm had commenced commercial production from January 2005.

Adjustments to financial statements - Prior Period Items:

In the financial statements for the year ended 31st March 2006, certain expenses classified as prior period expenses have been appropriately adjusted in the respective years.

For P. Venganna Setty & Bro;

Shrenik N. Baldota
Partner

AUDITORS REPORT ON THE SUMMARY STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES AS RESTATED UNDER INDIAN GAAP FOR THE YEARS ENDED MARCH 31, 2004, 2005 AND 2006.

To
The Managing Partner;
M/s. MSPL Exports,
Baldota Bhavan,
117, Maharshi Karve Road,
Churchgate, Mumbai – 400 020.

Dear Sir,

At your request, we have examined and found correct the financial statements of M/s. MSPL Exports for the past three financial years ended 31st March, 2004, 2005 and 2006 being the last year upto which the accounts of the firm have been made up. We have examined the financial information annexed to this report which has been prepared in accordance with the requirements of:

a. request dated April 4, 2006 received from the firm to carry out work relating to the Offer Document being issued by the MSPL Limited (referred to as Company) in connection with the offer for sale by the selling shareholders of certain equity shares held by them in the Company (referred to as ‘offer for sale’).

Financial information as per audited financial statements

1. We have examined the attached restated summary statement of assets and liabilities of the firm as at 31st March, 2004, 2005 and 2006 and the attached restated summary statement of profits and losses for the years ended on those dates (‘Summary Statements’) (See Annexure I and II) as prepared and approved by the firm. These profits / (losses) have been arrived at after making such adjustments and regroupings as in our opinion are appropriate.
2. The summary statements for the years ended 31st March 2004 and 2005 are based on the unaudited financial statements of those years. As we have carried out only a limited review of the same, we are providing less assurance than an audit, and as we have not carried out any audit tests for those years we do not express an audit opinion on the same.
3. The summary statements for the year ended March 31, 2006 is based on the financial statements for the year ended March 31 2006 which has been audited by us.
4. Based on our examination of these summary statements, we confirm that:
 - There are no changes in accounting policies adopted for preparation of summary statements for the year ended March 31, 2006;
 - There are no extraordinary items which need to be disclosed separately in the summary statements; and
5. The summary of significant accounting policies adopted by the firm pertaining to the audited financial statements for the year ended March 31, 2006 are enclosed as part of Annexure IV to this report.

Other Financial Information

6. At your request, we have also examined the following other financial information of the firm as approved by you and annexed to this report:

| Details of other financial information examined | Annexure |
|--|-----------------|
| Statement of Cash Flows, As Restated | III |
| Notes on Adjustments and Significant Accounting Policies for Restated Financial Statements | IV |

7. In respect of matters covered by 'Other Financial Information', contained in this report, we have relied upon the financial statements for the years ended March 31, 2004 and 2005, which were unaudited, but approved by you. Accordingly, in respect of matters covered by the 'Other Financial Information' for the years ended March 31, 2004 and 2005, since we have not performed any audit procedures, we do not report on the same.
8. In our view, the financial information as per audited financial statements and other financial information mentioned above have been prepared in accordance with Part II of Schedule II of The Companies Act, 1956 and the Guidelines.
9. This report should not be in any way construed as a re-issuance or re-dating 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.
10. This report is intended solely for your information and in connection with the proposed offer for sale by the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

For S. B. Chhajed & Co.
Chartered Accountants

Mumbai
May 23rd 2006

S. B. Chhajed
Partner
Membership No: 5291

M/s MSPL EXPORTS

SUMMARY STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Amount in Rs.)

| | As On March 31, 2004 | As On March 31, 2005 | As On March 31, 2006 |
|--|-------------------------------|-------------------------------|-------------------------------|
| A. Fixed Assets | | | |
| Gross Block | - | 28,984,935 | 132,222,667 |
| Less: Depreciation | - | - | 19,519,328 |
| Net Block | - | 28,984,935 | 112,703,339 |
| Capital Work-in-Progress | - | 87,132,446 | 28,150,909 |
| Total | - | 116,117,381 | 140,854,247 |
| B Current Assets, Loans and Advances | | | |
| Sundry Debtors | | | 298,564,972 |
| Cash and Bank Balances | 809,450 | 288,693 | 53,870,934 |
| Loans and Advances | - | 9,898,464 | 36,780,531 |
| Inventories | - | - | 376,184,158 |
| Total | 809,450 | 10,187,157 | 765,400,595 |
| C Liabilities and Provisions | | | |
| Current Liabilities and Provisions | - | 744,558 | 476,034,906 |
| Total | - | 744,558 | 476,034,906 |
| Net worth (A+B-C) | 809,450 | 125,559,980 | 430,219,936 |
| <u>Represented by</u> | | | |
| D Partners Capital Account | 810,000 | 126,652,626 | 431,872,566 |
| E Miscellaneous Expenditure (to the extent not written off or adjusted) | 550 | 1,092,646 | 1,652,630 |
| Net worth (D-E) | 809,450 | 125,559,980 | 430,219,936 |
| | - | - | - |

Notes:

- 1) The figures for F.Y's, ending 31.3.2004 and 2005 are based on unaudited financial statements reviewed by us.
- 2) The firm started commercial production from July 2005.

- 3) There has been reconstitution of the partnership firm due to the death of one of the Partner Sri A.H. Baldota. W.e.f 1st October 2005, Sri A.H. Baldota ceases to be a partner due to his death and Narendra A. Baldota (HUF) represented by its Karta Narendra Kumar Baldota (HUF) has been admitted as the partner.
- 4) The above statement should be read with the Significant Accounting Policies on restated financial statements as appearing in Annexure IV to this report.

**AS PER OUR REPORT OF
EVEN DATE**

**FOR S.B.CHHAJED AND
CO.**

For MSPL EXPORTS

**PLACE : HOSPET
DATED : 23rd MAY 2006**

**(S.B.CHHAJED)
PARTNER
MEMB. NO. 5291**

**(SHRENIK N.
BALDOTA)
PARTNER**

M/s MSPL EXPORTS

SUMMARY STATEMENT OF PROFITS & LOSSES, AS RESTATED

(Amount in Rs.)

| | | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|-------------------------------------|----------------|------------------------------------|------------------------------------|------------------------------------|
| INCOME: | | | | |
| Sales | | - | - | 1,822,624,297 |
| Other Income | | - | - | 616,592 |
| Total Income | (A) | - | - | 1,823,240,889 |
| INCREASE / (DECREASE) IN | | | | |
| SEMI FIN./ FIN. GOODS | (B) | - | - | 353,770,992 |
| EXPENDITURE: | | | | |
| Purchase of Material for Processing | | - | - | 588,302,218 |
| Processing & Maintenance Expenses | | - | - | 28,305,487 |
| Personnel Expenses | | - | - | 2,571,841 |
| Office & Administration Expenses | | - | - | 9,005,198 |
| Selling & Distribution Expenses | | - | - | 978,426,842 |
| Interest Expense | | - | - | 1,766,684 |
| Depreciation | | - | - | 19,519,328 |
| Total Expenditure | (C) | - | - | 1,627,897,598 |
| PROFIT BEFORE TAX | (A+B-C) | - | - | 549,114,283 |
| Provision for Income Tax | | - | - | 210,000 |
| Provision for Fringe Benefit Tax | | - | - | 50,000 |
| PROFIT AFTER TAX | | - | - | 548,854,283 |

Note

- 1) The firm commenced commercial production from July 2005.
- 2) Deferred Revenue Expenses written off during the year ended 31.3.2006 is included under the head of Processing Expenses.
- 3) The above statement should be read with the Significant Accounting Policies onrestated financial statements as appearing in Annexure IV to this report.

**AS PER OUR REPORT OF
EVEN DATE**

**FOR S.B.CHHAJED AND
CO.
CHARTERED
ACCOUNTANTS**

For MSPL EXPORTS

PLACE : HOSPET
DATED : 23rd MAY 2006

(S.B.CHHAJED)
PARTNER
MEMB. NO. 5291

(SHRENIK N. BALDOTA)
PARTNER

M/s MSPL EXPORTS

STATEMENT OF CASH FLOWS, AS RESTATED

(Amount in Rs.)

| | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|---|---------------------------------------|------------------------------------|------------------------------------|
| A. Cash flow from Operating Activities: | | | |
| Net profit after tax | - | - | 548,854,283 |
| <i>Adjustments for:</i> | | | |
| Depreciation | - | - | 19,519,328 |
| Interest Expenses | - | - | 1,766,684 |
| Amortisation & Write-off | - | - | 183,626 |
| Income tax provision | - | - | 260,000 |
| Interest Income | - | - | (229,460) |
| <i>Operating Profit before working capital changes</i> | - | - | 570,354,462 |
| (Increase) / Decrease in stock | - | - | (376,184,158) |
| (Increase) / Decrease in Sundry Debtors | - | - | (298,564,972) |
| (Increase) / Decrease in Loans and Advances | - | (9,898,464) | (26,588,219) |
| Increase / (Decrease) in Cur. Liabilities & Prov. | - | 744,558 | 475,030,348 |
| Payment of Taxes | - | - | (293,848) |
| Net Cash from Operating Activities (A) | - | (9,153,906) | 343,753,612 |
| B. Cash Flow from Investing Activities | | | |
| Net Additions made to Fixed Assets | - | (116,117,380) | (44,256,194) |
| (Increase) / Decrease in Def. Revenue Expdt. | (550) | (1,092,097) | (743,610) |
| Interest received | - | - | 229,460 |
| Net Cash used in Investing Activities (B) | (550) | (117,209,477) | (44,770,344) |
| Cash Flow from Financing Activities | | | |
| C. | | | |
| Proceeds from Borrowings | - | - | 70,000,000 |
| Repayment of Borrowings | - | - | (70,000,000) |
| Interest Paid on Borrowing | - | - | (1,766,684) |
| Increase / (Decrease) in Capital of Partners | 810,000 | 125,842,626 | (243,634,343) |
| Net Cash used in Financing Activities (C) | 810,000 | 125,842,626 | (245,401,027) |
| Net Increase/(Decrease) in cash & cash equivalents (A+B+C) | 809,450 | (520,757) | 53,582,241 |

| | Year Ended March 31, 2004 | Year Ended March 31, 2005 | Year Ended March 31, 2006 |
|--|--|--|--|
| Cash and cash equivalents at the beginning of the period | - | 809,450 | 288,693 |
| Cash and cash equivalents at the end of the period | 809,450 | 288,693 | 53,870,934 |
| | - | - | - |
| <i>Components of cash and cash equivalents as at the end of the period</i> | | | |
| Cash & Cheques on hand | - | 19,321 | 1,350 |
| With scheduled banks | | | |
| - on current account | 809,450 | 269,372 | 53,869,584 |
| | 809,450 | 288,693 | 53,870,934 |

**AS PER OUR REPORT OF
EVEN DATE**

**FOR S.B.CHHAJED AND CO.
CHARTERED
ACCOUNTANTS**

For MSPL EXPORTS

**PLACE : HOSPET
DATED : 23rd MAY 2006**

**(S.B.CHHAJED)
PARTNER
MEMB. NO. 5291**

**(SHRENIK N. BALDOTA)
PARTNER**

Significant Accounting Policies and notes on accounts.1. *System of Accounting:*

- i) The Firm follows the mercantile system of accounting and recognises income and expenditure on an accrual basis except in case of significant uncertainties.
- ii) Financial Statements are prepared under the Historical cost convention. These costs are not adjusted to reflect the impact of changing value in the purchasing power of money.
- iii) Estimates and Assumptions used in the preparation of the financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the Financial Statements, which may differ from the actual results at a subsequent date.

2. *Revenue recognition:*

- i) The sale of iron – ore is recognised when property in the goods with all risks and rewards are transferred to the buyer
- ii) Interest income is recognized on a time proportion basis taking into account the amount outstanding.

3. *Fixed Assets and Depreciation:*

i) Fixed Assets:

Fixed Assets are stated at cost of acquisition or construction/manufacturing cost in the case of self manufactured assets, less accumulated depreciation, amortisation and impairment loss.

ii) Depreciation and Amortisation:

- ❖ Depreciation is provided on written down value method at the rates mentioned below:

| Nature of Asset | Depreciation Rate |
|---|-------------------|
| Building | 10.00% |
| Plant And Machinery (except Earth Moving Equipment) | 15.33% |
| Earth Moving Equipment | 30.00% |
| Continuous Process Plant – (475 TPH Crushing Plant) | 27.82% |
| Motor Bus | 30.00% |
| Computer | 40.00% |
| Furniture & Fixtures | 18.10% |

- ❖ Depreciation on assets is being provided on pro-rata basis from the month in which the assets having being put to commercial use.

4. *Inventories:*

- ❖ Cost of inventories have been computed to include all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
- ❖ Stock of iron – ore, including Run of mines (ROM) and consumables are valued at cost or net realisable value whichever is lower.

5. *Foreign Currency Transactions:*

- i) Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities if any denominated in foreign currency are translated at the appropriate exchange rates prevailing at the close of the year.
- ii) Gain or loss on account of cancellation or expiry of forward contracts designated as hedge of highly probable forecast transactions are recognised in the profit and loss account in the period in which the contracts mature or are cancelled.

6. *Employee related Benefits:*

Contributions are made to Provident Fund, Pension Fund, and Employees deposits linked insurance Scheme at the prescribed rates and are charged to Profit & Loss Account.

7. *Provisions:*

Necessary provisions are made for present obligations that arise out of events prior to the balance sheet date entailing future outflow of economic resources. Such provisions reflect best estimate based on available information.

8. *Contingent Liabilities:*

| Particulars | | As at March 31,2006 |
|--------------------|-----------------------------------|----------------------------|
| i) | Foreign Currency Bills Discounted | 59,05,52,807 /- |

9. *Miscellaneous Expenditure (to the extent not written off):*

Expenditure incurred up to the date of commencement of commercial production is treated as deferred revenue expenditure and amortised over a period of 10 years. 1/10th of expenditure is charged to profit and loss account of current year on pro – rata basis.

10. The firm has an integrated process plant for crushing, screening, and beneficiation of iron ore into value added products meant for export. The processing plant is an approved 100% Export Oriented Unit (EOU) eligible for tax-free status including exemption from tax on income derived by it u/s. 10B of The Income Tax Act, 1961. The undertaking commenced commercial production from July 2005, and its first export sale was affected in November 2005.
11. The firm has entered into a business transfer agreement dated 6th February 2006, and supplementary agreement dated 1st April 2006 to transfer the entire business with all assets and liabilities w.e.f. 1st April 2006 to MSPL Limited (the “Buyer”) for a consideration of Rs. 50 Crores.

For MSPL Exports

Shrenikkumar N. Baldota
Partner

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF RESTATED FINANCIAL STATEMENTS UNDER INDIAN GAAP

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements included in this Draft Red Herring Prospectus. You are also advised to read the section titled "Risk Factors" beginning on page 9, which discusses a number of factors and contingencies that could impact our financial condition, results of operations and cash flows. The following discussion relates to our company and is based on our restated financial statements. Our financial statements have been prepared in accordance with Indian GAAP, the accounting standards referred to in Section 211(3C) of the Companies Act and the other applicable provisions of the Companies Act. The following discussion is also based on internally prepared statistical information and publicly available information.

The following discussion does not relate to our results of operations after March 31, 2006. For a discussion on our results of operations after March 31, 2006 please see the section titled "Significant Developments after March 31, 2006 that may Affect the Future of our Operations" on page 243.

Overview

We mine, process and export iron ore. We provide a wide product range with a predominantly high grade of iron ore. We also own and operate wind farms with 105.6 MW generating capacity.

Corporate Reorganisation

We have historically operated as one of the group of companies and other related entities primarily owned by members of the Baldota family, having operations in iron ore mining, wind power generation and the production, the distribution of industrial and other gases and other businesses.

We have recently completed a corporate restructuring exercise in an effort to capture the value of the group's iron ore business in our Company. The following measures undertaken as part of the restructuring include:

- the acquisition by us of the assets and liabilities of MSPL Exports, a group partnership firm, involved in processing and export of iron ore, pursuant to a business transfer agreement dated February 6, 2006, for Rs. 500 million. Rs. 260 million of the consideration for this acquisition was paid in fiscal 2006 and the remaining Rs. 240 million will be paid in fiscal 2007 under the terms of the amendment to the business transfer agreement dated April 1, 2006. All conditions precedent to this acquisition have been completed and the acquisition took effect from April 1, 2006.
- As a result of the acquisition of MSPL Exports, effective April 1, 2006, we have obtained run-of-mine purchase contracts with all Group Companies that currently mine, process and export iron ore, on an exclusive basis for the term of the lease of individual mines, with the agreement co-extensive with renewal in leases on these mines. They have ceased their operations as processors and exporters of iron ore and utilise their mining leases to mine on a run-of-mine basis and now supply us with the iron ore they mine pursuant to run-of-mine purchase contracts for processing and export; and
- Transfer of our gas division, representing 1.7% of our total income in fiscal 2006, to MSPL Gases Limited, another Promoter Group Company, for Rs. 200 million, pursuant to a business transfer agreement dated February 6, 2006. All conditions precedent have been completed and the acquisition took effect from April 1, 2006. We received transfer consideration of Rs. 200 million from MSPL Gases Limited related to the sale which was accounted for in fiscal 2006. Since the net realisable value of MSPL Gases Limited was less than the carrying amount of net assets of MSPL Gases Limited an impairment loss of Rs. 22.90 million has been provided on the fixed assets of MSPL Gases Limited for fiscal year 2006.

In addition to the above, on September 28, 2005, we sold our 100% stake in our subsidiary, Vijaya Oxygen Company Limited, having total income of Rs. 243,448 and a loss, before tax, of Rs. 38,730 for fiscal 2005 and total assets of Rs. 35,587,514 as at March 31, 2005.

For further details, please refer to the section titled “History and Certain Corporate Matters” on page 116.

Presentation and Comparability of Financial Statements

We do not consider our divisions to be separate segments for financial reporting purposes. Accordingly, except as specified below, our results of operations, including our revenues and expenditures, incorporate the historical results of operations of all of our divisions.

We acquired a 100% stake in Vijaya Oxygen Company Limited (“VOCL”) during the financial year ended on March 31, 2003. We divested our 100% stake in VOCL on September 28, 2005. Since VOCL is no longer a subsidiary of our company, consolidated financial statements are not presented and the historical results of operations of VOCL are not discussed herein. However the summary statements of assets and liabilities, profits and losses and cash flow statements of VOCL as adopted by the Board of Directors of VOCL and audited by their respective auditors, for the periods for which it was a subsidiary, are presented in Annexures XVIIIA, XVIIIB, XVIIIC and XVIIID to our financial statements.

We hold 88% partnership interest in PVS. Earnings or losses of PVS proportionate to our interest are reflected in our statement of profit and loss. Restated financial statements for PVS are included beginning page 200.

We transferred our gas division to MSPL Gases Limited, another Group Company for Rs. 200 million pursuant to a business transfer agreement dated February 6, 2006. This transfer became effective on April 1, 2006. Our gas division represented 1.7% of our total income in fiscal 2006. Our unconsolidated restated financial statements presented in this Draft Red Herring Prospectus include the operations of our gas division. No adjustments to our historical operations have been made as a result of the sale of our gas division.

Effective April 1, 2006, we acquired MSPL Exports, a Group partnership firm, involved in processing and export of iron ore for a total consideration of Rs. 500 million. This acquisition allows us to have run-of-mine purchase contracts in respect of four iron ore mines leased and mined by other Group Companies. Pursuant to these run-of-mine purchase contracts, we will process and sell all marketable iron ore extracted from these mines for the life of the mines. Our unconsolidated restated financial statements presented in this Draft Red Herring Prospectus do not include the historical operations of MSPL Exports.

We have entered into run-of-mine purchase contracts with third party leaseholders in respect of Banashankari iron ore mine and an iron ore mine in the State of Jharkhand, neither of which are currently operational. In addition, we have applied for a lease for the Kumaraswamy area in Sandur Taluka, Bellary district in the State of Karnataka. None of these mines are reflected in our unconsolidated restated financial statements.

As a result of our corporate restructuring, including the sale of our gas division, the acquisition of MSPL Exports and our entry into run-of-mine purchase contracts in respect of Group Company mines, our run-of-mine purchase contracts with third party mines and our plans to acquire lease of the Kumaraswamy area, our unconsolidated restated financial statements presented in this Draft Red Herring Prospectus may not be comparable to our financial statements for future periods, and our historical results of operations may not be indicative of future results. Investors should use appropriate caution in relying upon our historical results of operations to predict future performance. See also “Risk Factors” beginning at page 9.

Factors Affecting our Results of Operations

Global Demand for Iron Ore and Spot Market Prices

Approximately 75.9%, 89.1% and 90.9% of our total income for fiscal years 2006, 2005 and 2004, respectively, resulted from direct exports or sale to MMTC for export of iron ore products, exclusively to China. Consequently, our income is principally affected by demand for iron ore imports by China, which has been increasing, and the concomitant development of spot-market pricing, beginning in the third quarter of fiscal 2004. Since the spot market in iron ore developed in the third quarter of fiscal 2004, spot-market prices have been higher than long-term contract prices, which are negotiated annually between European and Japanese steel mills and the three largest iron ore producers, CVRD, Rio Tinto and BHP Billiton.

With the introduction of the spot market, we began selling iron ore products at spot market prices, except where we had contractual price agreements in place at that point in time. From April 1, 2004, all our iron ore export sales have been based on spot market pricing. We set our export prices based on the prevailing spot market prices. In case of products sold through the non EOU unit, we are not permitted to export iron ore products for less than the price realised by MMTC. We may consider entering into long-term contracts with customers in China in the future.

Transportation Infrastructure Costs

A critical factor in our mining operations is our ability to transport our products to our customers. We transport our iron ore products to port for export and to our domestic customers by railway or by road. The railway freight, handling and transport, which principally includes railway and road transport expenses, is our single largest expense, comprising 38.7%, 41.8% and 46.6% of our expenditures and 25.4%, 27.8% and 31.5% of our total income in fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

Where possible, we seek to transport our iron ore to port and to our domestic customers by railway, which is significantly less expensive than transport by road. However in the recent past the railways have increased the tariff resulting in increased railway transport cost. In recent years, we have experienced a shortage of available railway capacity. To address, in part, this shortage of railway capacity we have ordered eight rakes, with a capacity of approximately 3,700 metric tons each for railway transport. Five of these rakes have been delivered and we are awaiting delivery of three more. However, we cannot assure you that we will have sufficient railway capacity in the future.

We are also required to transport our iron ore by road. We do so because rail capacity is not always sufficient for our needs and because certain ports are inaccessible by rail or because we can access nearby ports by road less expensively than we can access more distant ports by rail. Chennai, Mormugoa and Panjim have experienced a significant increase in utilisation with the increase of Indian exports of iron ore and, as a result, we have been required to use ports without railway access, which has increased handling and transport costs.

Our Significant Accounting Policies

Our financial statements prepared in accordance with Indian GAAP and the accompanying notes and significant accounting policies thereto included in this Draft Red Herring Prospectus include information that is relevant to this discussion and analysis of our financial condition and results of operations. The preparation of our financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures, and the related disclosure of cash flows and contingent liabilities, among others. Certain key accounting policies relevant to our business and operations have been described below. For a detailed description of our significant accounting policies, see Annexure VI of the restated financial statements under Indian GAAP included in this Draft Red Herring Prospectus.

General: The financial statements of the Company are prepared on an accrual basis.

Revenue Recognition: Sales revenue is recognised when property in the goods, together with all risks and benefits, are transferred to the buyer.

Fixed Assets: Fixed assets are stated at actual cost less accumulated depreciation and impairment loss. Actual cost comprises purchase price, freight, duties and taxes and other incidental expenses relating to acquisition and installation.

Borrowing costs attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to prepare for its intended use are capitalised until such time as all activities necessary to prepare the qualifying asset for its intended use are complete or substantially complete.

Depreciation, Amortisation and Impairment of Assets: Leasehold land is amortised equally over the period of the lease.

Mining lease rights acquired or renewed are amortised equally over the period of such rights.

Depreciation is provided on a pro rata basis as per the written-down-value method rates and in the manner specified in Schedule XIV to the Companies Act, 1956 except in case of certain items, the annual rates of depreciation of which are set out in the following table:

| Asset | Annual Rate of Depreciation |
|--|------------------------------------|
| Administrative Buildings | 10.00% |
| General Machinery, Office and Other Equipments | 15.33% |
| Gas Cylinders | 80.00% |

Schedule XIV of the Companies Act prescribes a minimum rate of depreciation. However the Company, with respect to the above items, has applied a higher rate of depreciation based on our estimate of the useful life of the asset.

At each balance sheet date the Company reviews the carrying amount of the fixed assets to determine whether there are factors giving rise to any indications of impairment. If any such factors exist, the Company determines and provides for or reverses an impairment loss following the principles stated in Accounting Standard 28 – “Impairment of Assets”.

Investments: Investments are either classified as current or long-term based on management’s intention at the time of purchase. Long term investments are stated at cost less provision for diminution other than temporary. Current investments are carried at the lower of cost and market value. Share of profit / loss from investment in partnership firm is accounted for at period end.

Inventories: Stores and spares and finished goods produced and purchased by the Company are valued at the lower of cost and net realisable value.

Cost of inventories is ascertained on a weighted average basis. Finished goods are valued on full absorption cost basis.

Foreign Currency Transactions: Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are translated at the rate of exchange at the balance sheet date.

Exchange difference on account of the cancellation or expiry of forward contracts designated as hedge of highly probable forecast transactions are recognised in the profit and loss account in the period in which the contracts mature, are cancelled or expire.

Retirement Benefits: Provision is made for the value of unutilised leave due to the employees at the end of the year on an arithmetic basis.

Provision for gratuity is made on the basis of actuarial valuation obtained from Life Insurance Corporation of India (LIC) at the year end.

Contribution to our provident fund is recognised as an expense when incurred.

Research and Development: Revenue expenditure on research and development is written off in the profit and loss account in the year in which it is incurred. Capital expenditure on research and development is treated in the same way as expenditure on fixed assets.

Government Grants: Government grants related to depreciable fixed assets are treated as deferred income which are recognised in the profit and loss statement over the period and in the proportion in which the depreciation on those assets is charged.

Taxes on Income: Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax is recognised on timing differences being the differences between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

Keyman Insurance Policies: The Company has taken endowment policies and unit-linked insurance policies on the lives of the Wholetime Directors. Insurance premiums paid by the Company are charged to the profit and loss account. The Company is required to pay annual installments in respect of these policies except in respect of the “top up premium” relating to the unit-linked insurance policy in respect of which a one time payment is made and annual premiums are adjusted against the income received from the units. In this regard income and expenditure in the value of units invested on account of appreciation or depreciation in the value of the units at year end, net of adjustment of premiums payable, are accounted in the profit and loss account.

Miscellaneous Expenditure (Not Written Off): Miscellaneous expenditure relating to share capital is charged to the profit and loss account over a period of 10 years.

Revenues

Our income consists primarily of revenues from the sale of iron ore products that we have produced and processed. We have additional sources of income, such as our sale of traded ore products, sales of electricity generated by our wind power operations and other miscellaneous items. We also generated income from the sale of manufactured and traded industrial gases, although we sold our gas business, effective April 1, 2006. Our income has increased from Rs. 3,232.67 million in fiscal 2004 to Rs. 7,744.39 million in fiscal 2006, primarily due to increased sales, by volume and by value, of our iron ore products.

The table below provides a breakdown of our total income:

| | 2006 | | Twelve Months Ended March 31, 2005 | | 2004 | |
|--|-----------------|-------------------------|--|-------------------------|-----------------|----------------------|
| | Rs. Million | % of Total Income | Rs. Million | % of Total Income | Rs. Million | % of Total Income |
| Income: | | | | | | |
| Sales | | | | | | |
| Of products manufactured (Net of Excise Duty) | 6,554.89 | 84.6% | 5,582.95 | 87.9% | 2,707.34 | 83.8% |
| Of product traded ⁽¹⁾ | 367.57 | 4.8% | 443.06 | 7.0% | 414.64 | 12.8% |
| Total | 6,922.46 | 89.4% | 6,026.01 | 94.9% | 3,121.98 | 96.6% |
| Other Income | 821.93 | 10.6% | 323.72 | 5.1% | 110.69 | 3.4% |
| Total Income | 7,744.39 | 100.0% | 6,349.73 | 100.0% | 3,232.67 | 100.0% |

- (1) In the absence of specific identification of purchased iron ore quantity comprised in the total closing stock up to the financial year ended March 31, 2004, it is assumed that the quantities of iron ore purchased during the respective years have been sold. Further the average selling price of iron ore during the respective years is considered to arrive at the sales value of the purchased iron ore.

The table below provides a breakdown of our income among our iron ore, gas and wind power divisions for fiscal 2006, fiscal 2005 and fiscal 2004:

| | Twelve Months Ended | | | | | |
|---|---------------------|-------------------|-----------------|-------------------|-----------------|-------------------|
| | March 31, | | | | | |
| | 2006 | | 2005 | | 2004 | |
| | Rs. Million | % of Total Income | Rs. Million | % of Total Income | Rs. Million | % of Total Income |
| Sales By Division | | | | | | |
| (Products Manufactured and Traded) | | | | | | |
| Total iron ore | 6,265.50 | 80.9% | 5,762.57 | 90.8% | 3,048.73 | 94.3% |
| Total gas | 70.82 | 0.9% | 56.19 | 0.9% | 51.64 | 1.6% |
| Total wind power | 586.14 | 7.6% | 207.24 | 3.2% | 21.61 | 0.7% |
| Total Sales | 6,922.46 | 89.4% | 6,026.01 | 94.9% | 3,121.98 | 96.6% |
| Other Income By Division | | | | | | |
| Total iron ore | 689.46 | 8.9% | 256.34 | 4.0% | 67.88 | 2.1% |
| Total gas | 60.66 | 0.8% | 41.27 | 0.7% | 33.59 | 1.0% |
| Total wind power | 71.81 | 0.9% | 26.11 | 0.4% | 9.22 | 0.3% |
| Total Other Income | 821.93 | 10.6% | 323.72 | 5.1% | 110.69 | 3.4% |
| Total Income | 7,744.39 | 100% | 6,349.73 | 100% | 3,232.67 | 100% |

Income from Products Manufactured

We derive most of our income from the sale of manufactured products, primarily iron ore products but also wind power and, until April 1, 2006, industrial and other gases. For fiscal 2006, fiscal 2005 and fiscal 2004, sales of such products accounted for 84.6%, 87.9% and 83.7% of our income, respectively.

Our income from products manufactured is now net of excise duty paid. Up to and for the year ended March 31, 2004 we had grouped excise duty expense under the headings "Administration and Selling" expenses. However during the years ended March 31, 2006 and March 31, 2005, we have netted of excise duty from the sales. The classification in the restated summary statement of assets and liabilities, for the previous years fiscal 2004, fiscal 2003 and fiscal 2002, has been regrouped and disclosed accordingly.

Income from Products Traded

We also earn a certain proportion of our revenues from the sale of traded products, primarily iron ore products, as well as gases. For fiscal 2006, fiscal 2005 and fiscal 2004, trading accounted for 4.8%, 7.0%, and 12.8% of our total income, respectively.

Other Income

Other income includes sales of fixed assets and investments, as well as other activities such as transportation receipts and equipment hire receipts, amount received on surrender of keyman insurance policies and profits from PVS, in which we have an 88% partnership interest. For fiscal 2006, fiscal 2005 and fiscal 2004 other income accounted for 10.6%, 5.1%, and 3.4% of our total income, respectively.

Expenditures

Our largest operating expenditures are railway freight, handling and transport expenditures. Other significant operating expenditures include purchase of products, manufacturing and other expenses, wages and salaries, port charges and other expenses, and keyman insurance. We have been successful in controlling our expenditures as our income and our production have grown. Our total expenditures, as a

percentage of our total income, were 65.6%, 66.5% and 67.6% for fiscal 2006, fiscal 2005 and fiscal 2004 respectively.

Set forth below is a table showing our expenditures by line item and significant components thereof, profit before tax, net profit before adjustments but after regroupings as per audited accounts, adjustments, total impact of adjustments, total of adjustments after tax impact and net profit, as restated, for fiscal 2006, fiscal 2005 and fiscal 2004, and their respective percentage of our total income for the corresponding periods, respectively.

| | Twelve Months Ended March 31, | | | | | |
|--|-------------------------------|-------------------|-----------------|-------------------|-----------------|-------------------|
| | 2006 | | 2005 | | 2004 | |
| | Rs. Million | % of Total Income | Rs. Million | % of Total Income | Rs. Million | % of Total Income |
| INCOME | 7,744.39 | 100% | 6,349.73 | 100.0% | 3,232.67 | 100.0% |
| EXPENDITURE: | | | | | | |
| Purchase of products | 378.02 | 4.9% | 280.88 | 4.4% | 164.39 | 5.1% |
| Royalty on mining iron ore | 65.67 | 0.8% | 41.42 | 0.7% | 36.45 | 1.1% |
| Manufacturing and other expenses | 1,000.37 | 12.9% | 432.28 | 6.8% | 446.97 | 13.8% |
| Wages & Salaries | 113.87 | 1.5% | 229.78 | 3.6% | 87.80 | 2.7% |
| Port charges and other expenses | 389.22 | 5.0% | 260.28 | 4.1% | 204.72 | 6.3% |
| Railway freight, handling and transport expenses | 1,963.47 | 25.4% | 1,764.44 | 27.8% | 1,018.46 | 31.5% |
| Keyman Insurance | 256.63 | 3.3% | 818.22 | 12.9% | 118.22 | 3.7% |
| Miscellaneous Expenditure written off | 0.29 | 0.0% | 0.15 | 0.0% | 0.15 | 0.0% |
| Depreciation | 750.86 | 9.7% | 335.51 | 5.3% | 93.00 | 2.9% |
| Less: Transferred from Deferred Government Grant | (0.33) | 0.0% | (0.63) | 0.0% | (0.28) | 0.0% |
| | 750.53 | 9.7% | 334.88 | 5.3% | 92.72 | 2.9% |
| Interest | 160.64 | 2.1% | 57.57 | 0.9% | 15.39 | 0.5% |
| Total Expenditure | 5,078.71 | 65.6% | 4,219.90 | 66.5% | 2,185.27 | 67.6% |
| PROFIT BEFORE TAX | 2,665.68 | 34.4% | 2,129.83 | 33.5% | 1,047.40 | 32.4% |
| Provision for Tax | | | | | | |
| Current Tax | 106.50 | 1.4% | 180.00 | 2.8% | 174.80 | 5.4% |
| (Excess)/Short provision of tax for earlier years | (23.36) | 0.3% | 39.47 | 0.6% | 30.57 | 0.9% |
| Fringe Benefit Tax | 5.79 | 0.1% | - | 0.0% | - | 0.0% |
| Deferred Tax | 387.00 | 5.0% | 502.16 | 7.9% | 94.05 | 2.9% |
| NET PROFIT BEFORE ADJUSTMENTS BUT AFTER REGROUPINGS AS PER AUDITED ACCOUNTS | 2,189.75 | 28.3% | 1,408.20 | 22.2% | 747.98 | 23.1% |
| ADJUSTMENTS | | | | | | |
| Impact of Changes in Accounting Policies / Estimates | | | | | | |
| Gratuity | - | - | 6.87 | 0.1% | (1.32) | 0.0% |

| | Twelve Months Ended March 31, | | | | | |
|--|-------------------------------|-------------------|-----------------|-------------------|---------------|-------------------|
| | 2006 | | 2005 | | 2004 | |
| | Rs. Million | % of Total Income | Rs. Million | % of Total Income | Rs. Million | % of Total Income |
| Leave Encashment | - | - | 0.90 | 0.0% | (0.48) | 0.0% |
| Investments | - | - | 0.43 | 0.0% | 0.19 | 0.0% |
| Fixed Assets | (1.26) | 0.0% | (1.34) | 0.0% | (2.39) | -0.1% |
| Other Adjustments | | | | | | |
| Prior Period Items | 9.18 | 0.1% | (31.39) | -0.5% | 74.77 | 2.3% |
| (Short)/Excess Provision of tax for earlier years restated | (23.36) | 0.3% | 39.47 | 0.6% | (8.90) | -0.3% |
| (Charge)/Credit for tax on account of Assessments/appeals | - | - | - | 0.0% | 26.25 | 0.8% |
| TOTAL IMPACT OF ADJUSTMENTS | (15.44) | 0.2% | 14.94 | 0.2% | 88.12 | 2.7% |
| Tax Impact of Adjustments | (0.67) | 0.0% | 8.97 | 0.1% | (25.16) | -0.8% |
| TOTAL OF ADJUSTMENTS AFTER TAX IMPACT | (16.11) | 0.2% | 23.91 | 0.4% | 62.96 | 1.9% |
| NET PROFIT, AS RESTATED | 2,173.64 | 28.1% | 1,432.11 | 22.6% | 810.94 | 25.1% |

Purchase of products

Purchase of products expenditures consists of the costs of purchasing iron ore products and gases for sale.

Manufacturing and other related expenditures

Manufacturing and other related expenditures consists of:

- *(increase)/decrease of stock*, which comprises the change in our balance of stock of iron ore and gases during the period;
- *direct labour*, which comprises the costs of day labour in respect of our mining operations;
- *consumables*, which comprises the costs of consumables in respect of our mining operations;
- *power and fuel*, which comprises the costs of power and fuel used in our mining and gas operations;
- *repairs and maintenance*, which comprises the costs of repairs and maintenance used in respect of our mining, gas and wind power operations;
- *administration and selling expenses*, which comprises costs associated with administration and sales of our products in respect of our mining, gas and wind power operations; and
- *other manufacturing expenses*.

Royalty on mining iron ore

Royalty on mining iron ore consists of royalties paid in connection with our lease of VIOM from the State of Karnataka. Under the terms of this lease, we are required to pay the State Government either a royalty,

as determined by the Central Government from time to time pursuant to the terms of the Mines and Minerals (Development and Regulation) Act of 1957, as amended, or dead rent (minimum rent), whichever is greater. The royalty for the properties is calculated by on the basis of the amount of iron ore, varying by type and Fe content, extracted.

Wages and salaries

Wages and salaries are the expenditures incurred on employees and comprises salaries, wages and allowances, contributions to provident and other funds, gratuity payments, staff welfare costs, and recruitment and training costs.

Port charges and other expenditures

Port charges and other expenditures consists of fees paid in connection with the shipment of iron ore from port, including handling and facility fees, costs associated with warehousing, rake tipping fees, loading fees and other fees for the use of the facilities of the port.

Railway freight, handling and transport expenditures

Railway freight, handling and transport expenditures include the costs of transporting iron ore and gases for sale. Railway freight, handling and transport expenditures comprise:

- *railway freight*, which comprises fees levied in respect of transport of iron ore by railway and related expenses;
- *transport charges*, which comprises fees in respect of transport of iron ore and gases by road and related expenses;
- *freight and cartages*, which comprises other fees in respect of the transport of iron ore; and
- *ocean freight*, which comprises fees paid in respect of ocean transport under circumstances where we do not ship iron ore FOB port and bear the cost of shipment to the port of destination.

Keyman insurance

Keyman insurance expenditures consist of premiums paid on endowment policies and unit linked insurance policies that we have taken on the lives of our Wholetime Directors, Rahulkumar N. Baldota and Shrenikkumar N. Baldota. We are required to pay annual instalments in respect of these policies except in respect of the “top up premium” relating to the unit linked insurance policy pursuant to which we make a one-time payment and annual premiums are adjusted against the income received from the units.

Miscellaneous expenditure written off

Miscellaneous expenditure written off consists of the amortisation over ten years of fees the paid in connection with an increase in share capital during fiscal 2003 and fiscal 2006.

Depreciation

Leasehold land is amortised equally over the period of lease. Mining lease rights that we acquire or renew are amortised equally over the period of such rights. Depreciation is provided on a pro rata basis pursuant to the written-down-value method rates and in the manner specified in schedule XIV to the Companies Act, 1956 except in case of

| | |
|--|--------|
| Administrative Buildings | 10.00% |
| General machinery, Office and Other Equipments | 15.33% |
| Gas Cylinders | 80.00% |

At each balance sheet date we review the carrying amount of the fixed assets to determine whether there are factors giving rise to any indications of impairment. If any such factors exist, we determine and provide for or reverse an impairment loss following the principles set forth in Accounting Standard 28 – “Impairment of Assets”.

Impairment on assets

Impairment on assets consists of provisioning of Rs. 22.90 million made in fiscal 2006 in respect of the transfer of our gas division to MSPL Gases Limited.

Interest expenditure

Interest expenditure consists of interest paid in respect of outstanding borrowings.

Provision for tax

Provision for tax comprises both current and deferred taxes. Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax is recognised as a result of timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or subsequent periods.

Adjustments

The financial information for fiscal 2006 and fiscal 2005 and fiscal 2004 has been restated in compliance with SEBI Guidelines. In accordance with Indian GAAP, the effects of restatement are shown as a cumulative effect on our adjusted profit after tax rather than as restatements of individual line items in our income statement. Consistent with this presentation, in the comparison of our results of operations from fiscal period to fiscal period, we have provided a discussion of the effects of the restatement on our adjusted profit at the end of each such fiscal period to fiscal period comparison.

The principal adjustments to our financial statements, including on account of changes in accounting policies and estimates, are described below.

Adjustments due to Changes in Accounting Policies and Estimates:

- ***Gratuity:*** We were accounting for gratuity charge on the basis of the annual premium paid to Life Insurance Corporation of India (LIC) under the group gratuity scheme for and up to fiscal 2004. From April 1, 2004 we changed our accounting policy to provide gratuity on the basis of an actuarial valuation obtained from LIC and to charge the shortfall between the fund balance with LIC and the actuarial liability to the profit and loss account. Accordingly, the gratuity charge and liability has been recomputed based on the actuarial valuation obtained from LIC for fiscal 2002, fiscal 2003 and fiscal 2004. Further, the accumulated profit and loss balance as at April 1, 2001 has been appropriately adjusted to reflect the impact of changes pertaining to earlier years.
- ***Leave Encashment:*** Until fiscal 2002 the unused leave entitlement of employees was paid to them at the end of respective year. From April 1, 2002, we allowed employees to accumulate their leave entitlement. However, no provision was made in the financial statements. From April 1, 2004, we changed our accounting policy to accrue leave encashment liability in respect of unutilised leave balance of the employees at the year end on an arithmetic basis. Accordingly, leave encashment charge has been recomputed as per the new accounting policy and adjustments have been made for fiscal 2003 and fiscal 2004.
- ***Investments:*** Investments were valued on a “First-in-First Out” basis for and up to fiscal 2004. However, during fiscal 2005 we changed our accounting policy to value investments on an average basis in accordance with Accounting Standard (AS) 13 - “Accounting for Investments”. Accordingly, investments have been valued on an average basis for fiscal 2002, fiscal 2003 and fiscal 2004.

- *Fixed Assets:* Until fiscal 2002, depreciation was charged on additions to fixed assets on a full year basis instead of on a pro rata basis. Further, up to fiscal 2001 the rates of depreciation in respect of the following classes of assets were different from the current rates, which were as set out in the table below:

| Sr. No. | Class of Asset | Rates of Depreciation | |
|---------|------------------------|-----------------------|--|
| | | Old Rates | Current Rates |
| 1 | Plant and Machinery | 25% | 15.33%/27.82% (Based on number of shifts worked per year) |
| 2 | Earth Moving Machinery | 25% | 30.00% |
| 3 | Motor car | 25% | 25.89% |
| 4 | Computers | 25% | 40.00% |
| 5 | Furniture and Fixtures | 10% | 18.10% |

The current rates have been applied on the opening block of fixed assets as on April 1, 1999 as appearing in our audited financial statements, without considering the impact that the above mentioned adjustment, if made, would have on the opening block as on April 1, 1999. However in our opinion, the impact of the same on the summary statement of assets and liabilities and profit and losses, as restated, will not be material. Subsequent to April 1, 1999, we have recalculated the depreciation charge on a pro rata basis for the additions to fixed assets at the current rates of depreciation. We have not considered the effect of the revised depreciation calculation on the deletions from fixed assets of mining division only as the impact will not be material.

Other Adjustments

- *Prior Period Items:* In the audited profit and loss account of certain years, we had classified certain items of income or expense as prior period items. For the purpose of this statement, these income or expenses have been appropriately adjusted in the respective years.
- The profit and loss accounts of certain years include amounts paid or provided for or refunded, in respect of short or excess income tax arising out of assessments, appeals and other similar matters and on account of short or excess provision of tax for earlier years. The impact on account of such short or excess income tax has been adjusted in the respective years.

Tax Impact of Adjustments

Tax impact of adjustments pertains to the tax effect on restatement adjustments at the tax rates applicable in the respective years. The current tax provision for fiscal 2006 has been made in accordance with the provisions and as per the rates prescribed in section 115JB of the Income Tax Act, 1961, as amended, pertaining to Minimum Alternate Tax (“MAT”) and accordingly the tax impact of adjustments have also been calculated at MAT rates

Material Regroupings

- Netting off of Advance Tax and Provision for Taxation: Up to fiscal 2004, advance tax paid was grouped under Loans and Advances and the corresponding provision for tax was shown under Provisions. During fiscal 2005, we netted off the advance tax paid against the provision for tax on a year to year basis and the net impact is disclosed as either under Provisions or under Loans and Advances.
- The classification in the restated summary statement of assets and liabilities, for fiscal 2002, fiscal 2003 and fiscal 2004 has been regrouped and disclosed accordingly.
- Capital Work-in-Progress: Up to and for fiscal 2004, capital advances were grouped under Loans and Advances. During fiscal 2005, these have been regrouped under Capital Work-in-Progress. The classification in the restated summary statement of assets and liabilities, for fiscal 2002, fiscal 2003 and fiscal 2004 has been regrouped and disclosed accordingly.

- **Deferred Government Grants Received:** Up to and for fiscal 2004, grants received by the Company for the purchase of fixed assets were grouped in capital reserves. During fiscal 2005, in accordance with Accounting Standard (AS) 12 - "Accounting for Government Grants", we disclosed the amounts of grants as a separate item after reserves and surplus but before secured and unsecured loans in the balance sheet. The classification in the restated summary statement of assets and liabilities, for fiscal 2002, fiscal 2003 and fiscal 2004 has been regrouped and disclosed accordingly.
- **Current Liabilities and Provisions:** Up to and for fiscal 2004, we had classified certain Current Liabilities as Provisions and certain Provision as Current Liabilities. The classification in the restated summary statement of assets and liabilities, for the previous years ended March 31, 2002, 2003 and 2004 has been regrouped and disclosed accordingly.
- **Bullion Stock:** Up to and for fiscal 2004, we had classified bullion stock as an item of inventory. However during fiscal 2005, bullion stock was classified as investments. The classification in the restated summary statement of assets and liabilities, for fiscal 2002, fiscal 2003 and fiscal 2004 has been regrouped and disclosed accordingly.
- **Investment in Equity Shares:** During fiscal 2004, except for the equity shares of the subsidiary company, we classified equity shares as an item of inventory. However during fiscal 2005, equity shares were classified as investments. The classification in the restated summary statement of assets and liabilities, for fiscal 2004 has been regrouped and disclosed accordingly.
- **Excise Duty Paid:** Up to and for fiscal 2004, we grouped excise duty expense under the head Administration and Selling expenses. However, during and with effect from fiscal 2005, we have netted off excise duty from the sales. The classification in the restated summary statement of assets and liabilities, for fiscal 2002, fiscal 2003 and fiscal 2004 has been regrouped and disclosed accordingly.

Applicability of Accounting Standards

- **Accounting Standard (AS) 22 – "Accounting for Taxes on Income":** As a result of AS 22 becoming effective from April 1, 2002 for us, the deferred tax on timing differences as on March 31, 2002, amounting to Rs. 12.75 million was adjusted against Opening General Reserve in fiscal 2003 in accordance with the transitional provision contained in AS 22. From fiscal 2003 we charged or credited the deferred tax on timing differences to the profit and loss account.
- **Accounting Standard (AS) 28 – "Impairment of Assets":** As a result of AS 28 becoming effective from April 1, 2004, the impairment loss on a liquid oxygen plant at our Hospet gas factory amounting to Rs. 27.80 million was adjusted against Opening General Reserve in fiscal 2005 in accordance with the transitional provision contained in AS 28. Further, as a result of changes described under "Fixed Assets" above, the impairment loss has increased by Rs. 5.54 million which is also adjusted against the Opening General Reserve.

Foreign Currency

Our foreign currency exposure primarily relates to the export of iron ore, which is priced in US dollars.

Transactions in foreign currency are recorded in Indian Rupees at the exchange rate prevailing on the date of transactions. Monetary assets and liabilities denominated in foreign currency are translated into Indian Rupees at the rate of exchange at the balance sheet date.

Exchange difference on account of the cancellation or expiry of forward contracts designated as hedge of highly probable forecast transactions are recognised in the profit and loss account in the period in which the contracts mature, are cancelled or expire.

Adverse movements in foreign exchange rates, such as appreciation of the Rupee, to the extent unhedged, may adversely affect our business, results of operations and financial condition.

Hedging Activities

We enter into foreign exchange forward contracts from time to time to hedge a portion of our foreign exchange exposure in respect of US dollars. Transactions are recorded at the exchange rate prevailing on the date of the transactions. Gain or loss on account of cancellation or expiry of forward contracts designated as hedge of highly probable forecasts transactions are recognized in the profit and loss account in the period in which the contracts mature or are cancelled. As at March 31, 2006, we had outstanding foreign exchange forward contracts in the amount of US \$16.70 million.

We also enter into interest rate derivative (“IRS”) contracts from time to time, which may be linked to movements in particular indices. Adverse movements in interest rates or in such indices may adversely affect our results of operations and financial condition. In addition to IRS contracts, from time to time we also enter into currency swaps to take advantage of the movements in exchange rates between currencies. As of March 31, 2006, we had three IRS contracts in place in respect of our FCNR B Term Loan from the State Bank of India in the amount of Rs. 1,589.59 million.

Market Risk on Investments

We have made significant investments in fully paid ordinary or equity shares of various companies, and in mutual funds. We have also made other investments, including investments in gold bullion. These investments are subject to the risk of loss as a result of changes in market prices and commodity prices. We have not entered into any hedging transactions with respect to such market risks.

Our Results of Operations

Fiscal 2006 Compared with Fiscal 2005

Some of the key developments during fiscal 2006 were:

- an increase in sales of products from our wind division of Rs. 378.90 million, or 182.8% from Rs. 207.24 million in fiscal 2005 to Rs. 586.14 million in fiscal 2006.
- Total other income increased by 153.9% from Rs. 323.72 million in fiscal 2005 to Rs. 821.93 million in fiscal 2006 principally due to profit on sale of investments appreciation in value of mutual fund units linked to our keyman insurance policies and amount received on surrender of keyman insurance policy. Total other income amounted to over 10% of our total income in fiscal 2006.
- commencement of iron ore exports pursuant to our EOU status;
- the transfer of our gas division to MSPL Gases Limited effective April 1, 2006; and
- the acquisition of the assets and liabilities of MSPL Exports effective April 1, 2006.

Total Income. Total income increased by Rs. 1,394.66 million, or 22.0%, from Rs. 6,349.73 million in fiscal 2005 to Rs. 7,744.39 million in fiscal 2006. This increase was principally due to an increase of Rs. 502.93 million, or 8.73%, in sales of iron ore products, whether manufactured or traded, from Rs. 5,762.57 million in fiscal 2005 to Rs. 6,265.50 million in fiscal 2006, while the volume of iron ore sold increased from 2,233,511 metric tons in fiscal 2005 to 2,969,232 metric tons in fiscal 2006.

Our iron ore direct exports decreased by Rs. 873.92 million, or 15.4%, from Rs. 5,657.17 million in fiscal 2005, to Rs. 4,783.25 million in fiscal 2006. The decrease in direct exports relates to the fact that in fiscal 2005 we exported our iron ore products pursuant to an export licence that expired in March 2005. We commenced making export sales through our EOU pursuant to our EOU licence dated June 2005. During the period between the expiry of our annual export licence and the commencement of exports pursuant to our EOU licence, all of our iron ore products were sold to MMTC for export and were accounted for as “deemed exports” rather than direct exports. MMTC is a Government company involved in the trade and export of commodities. MMTC levied a 3% service charge on export sales we undertook through them during this period. We believe it is more appropriate to compare the sum of our deemed exports in fiscal 2006 and our direct exports in fiscal 2006 with the revenue from direct exports earned in fiscal 2005. On

this basis, the increase in exports of fiscal 2006 is Rs. 216.72 million or 3.8%, from Rs. 5,657.17 million in fiscal 2005 to Rs. 5,873.89 million.

Average price realisation for direct exports of high grade fines was US\$59.81 MT in fiscal 2006, down from US\$62.39 in fiscal 2005 due to a decrease in spot prices for Indian iron ore and higher sales of medium grade fines in fiscal 2006, which negatively impacted our income from iron ore exports.

Revenue from manufactured product sales increased by Rs. 971.94 million, or 17.4%, from Rs. 5,582.95 million in fiscal 2005 to Rs. 6,554.89 million in fiscal 2006. Revenue from products traded decreased by Rs. 75.49 million, or 17.0%, from Rs. 443.06 million in fiscal 2005 to Rs. 367.57 million in fiscal 2006. This decrease was principally due to a decrease in the average price realisation from iron ore products traded.

We experienced an increase in sales of products from our wind division of Rs. 378.90 million, or 182.83%, from Rs. 207.24 million in fiscal 2005 to Rs. 586.14 million in fiscal 2006, principally due to the full impact of the addition of capacity in fiscal 2005 and further efficiency in our operations.

Total Expenditure. Total expenditure increased by Rs. 858.81 million, or 20.4%, from Rs. 4,219.90 million in fiscal 2005 to Rs. 5,078.71 million in fiscal 2006. This increase was principally due to:

- an increase of Rs. 568.09 million, or 131.4%, from Rs. 432.28 million in fiscal 2005 to Rs. 1,000.37 million in fiscal 2006, in manufacturing and other expenses principally due to increases in repair and maintenance expenses and administration and selling expenses;
- an increase of Rs. 199.03 million, or 11.3%, from Rs. 1,764.44 million in fiscal 2005 to Rs. 1,963.47 million in fiscal 2006, in railway freight, handling and transport expenses, principally as a result of increased railway freight costs; and
- an 123.8% increase in depreciation expenses in fiscal 2006 due to the impact of depreciation on assets associated with our wind division.

Purchase of Products. Our purchase of product costs increased by Rs. 97.14 million, or 34.6%, from Rs. 280.88 million in fiscal 2005 to Rs. 378.02 million in fiscal 2006. Products purchased in fiscal 2006 included 231,952 tons of iron ore worth Rs. 341.22 million and Rs. 36.80 million of industrial gases. The increase in expense was principally due to a 15.1% increase in quantity of iron ore purchased and a 16.9% increase in the rate paid per ton of iron ore.

Royalty on Mining Iron Ore. Costs for royalties on mining iron ore increased by Rs. 24.25 million, or 58.5%, from Rs. 41.42 million in fiscal 2005 to Rs. 65.67 million in fiscal 2006. This increase was principally due to a change in the manner in which this royalty became payable. In fiscal 2005 this royalty was payable on volume of ore which was extracted from VIOM and sold. From fiscal 2006, this royalty became payable on volumes of ore extracted from VIOM and sold or stockpiled at the stations or ports.

Manufacturing and Other Expenses. Manufacturing related expenses increased by Rs. 568.09 million, or 131.4%, from Rs. 432.28 million in fiscal 2005 to Rs. 1,000.37 million in fiscal 2006. The following table shows the components of manufacturing and other expenses for fiscal 2006 and fiscal 2005:

| (Rs. millions) | Year ended March 31, | | Percentage Change |
|---------------------------------------|----------------------|---------------|-------------------|
| | 2006 | 2005 | |
| Manufacturing and Other Expenses | | | |
| - (Increase)/Decrease in Stock | 132.89 | (121.88) | -209.0% |
| - Direct Labour | 18.38 | 22.29 | -17.5% |
| - Consumables | 51.17 | 34.67 | 47.6% |
| - Power & Fuel | 146.03 | 96.84 | 50.8% |
| - Repairs & Maintenance | 70.01 | 33.61 | 108.3% |
| - Other Manufacturing Expenses | 149.11 | 139.23 | 7.1% |
| - Administration and Selling Expenses | 432.78 | 227.52 | 90.2% |
| Total | 1,000.37 | 432.28 | 131.4% |

The principal reason for the increase in manufacturing expenses between fiscal 2005 and fiscal 2006 was the Rs. 205.26 million, or 90.2%, increase in administration and selling expenses from Rs. 227.52 million in fiscal 2005 to Rs. 432.78 million in fiscal 2006. This was principally due to the payment of Rs. 67.37 million for exchange rate variations and a 359% increase in advertising expenditure to Rs. 46.06 million. Another reason for the increase in manufacturing expenses between fiscal 2005 and fiscal 2006 was an increase in repair and in maintenance expenses of Rs. 36.40 million, or 108.3%, from Rs. 33.61 million in fiscal 2005 to Rs. 70.01 million in fiscal 2006. This increase was principally due to the addition of new dumpers and major maintenance on our Tamrock and Silverdrill drilling machines and maintenance of roads within mines. In addition, power and fuel expenses increased by Rs. 49.19 million, or 50.8%, from Rs. 96.84 million in fiscal 2005 to Rs. 146.03 million in fiscal 2006, principally as a result of increased fuel prices. Stock decreased significantly to Rs. 132.89 million in fiscal 2006 from Rs. (121.88) million in fiscal 2005 due to a decreased valuation in, and reduced quantity of, iron ore stocks in our closing stock balances at the end of the fiscal year.

Wages and Salaries. Wage and salary expenses decreased by Rs. 115.91 million, or 50.4%, from Rs. 229.78 million in fiscal 2005 to Rs. 113.87 million in fiscal 2006. This decrease was principally due to payment to all employees of an 80% *ex gratia* bonus in fiscal 2005, that was reduced to a 20% *ex gratia* bonus in fiscal 2006 along with the payment of a 5% commission to the wholetime directors in fiscal 2005, which was not repeated in fiscal 2006.

Port Charges and Other Expenses. Port related expenses increased by Rs. 128.94 million, or 49.5%, from Rs. 260.28 million in fiscal 2005 to Rs. 389.22 million in fiscal 2006. This increase was principally due to the higher volume of material sold and the annual increase in port charges.

Railway Freight, Handling and Transport Expenses. Railway freight, handling and transport expenses increased by Rs. 199.03 million, or 11.3%, from Rs. 1,764.44 million in fiscal 2005 to Rs. 1,963.47 million in fiscal 2006. The following table shows the components of railway freight, handling and transport expense in fiscal 2006 and fiscal 2005:

| (Rs. millions) | Year ended March 31, | | Percentage Change |
|---|----------------------|-----------------|-------------------|
| | 2006 | 2005 | |
| Railway Freight, Handling and Transport | | | |
| - Railway Freight | 1,293.96 | 925.55 | 39.8% |
| - Transport Charges | 517.91 | 687.91 | 24.7% |
| - Freight & Cartage | 5.46 | 6.31 | 13.5% |
| - Ocean Freight | 146.14 | 144.67 | 1.0% |
| Total | 1,963.47 | 1,764.44 | 11.3% |

The increase in railway freight, handling and transport was principally due to an increase of Rs. 368.41 million, or 39.8%, in railway freight, from Rs. 925.55 million in fiscal 2005 to Rs. 1,293.96 million in fiscal 2006. This increase in railway freight was principally a result of higher volumes of iron ore moved by railway due to an increase in railway freight capacity. The 24.7% decrease in transport charges from Rs. 687.91 million in fiscal 2005 to Rs. 517.91 million in fiscal 2006 was due to reduction in quantity transported by road as well as the short haul transport of RoM sold to MSPL Exports. This negated any increase in per ton road transport charges and lead to a net reduction in transport charges.

Ocean freight costs of Rs. 146.14 million were incurred for five shipments of iron ore to various parties made on a cost-plus-freight basis rather than an FOB basis.

Keyman Insurance. Keyman insurance cost decreased significantly from Rs. 818.22 million in fiscal 2005 to Rs. 256.63 million in fiscal year in fiscal 2006. This decrease was primarily due to the one time payment of premium of Rs. 565.47 million in fiscal 2005. As set out in the accounting policy on Keyman Insurance, we are required to pay a "top-up premium" in relation to the unit-linked policy we have taken out on the lives of two of our whole-time directors. Under this policy, we make a one time payment and annual premiums are adjusted against the income received from the units. In fiscal 2006, the unit linked policies were redeemed and an amount of Rs. 138.40 million was received and an amount of Rs. 131.61 million was paid against the premium due on the endowment policies and the resulting surplus of Rs. 6.79 million was paid as 'top-up' premium of unit linked policies. The redemption amount of Rs. 138.40 million has been included under the head 'Other Income'.

Miscellaneous Expenditure Written Off. Written off miscellaneous expense was Rs. 0.15 million in fiscal 2005 and Rs. 0.29 million in fiscal 2006, reflecting a proportionate write off of the amount paid for increasing the authorised capital from Rs. 300 million to Rs. 500 million during fiscal 2006.

Depreciation. Depreciation increased by Rs. 415.35 million, or 123.8%, from Rs. 335.51 million in fiscal 2005 to Rs. 750.86 million in fiscal year in fiscal 2006. This increase was principally due to the full year impact of depreciation on assets acquired in connection with our wind division during fiscal 2005.

Interest. Interest increased by Rs. 103.07 million, or 179.0%, from Rs. 57.57 million in fiscal 2005 to Rs. 160.64 million in fiscal 2006. This increase was principally due to the interest charges on the FCNR B loans granted to us during fiscal 2006 for the acquisition of assets in connection with our wind division and also the general and sustained rise in interest rates especially USD LIBOR rates.

Profit before Tax. Profit before tax increased by Rs. 535.85 million, or 25.2%, from Rs. 2,129.83 million in fiscal 2005 to Rs. 2,665.68 million in fiscal 2006.

Net Profit/Loss. Our net profit increased by Rs. 741.53 million, or 51.8%, from Rs. 1,432.11 million in fiscal 2005 to Rs. 2,173.64 million in fiscal 2006.

Our total tax expense was Rs. 721.63 million in fiscal 2005 and Rs. 475.93 million in fiscal 2006. Current tax was Rs. 106.5 million in fiscal 2006 as compared to Rs. 180.00 million in fiscal 2005. Short provision of tax was Rs. 39.47 million in fiscal 2005 and an excess provision of Rs. 23.36 million pertaining to earlier years was written back in fiscal 2006. Deferred tax was Rs. 502.16 million and Rs. 387.0 million in fiscal 2005 and fiscal 2006, respectively. For fiscal 2005 our effective tax rate was 33.9%, compared with an effective tax rate of 17.9% in fiscal 2006.

Adjustments. Adjustments after tax impact in respect of fiscal 2005 amounted to Rs. 23.91 million, compared to adjustments after tax impact in the amount of Rs. (16.11) million in respect of fiscal 2006. In fiscal 2005, adjustments included a debit of Rs. 31.39 million in respect of prior period items and a credit in respect of excess provision of tax for earlier years of Rs. 39.47 million as restated. In fiscal 2006, adjustments after tax included credit for prior period items of Rs. 9.18 million and a debit in respect of excess provision of tax for earlier years of Rs. 23.36 million as restated.

Fiscal 2005 Compared with Fiscal 2004

Some of the key developments during fiscal 2005 were:

- a transition from principally long-term contract pricing of iron ore products for export during fiscal 2004, with some spot-market pricing after the third quarter in fiscal 2004, to exclusively spot-market pricing of iron ore products for all exports during fiscal 2005;
- an increase in sales of products from our wind division of Rs. 185.63 million, or 859.0%, from Rs. 21.61 million in fiscal 2004 to Rs. 207.24 million in fiscal 2005, principally as a result of increased capacity and improved efficiency; and
- an increase in railway freight, handling and transport expenses of Rs.745.98 million, or 73.2%, from Rs. 1,018.46 million in fiscal 2004 to Rs. 1,764.44 million in fiscal 2005, principally as a result of increased railway fares and the use of road transport.

Total Income. Total income increased by Rs. 3,117.06 million, or 96.4%, from Rs. 3,232.67 million in fiscal 2004 to Rs. 6,349.73 million in fiscal 2005. This increase was principally due to an increase of Rs. 2,713.84 million, or 89.0%, in sales of iron ore products, whether manufactured or traded, from Rs. 3,048.73 million in fiscal 2004 to Rs. 5,762.57 million in fiscal 2005, while the volume of products sold remained relatively constant at 2,233,023 metric tons in fiscal 2004 and 2,233,511 metric tons in fiscal 2005.

Our iron ore direct exports increased by Rs. 2,728.22 million, or 93.1%, from Rs. 2,928.95 million in fiscal 2004, to Rs. 5,657.17 million in fiscal 2005. Average price realisation for direct exports of iron ore products increased. This increase was the result of the transition to spot-market pricing and high prevailing spot-market prices due to high demand for iron ore.

Revenue from manufactured product sales increased by Rs. 2,875.61 million, or 106.2%, from Rs. 2,707.34 million in fiscal 2004 to Rs. 5,582.95 million in fiscal 2005. Revenue from product traded increased by Rs. 28.42 million, or 6.9%, from Rs. 414.64 million in fiscal 2004 to Rs. 443.06 million in fiscal 2005. Revenue from manufactured product sales increased at a greater rate than revenue from product traded principally because, during fiscal 2005, there was limited availability of iron ore products to purchase.

In addition, we experienced an increase in sales of products from our wind division of Rs. 185.63 million, or 859.0%, from Rs. 21.61 million in fiscal 2004 to Rs. 207.24 million in fiscal 2005, principally as a result of increased capacity and increased efficiency in our operations.

Total Expenditure. Total expenditure increased by Rs. 2,034.63 million, or 93.1%, from Rs. 2,185.27 million in fiscal 2004 to Rs. 4,219.90 million in fiscal 2005. This increase was principally due to

- an increase of Rs. 754.98 million, or 73.2%, from Rs. 1,018.46 million in fiscal 2004 to Rs. 1,764.44 million, in railway freight, handling and transport expenses, principally as a result of increased road haulage costs; and
- an increase of Rs. 700 million, or 592.1%, from Rs. 118.22 million in fiscal 2004 to Rs. 818.22 million, in keyman insurance, principally as a one-time payment for an additional keyman insurance policy;

Purchase of Products. Our purchase of product costs increased by Rs. 116.49 million, or 70.9%, from Rs. 164.39 million in fiscal 2004 to Rs. 280.88 million in fiscal 2005. This increase was principally due to increased iron ore prices, despite a decreased volume of iron ore purchased.

Royalty on Mining Iron Ore. Costs for royalties on mining iron ore increased by Rs. 4.97 million, or 13.6%, from Rs. 36.45 million in fiscal 2004 to Rs. 41.42 million in fiscal 2005. This increase was principally due to an increase in iron ore produced at the Vyanasekere iron ore mine and to the increase in applicable royalty rates from October 2004.

Manufacturing and Other Expenses. Manufacturing related expenses decreased by Rs. 14.69 million, or 3.3%, from Rs. 446.97 million in fiscal 2004 to Rs. 432.28 million in fiscal 2005. The following table shows the components of manufacturing and other expenses for fiscal 2005 and fiscal 2004:

| (Rs. millions) | Year ended March 31, | | Percentage Change |
|---------------------------------------|----------------------|---------------|-------------------|
| | 2005 | 2004 | |
| Manufacturing and Other Expenses | | | |
| - (Increase)/Decrease in Stock | (121.88) | 41.95 | -390.5% |
| - Direct Labour | 22.29 | 25.12 | 11.3% |
| - Consumables | 34.67 | 25.46 | 36.2% |
| - Power & Fuel | 96.84 | 56.22 | 72.3% |
| - Repairs & Maintenance | 33.61 | 28.33 | 18.6% |
| - Other Manufacturing Expenses | 139.23 | 77.57 | 79.5% |
| - Administration and Selling Expenses | 227.52 | 192.32 | 18.3% |
| Total | 432.28 | 446.97 | -3.3% |

The principal reason for the decrease in manufacturing expenses between fiscal 2004 and fiscal 2005 was an increase in stock, including iron ore products and gases, of Rs. 163.83 million, or 390.5%, from a decrease of Rs. 41.95 million in fiscal 2004 to an increase of Rs. 121.88 million in fiscal 2005. Stock increased principally because of an increased valuation of iron ore stocks, resulting from increased costs, including transport costs, in our closing stock balances at the end of the fiscal year. Despite an overall decrease in manufacturing and other expenses as a result of an increase in stocks, most of the other components of manufacturing and other expenses increased from fiscal 2004 to fiscal 2005. In particular, other manufacturing expenses increased by Rs. 61.66 million, or 79.5%, from Rs. 77.57 million in fiscal 2004 to Rs. 139.23 million in fiscal 2005. This was principally a result of increased costs of contractors for loading and unloading iron ore from trucks and rakes, as well as increased costs associated with sampling and analysis of iron ore because we began bearing the costs of dispatch analysis in connection with our shipments during fiscal 2005. In addition, power and fuel expenses increased by Rs. 40.62 million, or

72.3%, from Rs. 56.22 million in fiscal 2004 to Rs. 96.84 million in fiscal 2005, principally as a result of increased fuel prices.

Wages and Salaries. Wage and salary expenses increased by Rs. 141.98 million, or 161.7%, from Rs. 87.80 million in fiscal 2004 to Rs. 229.78 million in fiscal 2005. This increase was principally due to payment to all employees of an 80% of salary *ex gratia* bonus in fiscal 2005 (compared to a 25% *ex gratia* bonus in fiscal 2004), as well as a 5% commission on profits to our wholetime Directors in fiscal 2005.

Port Charges and Other Expenses. Port related expenses increased by Rs. 55.56 million, or 27.1%, from Rs. 204.72 million in fiscal 2004 to Rs. 260.28 million in fiscal 2005. This increase was principally due to an increase in port charges resulting from export of more iron ore through ports other than Chennai or Marmagoa and Panjim, which are more expensive than Chennai, Marmagoa and Panjim from fiscal 2004 to fiscal 2005. We were required to use more expensive ports because Chennai, Marmagoa and Panjim did not have capacity to ship all our exports, and because Marmagoa and Panjim are closed during the first and second quarters of each fiscal year as a result of weather conditions.

Railway Freight, Handling and Transport Expenses. Railway freight, handling and transport expenses increased by Rs. 745.98 million, or 73.2%, from Rs. 1,018.46 million in fiscal 2004 to Rs. 1,764.44 million in fiscal 2005. The following table shows the components of railway freight, handling and transport expense in fiscal 2005 and fiscal 2004:

| (Rs. millions) | Year ended March 31, | | Percentage Change |
|---|----------------------|-----------------|-------------------|
| | 2005 | 2004 | |
| Railway Freight, Handling and Transport | | | |
| - Railway Freight | 925.55 | 843.57 | 9.7% |
| - Transport Charges | 687.91 | 168.50 | 308.2% |
| - Freight & Cartage | 6.31 | 6.39 | -1.3% |
| - Ocean Freight | 144.67 | - | 100% |
| Total | 1,764.44 | 1,018.46 | 73.2% |

The increase in railway freight, handling and transport was principally due to an increase of Rs. 519.42 million, or 308.2%, in transport charges, from Rs. 168.50 million in fiscal 2004 to Rs. 687.91 million in fiscal 2005. This increase in transport charges was principally a result of increased transport by road due to a lack of railway capacity and by the use of ports where full or partial railway transport is not possible or where road transport is more cost-effective due to distance, as well as increased prices associated with road transport. In addition, in fiscal 2005, we incurred Rs. 144.67 million expenditures in respect of ocean freight. In fiscal 2005, we made shipments cost-plus-freight from Chennai, resulting in ocean freight costs; we made no cost-plus-freight shipments in fiscal 2004. Our shipments in both fiscal 2004 and fiscal 2005 were principally made FOB.

Keyman Insurance. Keyman insurance cost increased by Rs. 700 million, or 592.1%, from Rs. 118.22 million in fiscal 2004 to Rs. 818.22 million in fiscal year in fiscal 2005. This increase was primarily due to purchase of an additional key man insurance policies, for which we made an additional payment of Rs. 700 million.

Miscellaneous Expenditure Written Off. Written off miscellaneous expense was Rs. 0.15 million in both fiscal 2004 and 2005, reflecting amortisation over ten years of expenses related to the issue of share capital.

Depreciation. Depreciation increased by Rs. 242.51, or 260.8%, from Rs. 93.00 million in fiscal 2004 to Rs. 335.51 million in fiscal year in fiscal 2005. This increase was principally due to the acquisition of wind turbines and related equipment in connection with our wind division, with net additions to gross block assets in our wind division of Rs. 742.27 million in fiscal 2004, compared to Rs. 2,954.45 million in fiscal 2005. In addition, we acquired excavation equipment and barges in connection with our mining business, with net additions to gross block assets in our mining division of Rs. 47.28 million in fiscal 2004, compared to 285.92 million in fiscal 2005.

Interest. Interest increased by Rs. 42.18 million, or 274.1%, from Rs. 15.39 million in fiscal 2004 to Rs. 57.57 million in fiscal 2005. This increase was principally due to increased borrowings, particularly our entry into a credit facility with Rabobank in the amount of Rs. 992.01 million in connection with the development of our wind division.

Profit before Tax. Profit before tax increased by Rs. 1,082.43 million, or 103.3%, from Rs. 1,047.40 million in fiscal 2004 to Rs. 2,129.83 million in fiscal 2005.

Net Profit/ Loss. Our net profit increased by Rs. 621.17 million, or 76.6%, from Rs. 810.94 million in fiscal 2004 to Rs 1,432.11 million in fiscal 2005.

Our total tax expense was Rs. 299.42 million in fiscal 2004 and Rs. 721.63 million in fiscal 2005. Current tax was Rs. 180.00 million in fiscal 2005 as compared to Rs. 174.80 million in fiscal 2004. Short provision of tax for earlier years was Rs. 30.57 million and Rs. 39.47 million in fiscal 2004 and fiscal 2005, respectively. Deferred tax was Rs. 94.05 million and Rs. 502.16 million in fiscal 2004 and fiscal 2005, respectively. For fiscal 2004 our effective tax rate was 28.6%, compared with an effective tax rate of 33.9% in fiscal 2005.

Adjustments. Adjustments after tax impact in respect of fiscal 2004 amounted to Rs. 62.96 million, compared to adjustments after tax impact in the amount of Rs. 23.91 million in respect of fiscal 2005. In fiscal 2005, adjustments include a debit of Rs. 31.39 million in respect of prior period items and a credit in respect of excess provision of tax for earlier years restated of Rs. 39.47 million. In fiscal 2004, adjustments after tax included a credit of Rs. 74.77 million in respect of prior period items.

Review of Assets and Liabilities

Fixed Assets

Fixed assets comprise:

- gross block, which is mainly comprised of plant, machinery and equipment, but also includes vehicles and barges, aircraft, leasehold land and other fixed assets; and
- capital work in progress, including advances for capital expenditures, is mainly comprised of capital assets in construction or on order.

The following table illustrates our fixed assets for fiscal 2006, fiscal 2005 and fiscal 2004.

| | As at March 31, | | |
|--------------------------|---------------------|----------|----------|
| | 2006 | 2005 | 2004 |
| | Rs. Millions | | |
| Gross Block | 5,973.21 | 4,543.45 | 1,272.98 |
| Less Depreciation | 1,339.79 | 604.07 | 234.93 |
| Net Block | 4,633.42 | 3,939.38 | 1,038.05 |
| Capital Work in Progress | 1,128.34 | 168.88 | 16.45 |
| Total | 5,761.76 | 4,108.26 | 1,054.50 |

Investments

As at March 31, 2006, investments consisted primarily of:

- a long-term investment in the capital of a Related Group partnership firm, P. Venganna Setty & Brother;
- investments in fully paid ordinary or equity shares of various quoted companies; and
- investments in various unquoted mutual funds.

The following table illustrates our investments for fiscal 2006, fiscal 2005 and fiscal 2004.

| | As at March 31, |
|--|--------------------|
|--|--------------------|

| | 2006 | 2005 | 2004 |
|------------------------------------|-----------------|---------------|---------------|
| | Rs. Millions | | |
| Quoted Investments | | | |
| In Fully paid Equity shares | 868.63 | 447.30 | 71.51 |
| Unquoted Investments | | | |
| In Promoter Group Companies | 0.03 | 35.43 | 35.43 |
| In Capital of Partnership Firm | 578.06 | 192.23 | 36.89 |
| In Mutual Fund Units | 327.21 | 122.21 | 0.10 |
| In Others (including Bullion) | 12.70 | 12.70 | 12.70 |
| Total Unquoted | 918.00 | 362.57 | 85.12 |
| Total | 1,768.63 | 809.87 | 156.63 |
| Market Value of Quoted Investments | 1,156.54 | 489.40 | 76.05 |

Current Assets, Loans and Advances

Current assets, loans and advances are comprised mainly of:

- Sundry debtors, which primarily relates to debts owed to us in respect of the sale of iron ore, wind-generated electricity or gases;
- Cash and bank balances;
- Loans and advances, which primarily relates to suppliers advances and employee advances; and
- Other current assets, which primarily relates to pre-paid expenses, such as insurance.

The following table sets forth details of our sundry debtors as at March 31, 2006, 2005, and 2004.

| | As at March 31, | | |
|------------------------------------|-------------------|---------------|---------------|
| | 2006 | 2005 | 2004 |
| | (Rs. in millions) | | |
| Debts outstanding for a period: | | | |
| - exceeding six months | 230.99 | 97.81 | 14.60 |
| - other debts | 596.03 | 286.33 | 289.58 |
| Total | 827.02 | 384.14 | 304.18 |
| Unsecured-Considered Good | 806.54 | 381.96 | 304.18 |
| Unsecured-Considered doubtful | 20.48 | 2.18 | - |
| Total | 827.02 | 384.14 | 304.18 |
| Less: Provision for doubtful debts | 20.48 | 2.18 | - |
| Total Debtors | 806.54 | 381.96 | 304.18 |

The following table sets forth details of our loans and advances as at March 31, 2006, 2005 and 2004.

| | As at March 31, | | |
|--|-------------------|---------------|---------------|
| | 2006 | 2005 | 2004 |
| | (Rs. in millions) | | |
| Advances to suppliers, contractors and others | 211.95 | 116.48 | 86.70 |
| Advances recoverable in kind or for value to be received | 515.49 | 192.68 | 116.27 |
| Balance with customs, port trust, excise, etc. | 20.17 | 10.07 | 2.33 |
| Other deposits | 4.76 | 2.63 | 2.47 |
| Advance payment of taxes | 47.69 | - | - |
| Sub total | 800.06 | 321.86 | 207.77 |
| Less: Provision for doubtful loans and advances | 33.04 | 27.73 | - |
| Total Loans and advances | 767.02 | 294.13 | 207.77 |

Current Liabilities and Provisions

Current liabilities and provisions primarily consist of current liabilities to sundry creditors and railway freight payable.

Deferred Tax Liabilities

Deferred tax liability comprises the income tax benefits which have already been availed by us due to the timing difference between our taxable income and accounting income.

Secured Loans and Unsecured Loans

Secured loans are comprised of long-term debt and certain short-term debt. Unsecured loans are comprised of certain short-term debt. We have no long-term unsecured debt.

Long-Term and Short-Term Debt

Short-term debt comprises of debt having 365 days or less maturity, all of which is comprised of working capital liabilities. Long-term debt is debt with maturity of greater than one year. The following table sets forth our short-term, long-term and total indebtedness as at March 31, 2006, March 31, 2005 and March 31, 2004.

| | (Rs. millions) | | |
|-------------------|-----------------|----------------------------|---------------|
| | 2006 | As at March 31, 2005 | 2004 |
| Short-term Debt | 1,595.20 | 869.63 | 347.23 |
| Long-term Debt | 2,130.32 | 919.79 | 107.06 |
| Total Debt | 3,725.52 | 1,789.42 | 454.29 |

Long-term Debt

Set forth below is a table showing our debt maturity profile as of March 31, 2006.

| | (Rs. millions) | | | | |
|----------------|----------------|------------------|-------------|-------------|-------------------|
| | Total | Less than 1 year | 1 - 3 years | 3 - 5 years | More than 5 years |
| Long-term Debt | 2,130.32 | 579.81 | 1,132.76 | 417.75 | Nil |

The following table summarises our indebtedness and subordinated debt obligations as of March 31, 2006.

| | (Rs. in million) |
|---|-------------------------|
| | As at March 31, 2006 |
| State Bank of India | |
| <i>FCNRB Term Loan</i> <i>(Repayment in 12 installments to begin from March 31, 2005.)</i> | 42.43 |
| <i>Cash Credit – Overdraft Account</i> | 918.09 |
| <i>Export Packing Credit</i> | 61.04 |
| Loans immediately above are secured by way of hypothecation of iron ore stocks, spares, book debts, receivables, machineries and equipments purchased out of bank finance and further, secured by hypothecation of unencumbered plant and machinery, equitable mortgage of lease hold rights of Vyasankere Iron Ore Mines, factory land and building, lien on term deposit, hypothecation of windmill machineries purchased out of finance and equitable mortgage of land with building and structures thereon at Satara and Chitradurga and also secured by personal guarantee of directors. | |
| State Bank of India | |

| As at March 31, 2006 | |
|--|-----------------|
| <i>FCNRB Term Loan (Repayable in 19 equal quarterly installments of USD 1,572,105 commencing from September 2005.)</i> | 1,128.40 |
| <i>FCNRB Term Loan (Repayable in 19 equal quarterly installments of USD 604,737 commencing from October 2005.)</i> | 461.19 |
| Loans immediately above are secured by wind mill machineries and equipments purchased out of bank finance and further, secured by hypothecation of unencumbered plant and machinery, equitable mortgage of lease hold rights of Vyasankere Iron Ore Mines, factory land and building, lien on term deposit and equitable mortgage of land with building and structures thereon at Satara and Chitradurga. | |
| <i>Demand Loan – Secured against mutual fund units of Rs. 200 million</i> | 161.15 |
| RABO Bank – Singapore Branch | |
| <i>ECB Term Loan (Repayable in July 2007.)</i> | 336.45 |
| Secured by first pari-passu charge on receivables from wind farm project, charge on Escrow Account where receivables from Karnataka Power Transmission Corporation Ltd. would be deposited, further first pari-passu charge on moveable and fixed assets of the Company being financed and pari-passu assignment of all mining leases and project documents of the Company. | |
| Pragati Gramin Bank | |
| <i>Overdraft Account</i> | 102.52 |
| Secured against lien on Fixed Deposits with the Bank of Rs. 100 million. | |
| RABO India Finance Private Ltd. | |
| <i>Term Loan (Repayable in July 2006.)</i> | 161.50 |
| Secured by first charge on receivables from wind farm project and exclusive charge on moveable and fixed assets being financed, further first pari passu charge on all movable and fixed assets, exclusive charge on escrow account where receivables from Karnataka Power Transmission Corporation Ltd. would be directly deposited, assignment of all mining lease and project documents of the Company. | |
| Ford Credit Kotak Mahindra Ltd. | |
| <i>Term Loan (Repayable in 36 Equated Monthly Installments of Rs. 36,176 each which commenced from March 2004.)</i> | 0.35 |
| Secured by the hypothecation of car purchased out of the loan. | |
| Promoters | |
| <i>Demand Loan (Temporary financing arrangement, to be repaid as per the discretion of the Company.)</i> | 352.40 |
| Total | 3,725.52 |
| Interest accrued and due (included in the total above) | 1.43 |

On March 31, 2006, our Company was sanctioned an ECB loan of USD 21 million by State Bank of India, Singapore to be utilised in respect of our 26 MW windmill projects at Dhule, Maharashtra and Harihar, Karnataka.

The terms of certain of our borrowings contain certain restrictive covenants. As of the date of this Draft Red Herring Prospectus, we believe that we are in compliance with all the covenants and undertakings for all the loans described above.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

Contingent liabilities are not reflected in our statement of assets and liabilities. Our contingent liabilities and capital commitments, as of March 31, 2006, were Rs. 1,679.30 million. The following table sets forth our contingent liabilities and capital commitments as at March 31, 2006:

| (Compiled from Audited Accounts of the Company) | As at March 31, 2006 |
|---|----------------------|
| | Rs. Millions |
| Contingent Liabilities | |
| Foreign currency bills discounted | 772.77 |
| Guarantees given to banks on behalf of Promoter Group Company | 143.80 |
| Claims against the company not acknowledged as debt | |
| - Income tax matters | 3.89 |
| - Central Excise matters | 1.04 |
| - Lease Rental demanded by Forest Department | 13.23 |
| - Other matters | 2.01 |
| Subtotal | 936.74 |
| Capital Commitments | |
| Estimated amount of contracts remaining to be executed on capital accounts not provided for net of advance | 742.56 |
| Subtotal | 742.56 |
| Total | 1,679.30 |

We entered into a business transfer agreement dated February 6, 2006, to acquire all assets and liabilities of MSPL Exports, a partnership firm, with effect from April 1, 2006. The total consideration payable in respect of the assets and liabilities of MSPL Exports is Rs. 500 million. Under the business transfer agreement, we paid Rs. 260 million consideration for the assets and liabilities of MSPL Exports which was accounted for in fiscal 2006. Pursuant to an amendment through a supplemental agreement dated April 1, 2006, the consideration payable for the assets and liabilities of MSPL Exports was adjusted and we were required to pay an additional Rs. 240 million. This amount is payable in fiscal 2007.

We have capital commitments of Rs. 742.56 million which is the estimated amount of contracts remaining to be executed on capital accounts not provided for. This item consists principally of capital expenditure plans where we have placed an order, but not yet paid the entire purchase price.

Bank guarantees given by us on behalf of RMMPL in the amount of Rs. 143.80 million have been reflected in our contingent liabilities. In addition, as at March 31, 2006, we had given certain letters of undertaking to Directorate General of Foreign Trade in respect of our export obligations, which have not been reflected in our contingent liabilities.

Capital Expenditure Plans

We anticipate incurring capital expenditures of approximately Rs. 4,450 million in fiscal 2007. This planned expenditure relates primarily to additions to our wind division, which we expect will increase capacity by 40 MW. We also anticipate incurring capital expenditure in respect of crushing equipment and other infrastructure at Hospet and Jharkhand, the acquisition of railway rakes, the establishment of pellet plant and the acquisition of real estate in Bangalore. This figure also includes Rs. 240 million for consideration in respect of the acquisition of MSPL Exports and Rs. 60 million replacement cost of equipment damaged in the incident at VIOM. In addition, we have budgeted for the expenditure of another Rs. 390 million for the payment of amounts required to be provided to the State government regulators calculated on the Net Present Value of certain of our mines. We expect to finance this capital expenditure from cash operations and borrowings. Although these are our current plans, our anticipated capital expenditure is subject to change and may be revised.

Off-Balance Sheet Arrangements

As of March 31, 2006, we were a financial guarantor of RMMPL in respect of a loan in the amount of Rs. 143.80 million. In addition, we have applied for approval under the Companies Act to provide a further guarantee of RMMPL's borrowings in respect of their wind power generation investments in the amount of Rs. 1,372.50 million. In addition, as at March 31, 2006 we had three IRS contracts for our FCNRB Term Loan in the amount of Rs. 1,589.59 million from the State Bank of India. As at March 31, 2006, we had outstanding foreign exchange forward contracts in the amount of US\$16.70 million.

Liquidity and Capital Resources

Our primary liquidity needs have been to finance our working capital needs and capital expenditure. We have financed our operations primarily by way of cash from operations and borrowings.

As of March 31, 2006, we had Rs. 485.04 million in cash and cash equivalents on hand and Rs. 48.96 million unutilised on our Export Packing Credit/PCFC facilities.

In future, we will need the consent of our shareholders to raise additional funds through the issue of equity shares.

Set forth below is a table showing our cash flows from net cash from operating activities, net cash used in investing activities and net cash from financing activities for fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

| | Twelve Months ended March 31, | | |
|---|-------------------------------|-----------------|---------------|
| | 2006 | 2005 | 2004 |
| Net Cash from Operating Activities | 2,635.83 | 1,729.43 | 1,036.70 |
| Net Cash used in Investing Activities | (3,368.81) | (2,792.83) | (975.78) |
| Net Cash from Financing Activities | 940.92 | 955.21 | 223.53 |
| Net Increase/(Decrease) in Cash and Cash Equivalents | 207.94 | (108.19) | 284.45 |

Cash Flows from Operations

Our net cash from operating activities was Rs. 2,635.83 million, Rs. 1,729.43 million and Rs. 1,036.70 million in fiscal 2006, fiscal 2005 and fiscal 2004, respectively.

Cash Flows from Investing Activities

Our net cash used in investing activities was Rs. (3,368.81) million, Rs. (2,792.83) million and Rs. (975.78) million in fiscal 2006, fiscal 2005 and fiscal 2004, respectively. Investing activities consist principally of investments in our wind division and the net purchase and sale of equity shares and interests in mutual funds.

Cash Flows from Financing Activities

Our net cash from financing activities was Rs. 940.92 million, Rs. 955.21 million and Rs. 223.53 million in fiscal 2006, fiscal 2005 and fiscal 2004, respectively. Our financing activities consist principally of borrowings.

Significant Developments after March 31, 2006 that may Affect the Future of our Operations

On May 13, 2006, certain miscreants forcibly entered VIOM and damaged property and equipment. We experienced temporary disruptions for a few hours in our mining operations at such mine. The estimated depreciated value of the fully damaged vehicles and equipments was approximately Rs. 33.30 million. These assets are adequately insured and the Company is in the process of filing the insurance claims. We have ordered replacement machinery of Rs. 42.46 million and intend to order additional replacement machinery worth Rs. 13.90 million. We have taken steps to address such issues by taking measures such as increasing the security on the mine and at our offices. However, there can be no assurance that such incidents will not happen again or that we are and will be adequately protected against such incidents, which may adversely affect our business, financial condition and results of operations.

Other than described above and except as disclosed in this Draft Red Herring Prospectus, to our knowledge, no circumstances have arisen since the date of the last financial statements as disclosed in this Draft Red Herring Prospectus, which materially and adversely affects or is likely to affect, the operations or profitability of our Company, or the value of our assets or our ability to pay our material liabilities within the next twelve months.

Except as disclosed in this Draft Red Herring Prospectus, there is no subsequent development after the date of the Auditor's Report which we believe is expected to have a material impact on the profits, earnings per share and book value of our Company.

Unusual or Infrequent Events or Transactions

Except as described in this Draft Red Herring Prospectus, there have been no other events or transactions to our knowledge, which may be described as "unusual" or "infrequent".

Significant Economic or Regulatory Changes

Except as described in this Draft Red Herring Prospectus, including in the section "Regulations and Policies", there have been no significant economic or regulatory changes.

Known Trends or Uncertainties

Except as described this Draft Red Herring Prospectus, including in the in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations", to our knowledge, there are no known trends or uncertainties that have or had or are expected to have any material adverse impact on our revenues or income from continuing operations.

Future Relationship Between Cost and Income

There is no future relationship between cost and income that will have a material adverse impact on our operations and finances.

New Products or Business Segment

Other than as described in this Draft Red Herring Prospectus, there are no new products or business segments.

Seasonality of Business

Our wind power business is seasonal with respect to its revenues. At our wind power facilities, the strongest winds typically occur between May and September. For this reason, the productivity of our wind power facilities is usually the highest between April and October, with lower productivity occurring between November and March. Port capacity for exports of iron ore is restricted during the first and second quarters of each fiscal year when ports on the west coast, including Marmagoa and Panjim, are closed to traffic as a result of monsoon.

Dependence on few customers

Our iron ore business, which, during fiscal 2006, accounted for 90.5% of our total sales. During fiscal 2006, all of our export sales, including sales through MMTC, have been made to sixteen steel mills and traders in China. Our wind business has three customers, and we are dependant on them for our wind power revenues. For further information, see the section "Our Business" beginning on page 81.

Competitive Conditions

Refer to the sections titled "Our Business" and "Industry Overview" and "Risk Factors" regarding competition on pages 104, 70, and 9, respectively.

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigations, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, and there are no defaults, non payment of statutory dues, over-dues to banks or financial institutions, defaults against banks or financial institutions, defaults in dues payable to holders of any debenture, bonds or fixed deposits or arrears of preference shares issued by the Company, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic, civil or any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company (the subsidiaries of the Company have no material litigation pending against them) and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Promoters or Directors, that may have a material adverse effect on our financial position, nor, so far as we are aware, are there any such proceedings pending or threatened.

Contingent liabilities of the Company as of March 31, 2006:

(Rs. in millions)

| Contingent Liabilities | |
|--|-----------------|
| Foreign currency bills discounted | 772.77 |
| Guarantees given to banks on behalf of Promoter Group Company | 143.80 |
| Claims against the company not acknowledged as debt | |
| - Income tax matters | 3.89 |
| - Central Excise matters | 1.04 |
| - Lease Rental demanded by Forest Department | 13.23 |
| - Other matters | 2.01 |
| Subtotal | 936.74 |
| Capital Commitments | |
| Estimated amount of contracts remaining to be executed on capital accounts not provided for net of advance | 742.56 |
| Subtotal | 742.56 |
| Total | 1,679.30 |

Outstanding Litigation/Proceedings against our Company

- (i) Umarsab has filed a Writ Petition (W.P No. 12072 of 2004) against the Company, the Union of India and the State of Karnataka before the High Court of Karnataka challenging the proposal of the State of Karnataka dated February 9, 2004 favouring grant of a mining lease to the Company over 218.2 hectares in the Kumaraswamy range of Sandur Taluk, Bellary district, Karnataka. The petitioner alleged that since he had already filed an application dated June 17, 1993 in relation to the aforesaid land, his application should have been considered before making the recommendation and he should have been favoured since his application was earlier in time. The petitioner has prayed that the proposal made by the State of Karnataka be quashed along with the notification dated March 15, 2003 issued by the Government of Karnataka under Rule 59 of the MC Rules stating that the aforesaid land is available for mining lease. The High Court passed an order dated April 5, 2004 giving an interim stay on the proposal of the State of Karnataka. The Company has filed an application dated June 8, 2004 seeking vacation of the interim order. The matter is still pending before the High Court and is listed for final hearing.
- (ii) Deccan Mining Syndicate and S M Jain have filed a Writ Petition (W.P. No. 17567 of 2004) against the Company, Union of India and the State of Karnataka before the High Court of Karnataka challenging the proposal of the State of Karnataka dated February 9, 2004 favouring grant of mining lease in favour of the Company over 218.20 hectares of land in Kumaraswamy range of Sandur Taluk, Bellary District. The petitioner has stated the State of Karnataka had already recommended the allotment of 165 acres [66.77 Ha] of the land for mining lease in its favour on March 23, 2001. The petitioner claims that it was not given any reason for the rejection of its application and has challenged the proposal as being arbitrary and unconstitutional. The High Court has passed an order giving an interim stay on the recommendation of the State of Karnataka. The Company has filed an application dated June 23, 2004 seeking a vacation of the stay order. The matter is pending disposal before the High Court and is listed for final hearing.

- (iii) Gayathri Mines and Minerals has filed a Writ Petition (W.P. No. 16515 of 2005) against the Company, Union of India and the State of Karnataka before the High Court of Karnataka challenging the proposal dated February 9, 2004 made by the State of Karnataka proposing grant of a mining lease over 218.20 hectares of land at Kumaraswamy range of Sandur Taluk, Bellary District to the Company. The petitioner has prayed that the Court direct the State of Karnataka to (i) consider the application of the petitioner, (ii) not grant the lease to any other party pending the disposal of the writ petition, and (iii) stay the operation of the order dated February 9, 2004. The Company has received notice from the Court and the matter is pending.
- (iv) S B Minerals has filed an original suit (O.S No. 174/03) against the Company before the Civil Judge, Senior Division, Hospet wherein it has asked the court to restrain the Company from working in any part of Sy. No. 1 of Vyasankere village. The Civil Judge, Senior Division, Hospet in his interim order dated January 2, 2004 restrained both parties from carrying out mining activities. The Company filed appeals (M.A. No.1 and M.A. No. 2) against the aforesaid interim order before the Additional District Judge, Bellary. The Additional District Judge in his order dated July 1, 2004 quashed the interim order dated January 2, 2004. The plaintiff then filed an application under Order 26, Rule 9 of the Code of Civil Procedure for appointment of a commission to carry out a survey of the said lands. However, the Civil Judge (Senior Division), Hospet dismissed the application. Aggrieved by the same, the plaintiff has filed a writ petition (Writ Petition No. 19790/2005) in the High Court of Karnataka. The High Court of Karnataka has stayed further proceedings in the original suit and is hearing the matter. The matter is pending.
- (v) NEG Micon (India) Private Limited has filed an original suit (O.S No. 50 of 2005) against the Company before the Civil Judge (Sr. Division), Hospet seeking the recovery of Rs. 16.81 million with interest at 12% p.a. The plaintiff was engaged to supply wind energy generators (“Generators”) to the Company for which they also executed performance guarantees for Rs. 80.52 million. The plaintiff has alleged that the Company forced it into accepting an amount which was Rs. 16.81 million less than what was agreed and also sought to invoke the bank guarantee. The plaintiffs have also requested the court to grant a permanent injunction restraining the Company from invoking the performance bank guarantee. In its reply, the Company has asked the Court to dismiss the suit and has sought a decree of Rs. 456.81 million along with interest at 12% p.a. The Civil Judge (Sr. Division), Hospet in its order dated March 17, 2005 directed the Company to maintain the status quo until the disposal of the application for temporary injunction filed by the plaintiff. The Company filed an application for vacation of this order. The Trial Court passed orders on the application for temporary injunction on December 21, 2005 restraining the Company from encashing the bank guarantee until disposal of the suit and directed the plaintiff to keep the bank guarantee current and valid until disposal of the suit or any orders from higher courts.
- (vi) NEG Micon (India) Private Limited has filed an original suit (O.S No. 114 of 2005) before the Civil Judge (Sr. Division), Hospet seeking interest on amounts payable to it by the Company on account of their delayed payments. The plaintiff entered into a contract for supply of wind energy generators (“Generators”) to the Company, at a cost of Rs. 171.0 million, for which the plaintiffs also executed a performance guarantee for Rs. 18.1 million. The plaintiffs have also prayed that the court grant a permanent injunction restraining the Company from invoking the performance guarantee. The Company has asked the Court to dismiss the suit and to declare that it is entitled to invoke the performance guarantee due to the non performance of the plaintiff in maintaining cost and operational efficiencies. The matter is pending before the Court
- (vii) M/s. Kalyani Steels Limited has filed a Writ Petition (W.P. No. 26069 of 2005) against the Company, Union of India and the State of Karnataka before the High Court of Karnataka challenging the order dated February 9, 2004 issued by the State of Karnataka recommending grant of a mining lease over 218.20 hectares of land at Kumaraswamy range of Sandur Taluk, Bellary District in favour of the Company. The petitioner has prayed that the Court direct the State of Karnataka to (i) quash the communication dated February 9, 2004 (ii) consider the application of the petitioner and grant the lease to the Petitioner, and (iii) stay the operation of the order dated February 9, 2004. The Company has received notice from the Court and the matter is pending.
- (viii) Mr. H.R.Channakeshava has filed a Writ Petition (W.P. No.5404 of 2006) against the Company, Union of India and the State of Karnataka before the High Court of Karnataka challenging the

proposal dated February 9, 2004 made by the State of Karnataka proposing grant of a mining lease over 218.20 hectares of land at Kumaraswamy range of Sandur Taluk, Bellary District to the Company. The petitioner has prayed that the Court direct the State of Karnataka to (a) consider the application of the petitioner; (b) call for records including the records pertaining to the letter dated April 12, 2005 bearing No. DO No.CI 14 MMM 2004; and (c) stay the operation of the order dated February 9, 2004. The matter is pending.

- (ix) Mr. H.R. Sreenath has filed a Writ Petition (W.P. No. 5405 of 2006) against the Company, Union of India and the State of Karnataka before the High Court of Karnataka challenging the proposal dated February 9, 2004 made by the State of Karnataka proposing grant of a mining lease over 218.20 hectares of land at Kumaraswamy range of Sandur Taluk, Bellary District to the Company. The petitioner has prayed that the Court direct the State of Karnataka to (a) consider the application of the petitioner; (b) call for records including the records pertaining to the letter dated April 12, 2005 bearing No. DONo.CI14 MMM 2004; and (iii) stay the operation of the order dated February 9, 2004. The matter is pending.
- (x) S. B. Minerals has filed an appeal (MA 9/2006) before the Principal Civil Judge (Senior Division), Hospet against the order of the Principal Civil Judge (Junior Division), Hospet dated April 1, 2006 granting a temporary injunction in favour of the Company in O.S. 82/2006. The appeal is pending.

Employee Cases

- (i) Mr. Pramod Tammannavar has filed a writ petition (W.P. No. 16672/2005) before the High Court of Karnataka against the Company and the Regional Provident Fund Commissioner. The writ petition has been filed seeking a writ of mandamus from the court directing the Company to make payment towards the petitioner's Provident Fund arrears. The petitioner has alleged that he was employed as a store keeper with the Company at a salary of Rs. 3,100 per month and that he was regularly contributing to the Employee Provident Fund scheme. Notice has been issued to the Company and the matter is pending for hearing.
- (ii) Mr. Pramod Tammannavar has filed an application (PGA:CR-18/2004-05/749) before the Assistant Labour Commissioner and Controlling Authority for Payment of Gratuity ("Commissioner") at Davangere, requesting direction to VOCL to grant him gratuity amounting to Rs. 16,644. The Company has denied its liability and reserved its right to withhold the gratuity as the applicant misappropriated the Company's funds. The matter is pending before the Commissioner.
- (iii) One Mr. Ranga Rao, an ex-employee of the Company has filed a suit (O.S. No. 19/2006) before the Additional Civil Judge (Senior Division), Hospet against the Regional Provident Fund Commissioner and the Company seeking a declaration for change of date of birth in order to avail pension benefits. The matter is pending.

Tax Cases

- (i) The Assistant Commissioner of Central Excise, Bellary has issued two show cause notices to the Gas Division of the Company on April 26, 2005 (SCN C No.IV/8/20/2005 B.1 and SCN C No.IV/8/19/2005 B.1), charging it with violation of Rule 7 of the Central Excise (Determination of Price of Excisable Goods) Rules, 2000, as amended, read with Section 4 and Section 5 of the Central Excise Act, 1944. The Company has been charged with not including cylinder retention charges and demurrage charges for calculation of 'transaction value' of goods during the period from April 1, 2004 to February 28, 2005 and the Company has been charged with evasion of duty of Rs. 211,256 and Rs. 248,800 respectively along with penalty under Rule 25 of the Central Excise Rules, 2002 and interest under Section 11AB of the Central Excise Act, 1944. In its reply dated July 14, 2005, the Company has denied the charges. The matter is pending.
- (ii) The Assistant Commissioner of Central Excise, Bellary has issued a show cause notice to the Gas Division of the Company on October 13, 2004 (SCN C No.IV/8/38/2004 B.1) charging the Company with violation of Rule 7 of the Central Excise (Determination of Price of Excisable Goods) Rules, 2000, as amended, read with Section 4 of the Central Excise Act, 1944 and holding it liable for duty of Rs. 88,639 along with penalty under Rule 25 of the Central Excise Rules, 2002 and interest under Section 11AB of the Central Excise Act, 1944. The show cause notice alleges

that during the period October 1, 2003 to March 31, 2004, the Company was not including CRC and demurrage/maintenance charges, which it was collecting for the supply of its cylinders, in the transaction value. In its reply dated November 16, 2004, the Company has denied the charges. The matter is pending.

- (iii) In the show cause notice dated October 13, 2004 issued by the Assistant Commissioner of Central Excise, Bellary, the Company has been charged with not including collected CRC and demurrage/maintenance charges when calculating transaction value. Therefore, the company has been charged with violation of Rule 5 of the Central Excise (Determination of Price of Excisable Goods) Rules, 2000, as amended, and has been asked to furnish a penalty of Rs. 272,428 along with interest under Rule 25 of the Central Excise Rules and interest under Section 11AB of CEA. The Company in its reply dated November 16, 2004, has denied the charges and stated that the hiring of cylinders is a separate transaction and therefore should not be included in the transaction value. The matter is pending.
- (iv) The Department of Customs and Central Excise has filed an appeal being Appeal No. E/539/04 (D) before the CESTAT (Appellate) Tribunal against an order of the Commissioner of Central Excise (Appeals), Mangalore dated February 27, 2004 setting aside two orders of the Assistant Commissioner, Bellary imposing penalty on the Company. The Assistant Commissioner of Central Excise, Bellary had issued two show cause notices dated October 30, 2002 and October 28, 2002 to the Vijaya Oxygen Unit of the Company wherein it was alleged to be in violation of Rule 5 of the Central Excise (Determination of Price of Excisable Goods) read with Section 4 of the CEA and Rule 7 of the Central Excise (Determination of Price of Excisable Goods) Rules for not including CRC and demurrage/maintenance charges in the transaction value of cylinders during the period December 1, 2001 to May 31, 2002. The Assistant Commissioner, Bellary in his orders dated February 7, 2003 and February 5, 2003 has asked for Rs. 223,749 and Rs. 357,918 along with interest. The matter is pending.
- (v) The Department of Customs and Central Excise has filed an appeal being Appeal No. E/450/04(D) before the CESTAT (Appellate) Tribunal against an order of the Commissioner of Central Excise (Appeals), Mangalore dated January 30, 2004 setting aside an order of the Assistant Commissioner, Bellary dated October 24, 2002 imposing penalty of Rs. 410,507 on the Company. The Deputy Commissioner of Central Excise, Bellary had issued a show cause notice dated July 2, 2002 to the Vijaya Oxygen Unit of the Company wherein it was alleged to be in violation of Rule 5 of the Central Excise (Determination of Price of Excisable Goods) read with Section 4 of the CEA for not including CRC and demurrage/maintenance charges in the transaction value of cylinders during the period July 1, 2001 to December 31, 2001. The matter is pending.
- (vi) The Assistant Commissioner of Central Excise, Bellary has issued two show cause notices to the Gas Division of the Company on December 5, 2005 (SCN C No.IV/8/76/2005 B.1 and SCN C No.IV/8/77/2005 B.1), charging it with violation of Rule 7 of the Central Excise (Determination of Price of Excisable Goods) Rules read with Section 4 and Section 5 of the Central Excise Act, 1944. The Company has been charged with not including cylinder retention charges and demurrage charges for calculation of 'transaction value' of goods during the period from March 1, 2005 to August 31, 2005 and the Company has been charged with evasion of duty of Rs. 190,418 and Rs. 188,652, respectively along with penalty under Rule 25 of the Central Excise Rules, 2002 and interest under Section 11AB of the Central Excise Act, 1944. The matter is pending.

Outstanding Litigation/Proceedings filed by the Company

Civil Cases

- (i) The Company has filed a Writ Petition (W.P. No. 43722 of 2003) before the Karnataka High Court against KPTCL and Gulbarga Electricity Supply Company Limited challenging the electricity bills of Rs. 11,68,328 levied on it in September 1998 and the order dated June 30, 1999 charging the Company with committing theft of electricity and order dated September 13, 2003 confirming the same. Against the order dated June 30, 1999 of KPTCL, the Company filed W.P. No. 7147 of 1999 and 8225-8226 of 1999 before the High Court of Karnataka. The High Court ordered the respondents to give the Company an opportunity to reply to their charges. However, KPTCL still asked the Company to deposit the back billed charges as per its order dated June 30,

1999. In appeal against the said order, GESCOM confirmed the demand vide its order dated September 13, 2003. The matter is still pending.

- (ii) The Company has filed a writ petition (W.P. No. 21608/2005) before the High Court of Karnataka against the State of Karnataka, Jindal Vijayanagar Steel Limited and others seeking quashing of communication No. C.I/111/MMM/2004 dated December 6, 2004 issued by the State of Karnataka granting mining lease to Jindal Vijayanagar Steel Limited and Kalyani Steels Limited. The Company has stated that in response to its application dated May 24, 2001 for grant of mining lease of 298.5 hectares in Eddinpada in the Kumaraswamy range, the Government of Karnataka vide its communication dated August 30, 2001, requested the Government of India to relax Rule 59 of the Minerals Concession Rules in favour of the Company. Subsequently, the Government of Karnataka issued a Notification No. CI 16 MMM 2003 dated March 15, 2003 informing the public that mining areas were available for grant. The Company submitted its application dated April 16, 2003 for the same area as its previous application. However, vide communication No. C.I/111/MMM/2004 dated December 6, 2004, the Government of Karnataka proposed grant of the mining leases for 20 years in favour of Jindal Vijayanagar Steel Limited and others. The matter is still pending.
- (iii) The Company has filed a Writ Petition (W.P. No. 29709/2004) against the State of Karnataka before the High Court of Karnataka challenging the imposition of stamp duty and registration fee as per the royalty payable on the renewal of its mining lease in 2003. The Company has stated that royalty cannot be the basis for calculation of stamp duty and registration fees as royalty itself is a tax and there can be no tax on tax. Further, the Company has alleged that since the mining leases are granted under MMDR Act the Karnataka Stamp Act or the Registration Act will not apply. Therefore, the Company has prayed that the Court declare Section 27(a) of the Karnataka Stamp act and circular dated August 8, 2002 bearing No.STP/126/02-03 as unconstitutional. The matter is still pending and notice has been issued to the respondents. The Company has paid the amount under protest at the time of the registration of the lease deed.
- (iv) The Company has filed a Writ Petition (W.P No. 6448/2004 and W.P No. 6618/2004) before the High Court of Karnataka at Bangalore against S.B Minerals, State of Karnataka and others seeking to quash the order dated February 13, 2004 passed by the Civil Judge (Senior Division), Hospet on February 13, 2004 on I.A. No. 3 and 5 in O.S. No. 14/2004, refusing to implead the Company as a Respondent and allowing S.B. Minerals to lift mined and extracted iron ore from the Company's leasehold area. The Company has prayed that the Court quash the aforesaid order and make the Company a party to the aforesaid original suit and stay the operation and execution of the aforesaid order. In its order dated March 9, 2004, the Petition has been admitted and impugned order has been stayed. The respondent has filed an application for vacating the interim order.
- (v) The Company has filed a Writ Petition (W.P No. 7537 of 2002) against the Ministry of Railways, Union of India, before the Andhra Pradesh High Court challenging the levy of punitive charges of Rs. 60.28 million. The Company stated that it is using the Railway approved volume-weight ratio and has alleged that the respondents are counter-weighting their iron ore carried in railway wagons on the basis of electronic in motion weigh bridge, which is erratic as it assigns a specific weight to the wagons and since the wagons are open, moisture may lead to a change in the weight of the cargo. Company has stated that based on this, the respondents are raising punitive charges. The Company alleged that the method adopted is also counter to Section 78 of the Railway Act. The Company, vide WPMP No. 22893/03, has also prayed that the Court issue an injunction directing the respondents not to appropriate the aforesaid charges from other amounts due to the Company from the respondents. The matter is pending.
- (vi) The Company has filed a Writ Petition (W.P No. 27119 of 2003) against the Ministry of Railways, Union of India, before the Andhra Pradesh High Court challenging the levy of punitive charges of Rs. 53.58 million on account of over loading. The Company has alleged that the Railways has been wrongly weighing the goods on the basis of electronic in motion weigh bridge, which is erratic as it assigns a specific weight to the wagons and since the wagons are open, moisture may lead to a change in the weight of the cargo. The Company has argued that the weight volume ratio should be followed. The High Court pursuant to its order dated December 26, 2003 has granted a conditional stay subject to deposit by the Company of 50% of the amount demanded by the Railways. The Company filed a Special Leave Petition against the said order before the Supreme

Court of India which was dismissed on July 18, 2005. The matter is still pending before the High Court.

- (vii) The Company has filed an original suit (O.S. No. 82/2006) before the Principal Civil Judge (Junior Division), Hospet seeking an injunction against S.B. Minerals, its partners and employees from entering the leasehold area of the Company. The Company has also filed an application for temporary injunction in relation to the same. The Court in its order dated April 1, 2006 has issued a temporary injunction in favour of the Company restraining S.B. Minerals from entering the leasehold area of the Company and interfering with its possession. The matter is pending.
- (viii) The Company has filed an appeal (Misc. First Appeal No.3497/2006), against NEG Micon, before the High Court of Karnataka, challenging the portion of the interim order passed by the Civil Judge (Senior Division), Hospet, in O.S. 50/2006. The appeal is pending for admission.
- (ix) The Company has filed an appeal (Misc. First Appeal No.3499/2006), against NEG Micon, before the High Court of Karnataka, challenging the portion of the interim order passed by the Civil Judge (Sr. Division), Hospet, in OS 114/2006. The appeal is pending for admission.
- (x) The Company has filed a Writ Petition (W.P. No. 6288/2006) before the High Court of Delhi, challenging the final order no. 6/2006, dated February 24, 2006 passed by the Government of India in Revision Application No. 2(5)/2005-RC-II dismissing the Company's application under Section 30 of the Mines and Minerals (Development and Regulation) Act, 1957. The High Court in its order dated April 26, 2006 has granted a stay on the said order of the Government of India and has issued notice. The next date of hearing is on September 19, 2006. The matter is pending.

Criminal Cases

- (i) The Company has filed a police complaint (Crime No.86/2006) at the Mariammanahalli Police Station, Hospet alleging that on May 13, 2006, about 400 miscreants hired by the adjacent mine lessee trespassed into the mines of the Company and set fire to machinery resulting in a loss of approximately Rs. 100 million to the Company.

Suits for recovery of money

The Company has filed three suits for the recovery of monies under Section 138 of Negotiable Instruments Act, for dishonoured cheques issued by various parties. The total amount claimed under all three suits is Rs. 20.80 million.

Litigation/Proceeding involving our Directors

Outstanding Litigation/Proceedings against our Directors

- (i) One Mr. Anand Singh has filed a criminal complaint (Crime No. 35/2002) before the Police against Mr. Rahulkumar N Baldota and others. The complainant has stated that they went to Mr. Rahulkumar N Baldota's house to solve their boundary dispute. However, on reaching there they themselves were assaulted. The investigating authorities filed a 'B' Report stating that the complaint is false. The matter is pending disposal before the Court.

Outstanding Litigation/Proceedings filed by our Directors

- (i) The State represented by Hospet Police Station and Rahulkumar N. Baldota have filed a criminal complaint (CC No. 2083/2002) against Anand Singh and others before the Judicial Magistrate First Class, Hospet. The charge is that that the accused, who are all mine owners went to the house of Rahulkumar N. Baldota on May 28, 2002, assaulted the security guards and damaged the car of Rahulkumar N. Baldota. Subsequently, the police framed charges and the Court has framed the chargesheet against the accused. Mr. Rahulkumar N. Baldota, has further filed a Criminal Petition CrI.Petition No.22/2006 for the cancellation of bail granted to Mr.Anand Singh and others, in CC 2083/2002, for violation of conditions imposed by the Addl. Sessions judge, Bellary, while granting bail. The next date of hearing has been fixed on June 3, 2006.

- (ii) Mr. Narendrakumar A. Baldota has filed a probate petition (P&SC 3/2006) before the High Court of Karnataka seeking a declaration that he is the sole executor of the will of Mr. Abheraj H. Baldota. The petition is pending for admission before the High Court.

Litigation involving Promoter Group Companies

Except as described below, there are no outstanding litigation, suits or criminal or civil prosecutions or proceedings or disputes against our Promoters or against the companies promoted by our Promoters and there are no defaults, non-payment of statutory dues, overdues to banks/financial institutions or defaults against banks/financial institutions by our Promoters or against the companies promoted by our Promoters (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (i) of part 1 of Schedule XIII of the Companies Act).

RMMPL

Contingent liabilities of RMMPL as of December 31, 2005

- (i) Outstanding Bank guarantees: Rs. 8,547,775
(ii) Foreign Bills Discounted: Rs. 105,581,732

Outstanding Litigation/Proceedings against RMMPL

Civil Cases

- (i) NEG Micon (India) Private Limited has filed an original suit (O.S No. 49 of 2005) before the Civil Judge (Sr. Division), Hospet against RMMPL seeking the recovery of Rs. 4.28 million with interest at 12% p.a. The plaintiff was contracted to supply wind energy generators (“Generators”) to RMMPL for which they executed a performance guarantee of Rs. 2.99 million. However, the plaintiff alleges that RMMPL refused to release the money for the same and have requested the Court to grant a permanent injunction from invoking the performance bank guarantee. The plaintiffs have also filed an application under Order 39, Rule 1 and 2 of CPC seeking ex parte injunction against the defendants. In its reply, RMMPL has asked the Court to dismiss the suit and it has sought a decree of Rs. 41.81 million along with interest @12% p.a.. The Court in its order dated March 17, 2005 has directed RMMPL to maintain the status quo until the disposal of the interim application under Order 39, Rule 1 and 2 of CPC. RMMPL has filed an application seeking a stay on this order. On interim application, the court passed orders on December 21, 2005 restraining the defendant by way of temporary injunction from encashing the bank guarantee until disposal of the suit and directed the plaintiff to keep the Bank guarantee current and valid until disposal of the suit or any orders from higher courts. The matter is pending before the court.
- (ii) NEG Micon (India) Private Limited has filed an original suit (O.S No. 112 of 2005) before the Civil Judge (Sr. Division), Hospet against RMMPL seeking to restrain RMMPL from enforcing the performance guarantee. The plaintiff was contracted to supply wind energy generators to RMMPL. It also executed conditional performance Bank Guarantee for a sum of Rs. 7.24 million for one year from the date of commissioning. The plaintiffs allege that they supplied the 2 generators which were commissioned by September 30, 2003. Therefore, the plaintiffs have prayed that the Court grant a permanent injunction restraining the defendants from invoking the performance bank guarantee. The plaintiffs have also filed an application under Order 39, Rule 1 and 2 of Code of Civil Procedure seeking ex parte injunction against the defendants. The matter is still pending before the Court.

Outstanding Litigation/Proceedings filed by RMMPL

Civil Cases

- (i) RMMPL has filed a Writ Petition (W.P No. 19098/2005) before the High Court of Karnataka against the State of Karnataka challenging the levy of Rs. 10,14,299 imposing lease rent for forest land vide demand notice No. M1/MNG/BLY/RMP/M.L.No.622/2004-05 dated July 22, 2005. RMMPL has stated that the Government of India in its communication dated May 31, 2005 to the Government of Karnataka has permitted diversion of leased area of forest land for mining purposes. RMMPL has further alleged that the Government of Karnataka has agreed to enter into the new contract only after the pending lease rent has been paid at the new rates for the entire

period retrospectively. RMMPL has challenged the imposition of lease rent retrospectively from 1974 onwards vide the order of the Government of Karnataka dated August 28, 1997 and June 6, 2003. Therefore, RMMPL has stated that such lease fees and rent is illegal, arbitrary and unconstitutional. The matter is pending before the High Court and notice has been issued to the respondents.

- (ii) RMMPL has filed a writ appeal (Writ Appeal No. 5377 of 2004) in the High Court of Karnataka against the order of the single Judge of the High Court dated November 10, 2004 in W.P. No. 31690/2004. RMMPL has stated that one Dalmia Cements (Bharat) Limited (“DCBL”) held a mining lease from 1983 for a 20 year period. Since it could not continue mining, its request for transfer of the mining lease to RMMPL was approved by the Government of Karnataka on March 16, 2002. RMMPL has alleged that Muneer Enterprises has encroached on its area and is carrying out illegal mining activities. Muneer Enterprises filed W.P. No. 31690 of 2004 challenging the transfer of lease from DCBL to RMMPL. The single Judge in his impugned order quashed the transfer of the lease on the basis that the renewal of the lease in favour of DCBL in 1986 [w.e.f. 1983] was bad and hence the transfer in 2003 was bad. RMMPL has contended that Muneer Enterprises has no locus standi in challenging the transfer as it is not an aggrieved party. In its reply, Muneer Enterprises has stated that the MC Rules do not provide for a transfer of license as the land has to be notified by the State first under Rule 59 of the MC Rules. The Division Bench of the High Court in its order dated March 10, 2005 has granted a stay on the single Judge’s order in so far as it relates to the cancellation of the transfer of the mining lease. The appeal is pending.
- (iii) RMMPL filed Misc. First Appeal No.3496/2006, against NEG Micon, before the High Court of Karnataka, Challenging the portion of the Interim Order passed by the Civil Judge (Sr. Division), Hospet, in OS 49/2006, on 24/03/2006. The appeal is pending for admission.
- (iv) RMMPL filed Misc. First Appeal No.3498/2006, against NEG Micon, before the High Court of Karnataka, Challenging the portion of the Interim Order passed by the Civil Judge (Sr. Division), Hospet, in OS 112/2006, on 24/03/2006. The appeal is pending for admission.

VOCL

Contingent liabilities of VOCL as of December 31, 2005

Nil

Outstanding Litigation/Proceedings against VOCL

Civil Cases

- (i) Ram Kaashyap Investments Ltd has filed a civil suit (C.S. No. 1014 of 1998) before the High Court of Madras against T. Kumar, B.A.Thiruvengdam and VOCL seeking Rs. 1,100,000 along with interest@36% p.a. The plaintiff has alleged that T Kumar had entered into an agreement with it for purchase of a lorry wherein the total amount borrowed by T Kumar was Rs. 0.79 million repayable in 45 monthly instalments B.A. Thiruvengdam stood as guarantor for T Kumar. The plaintiff has alleged that T Kumar paid only Rs. 70,000. Further, the plaintiff has alleged that on account of non-payment of instalments, it has suffered a loss in payment to depositors and banks. The Company has stated that the case should be dismissed against it as there is no privity of contract between it and the plaintiff as the Company only has a contract with the 1st defendant for supply of liquefied nitrogen and oxygen. The matter is pending.
- (ii) The Department of Customs and Central Excise has filed an appeal (Appeal No. E/342/2004) before the CESTAT (Appellate) Tribunal against the order of the Commissioner dated November 27, 2003. The Joint Commissioner, Belgaum had issued a show cause notice, C No. V/28/15/47/99 dated September 19, 2000 charging VOCL with manufacturing and clearing excess oxygen gas without paying excise duty, and demanded a duty of Rs. 105,761 along with penalty and interest. The Additional Commissioner passed an order dated September 26, 2001 imposing a duty of Rs. 105,761 and a penalty of the like amount. VOCL went in appeal (Appeal No. 64/2002) before the Commissioner of Central Excise (Appeals), Bangalore. The Commissioner, in his order dated November 25, 2003 allowed the appeal. The matter is pending.

- (iii) Oriental Insurance Company has filed five appeals MFA 4241/2005, MFA 4242/2005, MFA 4253/2005, MFA 4255/2005, MFA 4257/2005 in the High Court of Karnataka against the order of the Commissioner of Workmen's Compensation granting them insurance benefits for an accident in the course of employment as employees of VOCL. The said appeals have named VOCL as one of the respondents along with the respective employees. The appeals are pending.

Outstanding Litigation/Proceedings filed by VOCL

Civil Cases

- (i) VOCL has filed a civil suit (C.S. No. 738 of 1998) before the High Court of Madras against Ram Kaashyap Investments Ltd. and others challenging the impounding of a chassis belonging to the Company along with a gas tanker. The Company has stated the gas tanker owned by it is used to supply liquid oxygen and liquid nitrogen and that it was attached to a lorry. However, Ram Kaashyap Investments Limited took possession of the lorry along with the tanker as allegedly, some instalments were due under the hire purchase agreement in relation to the lorry. The plaintiff has challenged the illegal detention of third party property and has said that the same is causing harm to the reputation of the Company. The Company has also filed an application asking the Court to issue an injunction restraining Ram Kaashyap Investments Limited from selling or disposing of the tank and to hand over interim custody of the tank to the Company. The Court, vide its order dated October 6, 1998 has issued the interim order subject to the Company giving a security of Rs. 5 lakhs. The matter is reserved for judgment.
- (ii) VOCL has filed a Writ Petition (W.P No. 146/2003) before the High Court of Karnataka against the Bangalore Development Authority ("BDA"). VOCL was allotted a site by BDA at 558, Rajmahal Vilas II Stage and had made the necessary payment for the same. However, when VOCL took possession, they realized that two unauthorized shops had been constructed on the site. Therefore, VOCL has filed the case for allotment of the entire site. It has also sought interim relief in the form of eviction of unauthorized people. The matter is pending in Court.

Vijayanagar Industrial Credits Limited

Contingent liabilities of Vijayanagar Industrial Credits Limited as of December 31, 2005

Nil

Outstanding Litigation

Nil

Baldota Brothers Private Limited

Contingent liabilities of Baldota Brothers Private Limited as of December 31, 2005

Nil

Outstanding Litigation

Nil

AARESS Iron and Steel Limited

Contingent Liabilities

The Company was incorporated in December 2005 and therefore the accounts have not been prepared as of the date of filing of this Draft Red Herring Prospectus.

Outstanding Litigation

Nil

MSPL Gases Limited

Contingent Liabilities

The Company was incorporated in December 2005 and therefore the accounts have not been prepared as of the date of filing of this Draft Red Herring Prospectus.

Outstanding Litigation

Nil

Good Earth Chemicals Private Limited

Contingent Liabilities

Nil

Outstanding Litigation

Nil

P Venganna Setty and Brother

Contingent liabilities of P Venganna Setty and Brother as of December 31, 2005

Nil

Outstanding Litigation/Proceedings involving P Venganna Setty and Brother

- (i) PVS has filed a Writ Petition (W.P No. 19097/2005) before the High Court of Karnataka against the State of Karnataka and others challenging the levy of Rs. 6.03 million by the State of Karnataka vide demand notice dated July 22, 2005. PVS has stated that the Government of India in its communication dated May 31, 2005 to the Government of Karnataka had permitted diversion of leased area of forest land for mining purposes. PVS has further alleged that the Govt. of Karnataka has agreed to enter into the new contract only after the pending lease rent has been paid at the new rates for the entire period retrospectively. PVS has challenged the imposition of lease rent retrospectively from 1974 onwards vide Govt. order dated August 28, 1997 and June 6, 2003. PVS has stated that such lease fees and rent is illegal, arbitrary and unconstitutional. The matter is pending before the High Court and notice has been issued to the respondents.

Baldota Brothers

Contingent liabilities of Baldota Brothers as of December 31, 2005

Nil

Outstanding Litigation/Proceedings involving Baldota Brothers

There are ten civil suits filed by Baldota Brothers wherein the subject matter is the eviction of tenants from buildings owned by Baldota Brothers.

MSPL Exports

Contingent liabilities of MSPL Exports as of December 31, 2005

Foreign Bills Discounted: Rs. 116,197,331

Outstanding Litigation

Nil

R.S. Enterprises

Contingent liabilities of R.S. Enterprises as of December 31, 2005

Excise duty demand: Rs. 611,501

Outstanding Litigation

There are thirteen excise duty claims pending against R.S Enterprises involving an aggregate amount of Rs. 0.61 million along with penalty and interest.

L.R. Industries

Contingent liabilities of L.R. Industries as of December 31, 2005

Nil

Outstanding Litigation

Nil

Ratanhira Associates

Contingent liabilities of Ratanhira Associates as of December 31, 2005

Nil

Outstanding Litigation

Nil

Yashodhan Enterprises

Contingent liabilities of Yashodhan Enterprises as of December 31, 2005

Nil

Outstanding Litigation

Nil

Mahalakshmi Gases

Contingent liabilities of Mahalakshmi Gases as of December 31, 2005

Nil

Outstanding Litigation

Nil

Mahakali Gases

Contingent liabilities of Mahakali Gases as of December 31, 2005

Nil

Outstanding Litigation

Nil

Vijayanagar Trading Company

Contingent liabilities of Vijayanagar Trading Company as of December 31, 2005

Nil

Outstanding Litigation
Nil

Vasant Farm

Contingent liabilities of Vasant Farm as of December 31, 2005
Nil

Outstanding Litigation
Nil

Rahul Associates

Contingent liabilities of Rahul Associates as of December 31, 2005
Nil

Outstanding Litigation
Nil

Abheraj Baldota Foundation

Contingent liabilities of Abheraj Baldota Foundation as of December 31, 2005
Nil

Outstanding Litigation
Nil

Narendrakumar A. Baldota HUF

Contingent liabilities of Narendrakumar A. Baldota HUF as of December 31, 2005
Nil

Outstanding Litigation
Nil

GOVERNMENT APPROVALS

We have received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for our present business and except as mentioned below, no further approvals are required for carrying on our present business.

Approvals for the Offer

1. In-principle approval from the National Stock Exchange of India Limited dated [●].
2. In-principle approval from the Bombay Stock Exchange Limited dated [●].

Approvals to carry on our Business

1. Certificate of Importer Exporter Code (Number 0391004654) dated June 11, 1999 issued by the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India.
2. CAPEXIL registration cum membership certificate (registration number CPX/SR/REG/LM/Bulk/M-127) issued on May 23, 2006, which is valid up to March 31, 2007 for registration as 'manufacturer exporter' for products such as iron ore fines, iron ore lumps, iron ore concentrate, calibrated iron ore, high density aggregate, drilling mud.
3. Certificate of Recognition (Certificate No. 000020) as a Three Star Export House, issued on February 11, 2005, by the Joint Director General of Foreign Trade, Ministry of Commerce, Government of India, valid up to March 31, 2009.
4. ISO 9001:2000 certificate issued by BVQI on October 14, 2003, valid up to September 15, 2006.
5. Certificate of approval (OHSAS 18001:1999) issued by BVQI on July 25, 2003 certifying the occupational health and safety management system of our Company. The certificate is valid for 3 years from July 24, 2003.
6. Certificate of approval (ISO 14001:2004) issued by BVQI on January 16, 2006 certifying the mining, beneficiation and handling of iron ore of MSPL Limited. The certificate is valid until August 18, 2008.
7. Domain name - www.mspllimited.com, registered with GANDI (Gestion et Attribution des Noms de Domaine sur Internet), the registration is valid up to November 17, 2013.
8. Letter of permission (No.1/69/2005:PER:EOU:KR:CSEZ/857) dated March 23, 2005 for an Export Oriented Unit issued by the Assistant Development Commissioner, Cochin Special Economic Zone, Ministry of Commerce and Industry, Government of India for manufacture and export of iron ore products.
9. License for private bonded warehouse (No. C. No. VIII/40/36/2004-Cus B.2) dated April 19, 2005 issued under Section 58(1) of the Customs Act, 1962 by the Assistant Commissioner of Central Excise and Customs, Bellary for the import and warehousing of goods.
10. Letter of permission (No. 1/62/2005:PER:EOU:KR:CSEZ/856) dated March 23, 2005 for an Export Oriented Unit issued by the Assistant Development Commissioner, Cochin Special Economic Zone, Ministry of Commerce and Industry, Government of India to MSPL Exports for manufacture and export of iron ore products.
11. License for private bonded warehouse (No. C. No. VIII/40/35/2004-Cus B.2) dated April 6, 2005 issued under Section 58(1) of the Customs Act, 1962 by the Assistant Commissioner of Central Excise and Customs, Bellary to MSPL Exports for the import and warehousing of goods. This licence has been transferred in the name of our Company.

12. Certificate of registration (No. 60902449) as a dealer under the Mysore Sales Tax Act, originally issued on December 3, 1963, and shall be valid from March 19, 1963 until it is cancelled.
13. Certificate of registration (No. 60902449) issued as a dealer under Section 7(1)/7(2) of the Central Sales Tax Act, 1956 originally issued on August 10, 1965 and shall be valid from October 6, 1964 until it is cancelled.
14. Consent given by KSPCB to MSPL under the Water Act vide letter (KSPCB/TC/WPC/DEO-4/AEO-3/2002-03) dated November 24, 2004 allowing it to discharge effluents and sewage subject to due treatment and the provisions of the Water Act and the rules made thereunder. The consent is valid until June 30, 2006.
15. Consent given by KSPCB to MSPL under the Air Act vide letter (KSPCB/APC/DEO TC/AEO-4/04-05/280) dated November 24, 2004 allowing it to operate its industrial plant and to continue to make existing discharge of emissions subject to the provisions of the Air Act and the rules made thereunder. The consent is valid until June 30, 2006.
16. Authorisation given by the KSPCB to MSPL under Rule 5 (5) of the Hazardous Waste (Management and Handling) Amendment Rules, 2003 vide letter (No. KSPCB/HWMC/AEO/EO/2003-2004/2511) dated March 8, 2004 allowing it to operate a facility for collection, storage and disposal of hazardous wastes belonging to Serial No. 5.1 of. Schedule I of the Hazardous Waste (Management and Handling) Amendment Rules, 2003. The authorization is valid for a period of 5 years from September 12, 2002.
17. VAT registration details of MSPL Limited, (i) Effective date of registration – April 1, 2005; (ii) Tax Payers Identification Number – 29480253403; (iii) LVO Code-500.
18. Certificate of registration (No. 3202030017) issued by the Superintendent, Central Excise Department on February 9, 2005 authorising the Company to collect service tax on “Goods Transport Agency Services”. The certificate is valid only for the Vijaya Oxygen unit of MSPL and is valid until otherwise cancelled or surrendered.
19. License under the Contract Labour (Regulation and Abolition) Act, 1970 issued by the Assistant Labour Commissioner, Bellary vide letter (RO 46(59)/2004) dated July 25, 2005. This license is valid until July 27, 2006.

Operating Licenses

1. Explosives License issued by the Department of Explosives, Government of India vide letter (No. Mys 513/E) dated May 31, 2005 for a period up to March 31, 2007.
2. Renewal of License No. P/SC/KA/14/1571 (P1 47360) for keeping a Petroleum Outlet issued by Department of Explosives, Government of India vide letter (P/SC/KA/I4/1571 (PI 47260)) dated May 27, 2005. The license is valid up to December 31, 2006
3. License (Mys 1295/E) for anfo mixing in form 38 of E.R.83 renewed by the Department of Explosives, Government of India vide letter (Mys. 1292/E) dated May 12, 2005, for a period up to March 31, 2007.
4. License (E/SC/KA/25/114 (E25498)) granted by the Department of Explosives, Government of India to an explosive van owned by the Company (registration number KA-35/5243) for transport of explosives vide letter (E/SC/KA/25/114 (E25498)) dated June 3, 2005. The license is valid until March 31, 2007.
5. License (Mys 1228/E) for manufacture of LOX issued by the Department of Explosives, Government of India vide letter (Mys 1228/E) dated July 12, 2004, renewed until March 31, 2006. The Company has applied for renewal of the same.
6. Permission to adopt a system of deep hole blasting with heavy machinery for digging, excavation under Regulation 106 of Metalliferous Mines Regulations, 1961 at Vyasankere Mines, issued vide

letter (H II/1393) dated June 4, 1997 from the Directorate General of Mines Safety, Ministry of Labour, Government of India.

7. Consent (No. CFE-CELL/VIOM/EIA -276/2005-2006/69) dated July 28, 2005 from the KSPCB for expansion of iron ore mining production from 1.98 million tons per annum to 2.5 million tons per annum at the Vyasankere Iron ore Mines.

Mining Leases and Approvals

1. Mining Lease (ML No. 2416) dated July 31, 2003 between Government of Karnataka and MSPL Limited. The lease is valid for 20 years with effect from November 14, 2002 and the area covered under the lease is 858 acres (347.22 hectare) over the Vyasankere Mines in Hospet. The various approvals and permissions granted as part of the lease are as follows:
 - (i) Letter (No. 8-179/91-FC) dated April 4, 1997 from the Ministry of Environment and Forests, Government of India to the Government of Karnataka granting its approval for diversion of land under Section 2 of the Forest Act, pursuant to compensatory afforestation subject to certain terms and conditions.
 - (ii) Letter (No. FEE47 FFM90) dated April 30, 1997 from the Department of Forest, Ecology and Environment, Government of Karnataka giving its approval for diversion of land under Section 2 of the Forest Act, pursuant to compensatory afforestation.
 - (iii) Letter (No. MP/BLR/Fe-26-SZ) dated April 25, 2005 from the Indian Bureau of Mines, Government of India approving the modified mining plan submitted by the Company for the Vyasankere Mines, subject to compliance with applicable laws and regulations.
 - (iv) Letter (No. J-11015/308/2005.IA.II(M)) dated April 7, 2006 from the Ministry of Environment and Forests, Government of India approving the enhancement in production of iron ore at the Vyasankere Mines, from 1.98 million tonnes per annum to 2.50 million tonnes per annum.

Wind Energy

1. Letter No. CEIG/DCEI/EI(T)/DEL-1/18751-55 dated March 30, 2003 issued by the Chief Electrical Inspector, Government of Karnataka approving the commissioning of 5.3 MW, 3.75 MW, 3.8 MW, 2.85 MW and 1.9 MW wind power project of the Company located at Mallapura and Chikkaappanahalli villages, Chitradurga, Karnataka.
2. Letter No. CEIG/DCEI/EI(T)/DEL-1/30541-46 dated March 26, 2005 issued by the Chief Electrical Inspector, Government of Karnataka approving the commissioning of 5 MW wind power project of the Company located at Sogi village, Harapanahalli taluk, Davangere, Karnataka.
3. Letter No. CEIG/DCEI/EI(T)/DEL-1/129195-99 dated March 11, 2005 issued by the Chief Electrical Inspector, Government of Karnataka approving the commissioning of 8.75 MW wind power project of the Company located at Sogi village, Harapanahalli taluk, Davangere, Karnataka.
4. Letter No. CEIG/DCEI/EI(T)/DEL-1/129200-204 dated March 11, 2005 issued by the Chief Electrical Inspector, Government of Karnataka approving the commissioning of 10 MW wind power project of the Company located at Sogi village, Harapanahalli taluk, Davangere, Karnataka.
5. Letter No. CEIG/DCEI/EI(T)/DEL-1/30547-52 dated March 26, 2005 issued by the Chief Electrical Inspector, Government of Karnataka approving the commissioning of 3.75 MW wind power project of the Company located at Konganosuru village, Harapanahalli taluk, Davangere, Karnataka.
6. Letter dated June 30, 2004 issued by the Chief Electrical Inspector, Government of Karnataka approving the commissioning of 5 wind mills of 1,250 KW capacity each at Jogimatti village, Chitradurga, Karnataka.

7. Letter (WFP/MSPL/10 MW PH-II/NP/05-06/6418) dated December 20, 2005 issued by the Director General, Maharashtra Energy Development Agency approving the infrastructure for setting up of 10MW wind power project of the Company located at Chakla, Nandurbar, Maharashtra.
8. Letter (WFP/MSPL/10 MW PH-II/NP/05-06/6419) dated December 20, 2005 issued by the Director General, Maharashtra Energy Development Agency approving the infrastructure for setting up of 10MW wind power project of the Company located at Chakla, Nandurbar, Maharashtra.

Approvals applied for but not yet received

1. The Company has filed three applications with the Registrar of Trademarks, Mumbai on February 20, 2006, for the registration of the logo and trademark “MSPL Limited”.



OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Offer

The Offer has been authorized by a resolution of our Board dated January 4, 2006 and has been authorised by the Selling Shareholders by their letters dated February 6, 2006.

Prohibition by SEBI, RBI or governmental authorities

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

Neither we nor our Directors, associates, Promoters, Promoter Group companies or relatives of our Promoters have been detained as wilful defaulters by the RBI or government authorities. There are no violations of securities laws committed by any them in the past or pending against them.

Eligibility for the Offer

We are eligible for the Offer as per Clause 1.4 (ii) and 2.2.2 of the SEBI Guidelines as explained under:

Clause 1.4 (ii) of the SEBI Guidelines states that all provisions of the SEBI Guidelines applicable to public issues by unlisted companies shall also apply to offers for sale to the public by unlisted companies.

Clause 2.2.2 of the SEBI Guidelines states as follows:

"2.2.2 An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a) (i) *The issue is made through the book-building process, with at least 50% of the issue size being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.*

OR

(a)(ii) *The "project" has at least 15% participation by Financial Institutions/ Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded*

AND

(b) (i) *The minimum post-issue face value capital of the company shall be Rs. 100 million.*

OR

(b) (ii) *There shall be a compulsory market-making for at least 2 years from the date of listing of the shares , subject to the following:*

- (a) *Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;*
- (b) *Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;*
- (c) *The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company.)"*

We are an unlisted company not complying with the conditions specified in Clause 2.2.1 of the SEBI Guidelines and are therefore required to meet both the conditions detailed in clause 2.2.2(a) and clause 2.2.2(b) of the SEBI Guidelines.

- We are complying with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Offer is proposed to be Allotted to QIBs (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and in the event we fail to do so, the full subscription monies shall be refunded to the Bidders.
- We are complying with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines and Non-Institutional Bidders and Retail Individual Bidders will be allocated up to 10% and 30% of the Offer respectively.
- We are also complying with Clause 2.2.2(b)(i) of the SEBI Guidelines and the post-offer face value capital of the Company shall be Rs. 384.00 million, which is more than the minimum requirement of Rs. 10 crore (Rs. 100 million).

Hence, we are eligible for the Offer under Clause 2.2.2 of the SEBI Guidelines.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, we shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted will be not less than 1,000.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED TO MEAN THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE OFFER IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, DSP MERRILL LYNCH LIMITED AND THE SENIOR CO-BOOK RUNNING LEAD MANGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER AND SENIOR CO-BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE BOOK RUNNING LEAD MANAGER, DSP MERRILL LYNCH LIMITED AND THE SENIOR CO-BOOK RUNNING LEAD MANGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED JUNE 2, 2006 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992, WHICH READS AS FOLLOWS:

- (i) **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIALS IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID OFFER.**
- (ii) **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE OFFER, PROJECTED PROFITABILITY, PRICE JUSTIFICATION**

AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY.

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE OFFER;**
- (B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID OFFER AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**
- (C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED OFFER;**
- (D) BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID; AND**
- (E) WHEN UNDERWRITTEN WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY 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 OFFER. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGER AND THE SENIOR CO-BOOK RUNNING LEAD MANAGER, ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

THE BOOK RUNNING LEAD MANAGER AND THE SENIOR CO-BOOK RUNNING LEAD MANAGER AND US ACCEPT NO RESPONSIBILITY FOR STATEMENTS MADE OTHERWISE THAN IN THE DRAFT RED HERRING PROSPECTUS OR IN THE ADVERTISEMENT OR ANY OTHER MATERIAL ISSUED BY OR AT OUR INSTANCE AND ANYONE PLACING RELIANCE ON ANY OTHER SOURCE OF INFORMATION WOULD BE DOING SO AT HIS OWN RISK.

WE CERTIFY THAT WRITTEN CONSENT FROM OUR PROMOTERS HAVE BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.

ALL LEGAL REQUIREMENTS PERTAINING TO THE OFFER WILL BE COMPLIED WITH AT THE TIME OF FILING OF THE RED HERRING PROSPECTUS WITH THE REGISTRAR OF COMPANIES, MUMBAI AT MAHARASHTRA, IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

Caution

Our Company, the Selling Shareholders, our Directors, the BRLM and the SCBRLM 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.mspllimited.com would be doing so at his or her own risk.

The BRLM, the SCBRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM, the SCBRLM, the Selling Shareholders and us and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholders and us.

All information shall be made available by us, the Selling Shareholders, the BRLM and the SCBRLM 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.

Disclaimer in Respect of Jurisdiction

This Offer is being made in India to persons resident in India including Indian nationals resident in India who are majors, Hindu Undivided Families (HUFs), companies, corporate bodies and societies registered under the applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), Trusts registered under the Societies Registration Act, 1860, as amended from time to time, or any other trust law and who are authorized under their constitution to hold and invest in shares, 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, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million, and to permitted non-residents including FIIs registered with SEBI, and eligible NRIs, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, and eligible foreign investors, 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 Offer will be subject to the jurisdiction of appropriate court(s) in Mumbai, India only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been submitted to the SEBI. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this 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 1933, as amended (the “Securities Act”) or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly the Equity Shares will be offered and sold only (i) in the United States to “qualified institutional buyers” as defined in Rule 144A of the Securities Act, in reliance on Rule 144A under the Securities Act and (ii) outside the United States to certain Persons in offshore transactions in reliance on Regulation S under the 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, Ground Floor, Mittal Court, "A" Wing, Nariman Point, Mumbai 400 012.

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.

Listing

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Shares. BSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalized.

If the permission to deal in and for an official quotation of our Equity Shares is not granted by any of the Stock Exchanges mentioned above, the 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 eight days after the Selling Shareholders become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Offer Closing Date, whichever is earlier, then the Selling Shareholders shall, on and from expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Selling Shareholders 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 seven working days of finalization of the Basis of Allotment for the Offer.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the Joint Auditors, Bankers to the Company and Bankers to the Offer; and (b) Book Running Lead Manager to the Offer, the Senior Co-Book Running Lead Manager and Syndicate Member, Escrow Collection Bankers, Registrar to the Offer and the legal advisors, to act in their respective capacities, have been obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

The joint auditors S.B.Chhajer & Company, and Deloitte Haskins & Sells, Chartered Accountants have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of this Draft Red Herring Prospectus for registration with the RoC.

The joint auditors S.B.Chhajed & Company, and Deloitte Haskins & Sells, Chartered Accountants, have given their written consent to inclusion of their report relating to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Draft Red Herring Prospectus and has not withdrawn such consent up to the time of delivery of this Red Herring Prospectus for registration with the RoC.

Expert Opinion

Except as stated elsewhere in this Draft Red Herring Prospectus, we have not obtained any expert opinions.

Expenses of the Offer

The total expenses of the Offer are estimated to be approximately Rs. [•] million. The expenses of this Offer include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. All expenses with respect to the Offer would be borne by the Selling Shareholders, except listing fees which shall be borne by the Company.

The estimated Offer expenses are as under:

| Activity | Expenses | <i>(Rs.in million)</i> |
|---|----------|------------------------|
| Lead management, underwriting and selling commission and fees payable to the Stabilizing Agent and the Green Shoe Lenders | | [•] |
| Advertising and Marketing expenses | | [•] |
| Printing and stationery | | [•] |
| Others (Registrars fee, legal fee, listing fee, etc.) | | [•] |
| Total estimated Offer expenses | | [•] |

Fees Payable to the BRLM, the SCBRLM and the Syndicate Member

The total fees payable to the Book Running Lead Manager and the Senior Co-Book Running Lead Manager and the Syndicate Member will be as per the letter of appointment dated January 2, 2006 with the BRLM and the SCBRLM issued by our Company and the Selling Shareholders, a copy of which is available for inspection at our corporate office.

Fees Payable to the Registrar to the Offer

The fees payable by us to the Registrar to the Offer 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 between us and the Registrar to the Offer dated January 25, 2006, a copy of which is available for inspection at our corporate office.

The Registrar to the Offer 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 Offer to enable them to make refunds in any of the modes described in this Red Herring Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of our Equity Shares since our inception.

Previous Rights and Public Issues

Our Company has not made any previous rights and public issues in India or abroad in the five years preceding the date of this Draft Red Herring Prospectus.

Previous issues of shares otherwise than for cash

Our Company has not made any previous issues of shares for consideration otherwise than for cash.

Companies Under the Same Management

We do not have any companies under the same management within the meaning of section 370(1B) of the Companies Act, which has made any public or rights issue during the last three years.

Promise v/s performance

Our Company nor any Group or associate companies have made any previous rights and public issues.

Outstanding Debentures or Bond Issues or Preference Shares

Our Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Draft Red Herring Prospectus.

Stock Market Data of our Equity Shares

This being an initial public offer of the Equity Shares of our Company, the Equity Shares of our Company are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Offer and us will provide for retention of records with the Registrar to the Offer for a period of at least one year from the last date of dispatch of the letters of allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Offer for redressal of their grievances.

All grievances relating to the Offer may be addressed to the Registrar to the Offer, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the bank branch or collection centre where the application was submitted.

Disposal of Investor Grievances by the Company

We estimate that the average time required by us or the Registrar to the Offer for the redressal of routine investor grievances will be seven business days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

We have also appointed a Compliance Officer for this Offer and he may be contacted in case of any pre-Offer or post Offer related problems, at the following address:

Srikar Bhattbhatt

MSPL Limited

Nehru Co-operative Colony

Hospet 583 203

Karnataka

Tel: (91 8394) 232 003

Fax: (91 8394) 232 333

Email: investors@mspllimited.com

Website: www.mspllimited.com

Change in Auditors

The following are the changes in our auditors in the last three years:

| Name of Auditor | Change | Date |
|--------------------------|-----------------------------|--------------|
| Deloitte Haskins & Sells | Appointed as Joint Auditors | July 1, 2005 |

Deloitte Haskins & Sells were appointed as our joint auditors as it is a well recognised accounting firm and we believe it will enable us to comply with post listing audit and financial requirements on timely basis. We have appointed them as Joint Auditors in terms of the Companies Act.

Capitalization of Reserves or Profits

Our Company has not capitalized our reserves or profits during the last five years, except as stated in the section titled "Capital Structure" on page 52.

Tax Implications

Investors being allotted Equity Shares in the Offer will be subject to capital gains tax on any resale of the Equity Shares at the applicable rates, depending on the duration for which the investors have held the Equity Shares prior to such resale and whether the Equity Shares are sold on the stock exchanges. For details see "Statement of Tax Benefits" on page 64.

Revaluation of Assets

We have not revalued our 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.

None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

SECTION VII: OFFER INFORMATION

Terms of the Offer

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles, the terms of the Draft Red Herring Prospectus, Red Herring Prospectus and the Prospectus, Bid cum Application Form, the 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 Offer. The Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, Government of India, Stock Exchanges, Registrar of Companies, RBI, FIPB and/or other authorities, as in force on the date of the Offer and to the extent applicable.

Note: The SEBI Guidelines have been recently amended. Pursuant to these amendments certain significant changes have been made, including with regard to the allocation procedure for QIBs and electronic refunds. Certain changes may be made to the terms of the Offer and the description of Offer procedure based on the discussions the BRLM and the SCBRLM may have with, or clarifications that they may obtain from, SEBI and the Stock Exchanges.

Authority for the Offer

The Offer has been authorized by a resolution of our Board dated January 4, 2006 and has been authorised by the Selling Shareholders by letters dated February 6, 2006.

Ranking of Equity Shares

The Equity Shares being offered shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The allottees in receipt of allotment of Equity Shares under this Offer will be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of allotment.

Mode of Payment of Dividend

We shall pay dividend to our shareholders as per the provisions of the Companies Act.

Face Value and Offer Price

The face value of the Equity Shares is Rs. 5 each and the Offer 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 Guidelines

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the

Companies Act, the terms of the listing agreement executed with the stock exchanges, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please refer to the section titled "Main Provisions of Our Articles of Association" on page 303.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per existing SEBI Guidelines, the trading of our Equity Shares shall only be in dematerialised form. Since trading of our Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Offer will be only in electronic form in multiples of [•] Equity Share, subject to a minimum allotment of [•] Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Offer is with the competent courts/authorities in Mumbai, Maharashtra.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the Registrar and Transfer Agents of our Company.

In accordance with Section 109B of the Companies Act, any Person who becomes a nominee by virtue of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as holder of Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment/transfer of Equity Shares in the Offer will be made only in dematerialised form, there is no need to make a separate nomination with us. Nominations registered with respective depository participant of the applicant would prevail. If the investors require to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Selling Shareholders do not receive the minimum subscription of 90% of the Offer, including devolvement of the Underwriters within 60 days from the Bid/Offer Closing Date, the Selling Shareholders shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Selling Shareholders become liable to pay the amount, the Selling Shareholders shall pay interest prescribed under Section 73 of the Companies Act.

Further in terms of Clause 2.2.2A of the SEBI Guidelines, the Selling Shareholders shall ensure that the number of prospective allottees to whom Equity Shares will be allotted will not be less than 1,000.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold only (i) in the United States to “qualified institutional buyers”, as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Offer Structure

The present Offer of 13,356,522 Equity Shares Rs. 5 each, at a price of Rs. [●] for cash aggregating Rs. [●] million is being made through the 100% Book Building Process. The Offer will have a Green Shoe Option of up to 2,003,478 Equity Shares of Rs. 5 each for cash at a price of Rs. [●] per Equity Share aggregating to Rs. [●] million. The Offer and the Green Shoe Option aggregate Rs. [●] million

| | QIBs | Non-Institutional Bidders | Retail Individual Bidders |
|--|---|---|---|
| Number of Equity Shares assuming Green Shoe is not exercised* | At least 8,013,914 Equity Shares | Up to 1,335,651 Equity Shares or Offer Size less allocation to QIB Bidders and Retail Individual Bidders. | Up to 4,006,957 Equity Shares or Offer Size less allocation to QIB Bidders and Non-Institutional Bidders. |
| Number of Equity Shares assuming Green Shoe is exercised in full* | At least 9,216,000 Equity Shares | Up to 1,536,000 Equity Shares or Offer Size less allocation to QIB Bidders and Retail Individual Bidders. | Up to 4,608,000 Equity Shares or Offer Size less allocation to QIB Bidders and Non-Institutional Bidders. |
| Percentage of Offer Size available for allotment/allocation | At least 60% of Offer Size being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only. | Up to 10% of Offer or the Offer less allocation to QIB Bidders and Retail Individual Bidders. | Up to 30% of Offer or the Offer less allocation to QIB Bidders and Non-Institutional Bidders. |
| Basis of Allotment/Allocation if respective category is oversubscribed | Proportionate as follows: (a) 400,696 (assuming green shoe is not exercised) or 460,800 (assuming green shoe is exercised in full) Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 7,613,217 (assuming green shoe is not exercised) or 8,755,200 (assuming green shoe is exercised in full) Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above. | Proportionate | Proportionate |
| Minimum Bid | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares. | Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares. | [●] Equity Shares and in multiples of [●] Equity Shares. |
| Maximum Bid | Such number of Equity Shares not exceeding the Offer, subject to applicable limits. | Such number of Equity Shares not exceeding the Offer 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 in multiples of [●] Equity Shares | [●] Equity Shares in multiples of [●] Equity Shares | [●] Equity Shares in multiples of [●] Equity Shares |
| Allotment Lot | [●] Equity Shares in multiples of [●] Equity Shares | [●] Equity Shares in multiples of [●] Equity Shares | [●] Equity Shares in multiples of [●] Equity Shares |

| | 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, FIIs registered with SEBI, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million in accordance with applicable law. | NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts. | Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed Rs. 100,000 in value. |
| Terms of Payment | QIB Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. | Margin Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Member. |
| Margin Amount | At least 10% of Bid Amount | Full Bid Amount on bidding | Full Bid Amount on bidding |

* Subject to valid Bids being received at or above the Offer Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Offer for less than 25% of the post-Offer capital, therefore, the Offer is being made through the 100% Book Building Process wherein at least 60% of the Offer shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. If at least 60% of the Offer cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price. 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 our Company, and the Selling Shareholders in consultation with the BRLM, the SCBRLM and the Designated Stock Exchange.

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

As per Chapter VIIIA of the SEBI Guidelines, the Green Shoe Option will be utilised for stabilising the post-listing price of the Equity Shares. We have appointed DSPML as the Stabilising Agent. The Green Shoe Option consists of the option to over allot up to 2,003,478 Equity Shares at a price of Rs. [●] per share aggregating Rs. [●] million representing up to 15% of the Offer, exercisable during the period commencing from the date of obtaining trading permission from the Stock Exchanges for the Equity Shares of the Company and ending 30 days thereafter, unless terminated earlier by the Stabilising Agent. The Selling Shareholders as the Green Shoe Lender have agreed to lend 2,003,478 Equity Shares to the Stabilising Agent, in the event that the Green Shoe Option is exercised.

Withdrawal of the Offer

The Selling Shareholders in consultation with the BRLM and the SCBRLM, reserve the right not to proceed with the Offer at anytime including after the Bid Closing Date, until the allotment/ transfer of shares at a meeting of the Board, without assigning any reason thereof. Notwithstanding the foregoing, the Offer is also subject to obtaining final approval of the Stock Exchanges.

Letters of Allotment or Refund Orders

The Company shall facilitate and the Selling Shareholders shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares. The Selling Shareholders shall dispatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder’s sole risk within 15 days of the Bid/Offer Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Selling Shareholders further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Offer Closing Date;
- Dispatch of refund orders will be done within 15 days from the Bid/Offer Closing Date or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions will be given to the clearing system; and
- The Selling Shareholders shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 day time prescribed above.

The Selling Shareholders will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Offer.

Refunds will be made through any of the modes as described in this Red Herring Prospectus and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Bid/Offer Programme

Bidding Period/Offer Period

| | |
|----------------------------|------------|
| BID/OFFER OPENS ON | ● |
| BID/OFFER CLOSES ON | ● |

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

The Selling Shareholders reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Offer Opening Date.

In case of revision in the Price Band, the Offer Period will be extended for three additional days after revision of Price Band subject to the Bidding Period/Offer Period not exceeding 10 days. Any revision in the Price Band and the revised Bidding Period/Offer Period, if applicable, will be widely

disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web sites of the BRLM and the SCBRLM and at the terminals of the Syndicate.

Offer Procedure

The SEBI Guidelines were recently amended. There is uncertainty in relation to the effect of these amendments on the Offer Procedure. The BRLM and the SCBRLM are currently discussing the same with SEBI and the stock exchanges. All investors are therefore cautioned that the Offer Procedure as detailed herein may be modified or supplemented or amended based on the discussions between SEBI, the Stock Exchanges and the BRLM and the SCBRLM.

Book Building Procedure

In terms of Rule 19 (2)(b) of the SCRR, this is an Offer for less than 25% of the post-Offer capital, therefore, the Offer is being made through the 100% Book Building Process wherein at least 60% of the Offer shall be allotted to Qualified Institutional Buyers on a proportionate basis out of which 5% shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs and Mutual Funds, subject to valid bids being received from them at or above the Offer Price. If at least 60% of the Offer cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Offer will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Offer will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Offer Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be submitted only through the Syndicate. In case of QIB Bidders, the Selling Shareholders in consultation with the BRLM and the SCBRLM may reject Bids at the time of acceptance of Bid cum Application Form provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Selling Shareholders would have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Draft Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid cum Application Form shall be considered as the Application Form. Upon completing and submitting the Bid cum Application Form to a member of the Syndicate, the Bidder is deemed to have authorised the Selling Shareholders to make the necessary changes in this Draft Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

| Category | Colour of Bid cum Application Form |
|--|------------------------------------|
| Indian public, NRIs applying on a non repatriation basis | White |
| Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis | Blue |

Who can Bid?

- Indian nationals resident in India who are majors, or in the names of their minor children as natural/legal guardians in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should

specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;

- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in the equity shares;
- Mutual Funds registered with SEBI;
- Indian Financial Institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- Venture Capital Funds registered with SEBI;
- Foreign Venture Capital Investors 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 constitution to hold and invest in equity shares;
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to applicable laws;
- FII registered with SEBI.
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- As permitted by the applicable laws, Provident Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with minimum corpus of Rs. 250 million and who are authorised under their constitution to hold and invest in equity shares; and
- Multilateral and Bilateral Development Financial Institutions;

As per existing regulations, OCBs cannot participate in the Offer.

Participation by associates of BRLM, SCBRLM and Syndicate Member

The BRLM, SCBRLM and Syndicate Member shall not be entitled to subscribe to this Offer in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLM, SCBRLM and the Syndicate Member are entitled to subscribe for Equity Shares in the Offer, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or their clients.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.

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 400,696 (assuming Green Shoe is not exercised) and 460,800 (assuming Green Shoe is exercised) 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 shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

As per the current regulations, the following restrictions are applicable for investments by mutual funds:

No mutual fund scheme shall invest more than 10% of its net asset value in the Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

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 NRIs

1. Bid cum application forms have been made available for NRIs at our registered/corporate office, members of the Syndicate and the Registrar to the Offer.
2. NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for allotment. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

Application by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Offer issued capital (i.e. 10% of 7,680,000 Equity Shares of Rs. 5 each). 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, in accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our total paid up capital. With the prior approval of the RBI, our Board and our shareholders by way of a special resolution, the aggregate FII holding limit can be enhanced up to 100%; however, as of the date of this Draft Red Herring Prospectus no such resolution has been recommended to our shareholders for approval.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub account may issue, deal or hold, off shore derivative instruments such as participatory notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Application by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors

As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds and Foreign Venture Capital Investors:

The SEBI (Venture Capital) Regulations, 1996 and the SEBI (Foreign Venture Capital Investor) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, the holding in any company by any individual venture capital fund or foreign venture capital investor registered with SEBI should not exceed 25% of the corpus of the venture capital fund/ foreign venture capital investor. However, venture capital funds or foreign venture capital investors may invest not more than 33.33% of their respective investible funds in various prescribed instruments, including in initial public offers of venture capital undertakings.

The above information is given for the benefit of the Bidders. The Company, the Selling Shareholders, the BRLM and the SCBRLM 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 ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Maximum and Minimum Bid Size

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Share thereafter, so as to ensure that the Bid Price 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 Price does not exceed Rs. 100,000. In case the Bid Price is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Bidders portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Offer Price as determined at the end of the Book Building Process.
- (b) **For Other Bidders (Non-Institutional Bidders and QIBs):** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Offer Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under existing SEBI guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Offer Closing Date and is required to pay QIB Margin upon submission of Bid.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 1,00,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 1,00,000 or less due to a revision in Bids or revision of the Price Band, 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'.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for the Bidders:

- (a) The Red Herring Prospectus will be filed with the RoC at least 3 (three) days before the Bid/Offer Opening Date.
- (b) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (c) Any investor (who is eligible to invest in our Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our registered office or from any of the members of the Syndicate.
- (d) Eligible investors who are interested in subscribing for the Equity Shares should approach any of the BRLM, SCBRLM or Syndicate Member or their authorized agent(s) to register their Bids.
- (e) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms should bear the stamp of the members of the Syndicate. Bid cum Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

Method and Process of Bidding

- (a) Our Company, the Selling Shareholders, the BRLM and the SCBRLM shall declare the Bid/Offer Opening Date, Bid/Offer Closing Date and Price Band at the time of filing the Red Herring Prospectus with RoC and also publish the same in three widely circulated newspapers (one each in English, Hindi and Marathi). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX–A of the SEBI Guidelines, as amended vide SEBI Circular No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005. The Members of the Syndicate shall accept Bids from the Bidders during the Offer Period in accordance with the terms of the Syndicate Agreement.

- (b) The Bidding Period shall be for a minimum of three working days and not exceeding seven working days. In case the Price Band is revised, the revised Price Band and the Bidding Period will be published in three national newspapers, one each in English and Hindi and one Marathi newspaper and the Bidding Period may be extended, if required, by an additional three days, subject to the total Bidding Period not exceeding 10 days.
- (c) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph titled “Bids at Different Price Levels” on page 280) 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 Offer Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Offer Price will be considered for allocation/allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (d) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or allotment of Equity Shares in this Offer. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled “Build up of the Book and Revision of Bids” on page 283.
- (e) The Members of the Syndicate will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip (“TRS”), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.
- (f) During the Bidding/Offer Period, Bidders may approach the members of the Syndicate to submit their Bid. Every member of the Syndicate shall accept Bids from all clients/investors who place orders through them and shall have the right to vet the Bids, subject to the terms of the Syndicate Agreement and the Red Herring Prospectus.
- (g) Along with the Bid cum Application Form, all Bidders will make payment in the manner described under the paragraph titled “Terms of Payment and Payment into the Escrow Accounts” on page 281.

Bids at Different Price Levels

- (a) The Price Band has been fixed at Rs. [●] to Rs. [●] per Equity Share of Rs. 5 each, Rs. [●] being the lower end of the Price Band and Rs. [●] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs. 1 (One).
- (b) The Selling Shareholders in consultation with the BRLM and SCBRLM, reserve the right to revise the Price Band, during the Bidding Period, in accordance with SEBI Guidelines. The higher end of the Price Band should not be more than 20% of the lower end of the Price Band. Subject to compliance with the immediately preceding sentence, the lower end of the Price Band can move up or down to the extent of 20% of the lower end of the Price Band disclosed in this Red Herring Prospectus.
- (c) In case of revision in the Price Band, the Offer Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 days. Any revision in the Price Band and the revised Bidding/Offer Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers, one each in English and Hindi and one Marathi newspaper, and also by indicating the change on the websites of the BRLM and the SCBRLM and at the terminals of the Syndicate Member.
- (d) The Selling Shareholders, in consultation with the BRLM and the SCBRLM, can finalise the Offer Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

- (e) The Bidder can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders applying for a maximum Bid in any of the bidding options not exceeding Rs. 100,000 may bid at Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB or Non-Institutional Bidders and such Bids from QIBs and Non-Institutional Bidders shall be rejected.
- (f) Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders, who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the Offer multiplied by the Offer Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (g) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to bid at Cut-off Price), with the Syndicate Member to whom the original Bid was submitted. In case the total amount (i.e., original Bid Price plus additional payment) exceeds Rs. 100,000 for Retail Individual Bidders the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Draft Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Offer Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of allotment, such that the no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (h) In case of 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.
- (i) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [•] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.

Escrow Mechanism

The Selling Shareholders, the Company and members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Price from Bidders in a certain category would be deposited in the Escrow Account. The Escrow Collection Banks will act in terms of this Red Herring Prospectus and the Escrow Agreement. The Escrow Collection Bank (s) for and on behalf of the Bidders shall maintain the monies in the Escrow Account. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Account to the Public Offer Account as per the terms of the Escrow Agreement. 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 us, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Offer to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form by drawing a cheque or demand draft for the maximum amount of his/her Bid in favour of the Escrow Account of the Escrow Collection Bank(s) (for details refer to the paragraph titled "Payment Instructions" on page 290) and submit the same to the member of the Syndicate to whom the Bid is being submitted. Bid cum Application Forms accompanied by cash shall not be accepted. The maximum Bid

price has to be paid at the time of submission of the Bid cum Application Form based on the highest bidding option of the Bidder.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Bank(s), which will hold such monies for the benefit of the Bidders until the Designated Date. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of the Offer from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Offer Account with the Banker(s) to the Offer. The balance amount after transfer to the Public Offer Account shall be held for the benefit of the Bidders who are entitled to refunds. No later than 15 days from the Bid/Offer Closing Date, the Escrow Collection Bank(s) shall dispatch all refund amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for allotment to the Bidders.

Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders would be required to pay their applicable Margin Amount at the time of the submission of the Bid cum Application Form. The Margin Amount payable by each category of Bidders is mentioned under the section titled "Offer Structure" on page 272. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Price, any difference between the amount payable by the Bidder for Equity Shares allocated/allotted at the Offer Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and the SCBRLM. If the payment is not made favouring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid cum Application Form.

Where the Bidder has been allocated/allotted lesser number of Equity Shares than he or she had bid for, the excess amount paid on bidding, if any, after adjustment for allocation/allotment, will be refunded to such Bidder within 15 days from the Bid/Offer Closing Date, failing which the Company shall pay interest at 15% per annum for any delay beyond the periods as mentioned above.

Electronic Registration of Bids

- (a) The Members of the Syndicate will register the Bids using the on-line facilities of BSE and NSE. There will be at least one on-line connectivity in each city, where a stock exchange is located in India and where Bids are being accepted.
- (b) The BSE and NSE will offer a screen-based facility for registering Bids for the Offer. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Member can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a half hourly basis. On the Bid Closing Date, the Members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges.
- (c) The aggregate demand and price for Bids registered on the electronic facilities of BSE and NSE will be uploaded on a half hourly basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding Period.
- (d) At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:
 - Name of the investor.
 - Investor Category – Individual, Corporate, NRI, FII, or Mutual Fund etc.
 - Numbers of Equity Shares bid for.
 - Bid price.
 - Bid cum Application Form number.

- Whether Margin Amount has been paid upon submission of Bid cum Application Form.
 - Depository Participant Identification Number and Client Identification Number of the beneficiary account of the Bidder.
- (e) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate. The registration of the Bid by the member of the Syndicate does not guarantee that the Equity Shares shall be allocated/allotted either by the members of the Syndicate or the Selling Shareholders.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In the case of QIB Bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, Bids would not be rejected except on the technical grounds listed on page 292.
- (h) The permission given by BSE and NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Selling Shareholders and/or the BRLM and the SCBRLM are cleared or approved by BSE and NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoter, our management or any scheme or project of our Company.
- (i) It is also to be distinctly understood that the approval given by BSE and NSE should not in any way be deemed or construed that this Draft Red Herring Prospectus has been cleared or approved by the BSE and NSE; 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 BSE and NSE.

Build Up of the Book and Revision of Bids

- (a) Bids registered by various Bidders through the Members of the Syndicate shall be electronically transmitted to the BSE or NSE mainframe on a regular basis.
- (b) The book gets built up at various price levels. This information will be available with the BRLM and the SCBRLM on a regular basis.
- (c) During the Bidding/Offer Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (d) Revisions can be made in both the desired number of Equity Shares and the Bid price by using the Revision Form. Apart from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and he is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate will not accept incomplete or inaccurate Revision Forms.
- (e) The Bidder can make this revision any number of times during the Bidding Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- (f) **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.**

- (g) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft for the incremental amount in the QIB Margin Amount, if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIB Bidders.
- (h) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**
- (i) Only bids that are uploaded on the online IPO system of the BSE and NSE shall be considered for allocation/ allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the BRLM and the SCBRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

Price Discovery and Allocation

- (a) After the Bid/Offer Closing Date, the BRLM and the SCBRLM will analyse the demand generated at various price levels.
- (b) The Selling Shareholders in consultation with the BRLM and the SCBRLM, shall finalise the "Offer Price".
- (c) The allocation to QIBs will be atleast 60% of the Offer and allocation to Non-Institutional and Retail Individual Bidders will be up to 10% and 30% of the Offer, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and the Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid bids being received at or above the Offer Price.
- (d) Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of the Selling Shareholders in consultation with the BRLM and the SCBRLM. However, if the aggregate demand by Mutual Funds is less than 400,696 (assuming Green Shoe is not exercised) and 460,800 (assuming Green Shoe is exercised) Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Selling Shareholders, in consultation with the BRLM, the SCBRLM and the Designated Stock Exchange.
- (e) Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the FIPB and RBI, while granting permission for allotment of Equity Shares to them in this Offer.
- (f) The BRLM and the SCBRLM, in consultation with us, shall notify the members of the Syndicate of the Offer Price and allocations to their respective Bidders, where the full Bid Price has not been collected from the Bidders.
- (g) The Selling Shareholders reserve the right to cancel the Offer any time after the Bid/Offer Opening Date without assigning any reasons whatsoever. In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Offer Closing Date.

Signing of Underwriting Agreement and RoC Filing

- (a) The Company, the Selling Shareholders, the BRLM and the SCBRLM and the Syndicate Member shall enter into an Underwriting Agreement on finalisation of the Offer Price and allocation(s) /allotment to the Bidders.

- (b) After signing the Underwriting Agreement, the updated Red Herring Prospectus will be filed with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Offer Price, Offer size, underwriting arrangements and would be complete in all material respects.

Filing of the Prospectus with the ROC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Offer Advertisement

Subject to Section 66 of the Companies Act, the Company and the Selling Shareholders shall after receiving final observations, if any, on this Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in an English national daily with wide circulation, one national newspaper and a regional language newspaper.

Advertisement regarding Offer Price and Prospectus

The Company and the Selling Shareholders 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 Offer Price. Any material updates between the date of Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of CAN

- (a) Upon approval of the basis of allotment by the Designated Stock Exchange, the BRLM, the SCBRLM or Registrar to the Offer shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Offer. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Selling Shareholders shall ensure that the date of allotment of the Equity Shares to all investors in this Offer shall be done on the same date.
- (b) The BRLM, the SCBRLM or the Syndicate Member would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Offer. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid the entire Bid Amount into the Escrow Account at the time of bidding shall pay in full the amount payable into the Escrow Account by the Pay-in Date specified in the CAN.
- (c) Bidders who have been allocated/allotted Equity Shares and who have already paid the Bid Amount into the Escrow Account at the time of bidding shall directly receive the CAN from the Registrar to the Offer subject, however, to realisation of his or her cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Offer Price for the allotment to such Bidder.
- (d) The Issuance of CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth under the chapter "Offer Procedure" of this Draft Red Herring Prospectus.

Notice to QIBs: Allotment/Transfer Reconciliation and Revised CAN

After the Bid/Offer Closing Date, an electronic book will be prepared by the Registrar on the basis of Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and Basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN,

for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Offer Price for all the Equity Shares allocated to such QIB. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

Designated Date and allotment of Equity Shares

- (a) The Selling Shareholders will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Offer Closing Date. After the funds are transferred from the Escrow Account to the Public Offer Account on the Designated Date, the Selling Shareholders would ensure the credit to the successful Bidders depository account allotment within two working days of the date of allotment.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be offered, transferred and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, if they so desire, as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/allotted to them pursuant to this Offer.

GENERAL INSTRUCTIONS

Do's:

- (a) Check if you are eligible to apply;
- (b) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour) as the case may be;
- (c) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- (d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- (e) Ensure that you have been given a TRS for all your Bid options;
- (f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- (g) Where Bid(s) is/are for Rs. 50,000 or more, each of the Bidders, should mention their Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable", in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or 61, as the case may be, together with permissible documents as address proof;
- (h) Ensure that the Demographic Details (as defined hereinbelow) are updated, true and correct in all respects;
- (i) 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 price to less than the lower end of the Price Band or higher than the higher end of the Price Band;
- (c) Do not bid on another Bid cum Application Form after you have submitted a Bid to the members of the Syndicate;
- (d) Do not pay the Bid Price 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 only;
- (f) Do not bid at Cut Off Price (for QIB Bidders and Non-Institutional Bidders) ;
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Offer 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;
- (h) **Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.**

Instructions for Completing the Bid cum Application Form

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white or blue).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) 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.
- (d) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares that the Bid Price exceeds or equal to Rs. 100,000 and in multiples of [•] Equity Shares thereafter. Bids cannot be made for more than the Offer Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (f) 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.

Bidder's Bank Details

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository the Bidders bank account details. These Bank Account details would be printed on the refund order, if any, to be sent to Bidders. The bank account details of the Bidder to whom an electronic refund is being made will also be taken from the

data provided by such Bidder to the Depository Participant. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the SCBRLM nor the Company shall have any responsibility and undertake any liability for the same.

Bidder's Depository Account Details

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Offer will obtain from the Depository demographic details of the Bidders such as address, bank account details for printing on refund orders or nine digit Magnetic Ink Character Recognition ("MICR") code for making refunds electronically and occupation (hereinafter referred to as 'Demographic Details'). Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the refund orders/CANs/Allocation Advice and printing of Bank particulars on the refund order or making refunds electronically and 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 Offer. Hence the Bidders are advised to update their Demographic Details as provided to the DP and ensure they are true and correct.

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 Offer, the required Demographic Details as available on its records.

Refund Orders (where refunds are not being made electronically)/Allocation Advice/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, the Selling Shareholders, Escrow Collection Bank(s) nor the BRLM nor the SCBRLM 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 of refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.

In case no corresponding record is available with the Depositories, which matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

The Selling Shareholders, in their absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.
2. In a single name or joint names (not more than three).
3. NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation; by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] thereafter that the Bid Price exceeds Rs. 100,000.

For further details, please refer to the section titled 'Maximum and Minimum Bid Size' on page 279.

In the names of individuals, or in the names 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. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Our Company or the Selling Shareholders does not require any approval for the Offer of Equity Shares to Eligible NRIs, FIIs, foreign venture capital investors registered with SEBI and multilateral and bilateral development financial institutions and other Eligible NRIs. As per the RBI regulations, OCBs are not permitted to participate in the Offer.

There is no reservation for Non Residents, NRIs, FIIs and foreign venture capital funds and all Non Residents, NRI, FII and foreign venture capital funds applicants will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum of Association and Articles of Association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, 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 case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, 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 case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this, 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 case of Bids made by provident funds with minimum corpus of Rs. 250 million (subject to applicable law) and pension funds with minimum corpus of Rs. 250 million, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid cum Application Form. Failing this, the Selling Shareholders reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.

The Selling Shareholders in their absolute discretion, reserve the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid cum Application form, subject to such terms and conditions that our Company, the Selling Shareholders, the BRLM and the SCBRLM may deem fit.

PAYMENT INSTRUCTIONS

The Company, the Selling Shareholders and the members of the Syndicate shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amount payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allocation/allotment in the Offer. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation/allotment as per the following terms:

Payment into Escrow Account

1. The Bidders for whom the applicable Margin Amount is equal to 100%, shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate.
2. In case the above Margin Amount paid by the Bidders during the Bidding Period is less than the Offer Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Account within the period specified in the CAN which shall be subject to a minimum period of two days from the date of communication of the allocation list to the members of the Syndicate by the BRLM and the SCBRLM.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
 - In case of QIB Bidders: “Escrow Account– MSPL Public Offer – QIB – R”
 - In case of non-resident QIB Bidders: “Escrow Account– MSPL Public Offer – QIB– NR”
 - In case of Resident Bidders: “Escrow Account– MSPL Public Offer”
 - In case of Non Resident Bidders: “Escrow Account – MSPL Public Offer – NR”
4. In case of Bids by NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE Account or FCNR Account.
5. In case of Bids by FIIs, the payment should be made out of funds held in Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to Special Rupee Account.

6. Where a Bidder has been allocated/allotted a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated will be refunded to the Bidder from the Refund Account.
7. The monies deposited in the Escrow Account will be held for the benefit of the Bidders till the Designated Date.
8. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Offer Account with the Bankers to the Offer.
9. On the Designated Date and no later than 15 days from the Bid/Offer Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/allotment to the Bidders.
10. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/Money Orders/Postal orders will not be accepted.

Payment by Stockinvest

In terms of the Reserve Bank of India Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Hence, payment through stockinvest would not be accepted in this Offer.

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.

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.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address 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.

The Selling Shareholders reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number or PAN

Where Bid(s) is/are for Rs. 50,000 or more, the Bidder or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. **The copy of the PAN card or PAN allotment letter is required to be submitted with the Bid-cum-Application Form.** Applications without this information and documents will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.** In case the Sole/First Bidder and Joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (Form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in rule 114B), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income tax in respect of transactions specified in rule 114B), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or 61, as the case may be.**

UNIQUE IDENTIFICATION NUMBER - MAPIN

Unique Identification Number ("UIN")

With effect from July 1, 2005, SEBI had decided to suspend all fresh registrations for obtaining UIN and the requirement to contain/quote UIN under the SEBI MAPIN Regulations/Circulars vide its circular MAPIN/Cir-13/2005. However, in a recent press release dated December 30, 2005, SEBI has approved certain policy decisions and has now decided to resume registrations for obtaining UINs in a phased manner. The press release states that the cut off limit for obtaining UIN has been raised from the existing limit of trade order value of Rs.100,000 to Rs. 500,000 or more. The limit will be reduced progressively. For trade order value of less than Rs. 500,000 an option will be available to investors to obtain either the PAN or UIN. These changes are, however, not effective as of the date of the Red Herring Prospectus and SEBI has stated in the press release that the changes will be implemented only after necessary amendments are made to the SEBI MAPIN Regulations.

RIGHT TO REJECT BIDS

In case of QIB Bidders, the Selling Shareholders in consultation with the BRLM and the SCBRLM 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 and Retail Individual Bidders who Bid, the Selling Shareholders have a right to reject Bids based on technical grounds. Consequent refunds shall be made through any of the modes described in this Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
2. Age of First Bidder not given;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;

4. Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
5. PAN photocopy/PAN communication/Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration, not given if Bid is for Rs. 50,000 or more;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than specified for that category of investors;
8. Bids at a price less than lower end of the Price Band;
9. Bids at a price more than the higher end of the Price Band;
10. Bids at Cut Off Price by Non-Institutional and QIB Bidders applying for greater than 1,00,000 Equity Shares;
11. Bids for number of Equity Shares which are not in multiples of [●];
12. Category not ticked;
13. Multiple Bids as defined in this Draft Red Herring Prospectus;
14. In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
15. Bids accompanied by Stockinvest/money order/postal order/cash;
16. Signature of sole and/or joint Bidders missing;
17. Bid cum Application Forms does not have the stamp of the BRLM, the SCBRLM, or Syndicate Member;
18. Bid cum Application Forms does not have Bidder's depository account details;
19. Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Offer Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
20. In case no corresponding record is available with the Depositories that matches three parameters namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's account number;
21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
22. Bids by QIBs not submitted through the Syndicate;
23. Bids by OCBs;
24. Bids by US persons other than "qualified institutional buyers" as defined in Rule 144A of the Securities Act or other than in reliance on Regulation S under the Securities Act; and
25. Bids by any persons outside India if not in compliance with applicable foreign and Indian laws.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of Section 68B of the Companies Act, the allotment of Equity Shares in this Offer 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 to the Offer:

- a) Agreement dated March 28, 2006 with NSDL, the Company and the Registrar to the Offer;
- b) Agreement dated March 16, 2006 with CDSL, the Company and the Registrar to the Offer.

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 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 our 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 investors in the demat segment of the respective Stock Exchanges.

COMMUNICATIONS

All future communications in connection with Bids made in this Offer should be addressed to the Registrar to the Offer quoting the full name of the sole or First Bidder, Bid cum Application Form number, Bidders Depository Account Details, number of Equity Shares applied for, date of bid form, name and address of the member of the Syndicate where the Bid was submitted and cheque or draft number and issuing bank thereof.

Investors can contact the Compliance Officer or the Registrar to the Offer in case of any pre-Offer or post-Offer related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refunds, etc.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

shall be punishable with imprisonment for a term which may extend to five years.”

Basis of Allocation

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allotment to all the successful Retail Individual Bidders will be made at the Offer Price.
- The Offer size less allotment to Non-Institutional and QIB Bidders shall be available for allotment to Retail Individual Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer 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 Offer 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, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Offer Price shall be grouped together to determine the total demand under this category. The allotment to all successful Non-Institutional Bidders will be made at the Offer Price.
- The Offer size less allotment to QIBs and Retail Portion shall be available for allotment to Non-Institutional Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Offer Price, full allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Offer Price, allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment refer below.

C. For QIBs

- Bids received from the QIB Bidders at or above the Offer Price shall be grouped together to determine the total demand under this portion. The allotment to all the QIB Bidders will be made at the Offer Price.
- The QIB Portion shall be available for allotment to QIB Bidders who have bid in the Offer at a price that is equal to or greater than the Offer Price.
- Allotment shall be undertaken in the following manner:
 - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion shall be determined as follows:
 - (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion, allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion.

- (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion then all Mutual Funds shall get full allotment to the extent of valid bids received above the Offer 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 who have submitted Bids above the Offer Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.
- The aggregate allocation to QIB Bidders shall be at least [●] Equity Shares. The method of proportionate basis of allocation is stated below.

Illustration of Allotment to QIBs and Mutual Funds (“MF”)

A. Offer Details

| Sr. No. | Particulars | Offer details |
|---------|---------------------------------------|---------------------------|
| 1 | Offer size | 200 million Equity Shares |
| 2 | Allocation to QIB (50%) | 100 million Equity Shares |
| | Of which: | |
| | a. Reservation to MF (5%) | 5 million Equity Shares |
| | b. Balance for all QIBs including MFs | 95 million Equity Shares |
| 3 | No. of QIB applicants | 10 |
| 4 | No. of shares applied for | 500 million Equity Shares |

B. Details Of QIB Bids

| Sr.No | Type of QIB bidders# | No. of Equity Shares bid for (in millions) |
|-------|----------------------|--|
| 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 5 million Equity Shares to MF proportionately (please see note 2 below) | Allocation of balance 95 million Equity Shares to QIBs proportionately (please see note 4 below) | Aggregate allocation to MFs |
|---------------------|----------------|---|--|-----------------------------|
| (I) | (II) | (III) | (IV) | (V) |
| A1 | 50 | 0 | 9.60 | 0 |
| A2 | 20 | 0 | 3.84 | 0 |
| A3 | 130 | 0 | 24.95 | 0 |
| A4 | 50 | 0 | 9.60 | 0 |
| A5 | 50 | 0 | 9.60 | 0 |
| MF1 | 40 | 1 | 7.48 | 8.48 |
| MF2 | 40 | 1 | 7.48 | 8.48 |
| MF3 | 80 | 2 | 14.97 | 16.97 |
| MF4 | 20 | 0.5 | 3.74 | 4.24 |
| MF5 | 20 | 0.5 | 3.74 | 4.24 |
| | 500 | 5 | 95 | 42.42 |

Please note:

1. The illustration presumes compliance with the requirements specified in this Draft Red Herring Prospectus in the section titled “Offer Structure” beginning on page 272.
2. Out of 100 million Equity Shares allocated to QIBs, 5 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 shares in QIB category.
3. The balance 95 million Equity Shares (i.e. 100 - 5 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 Equity Shares (including 5 MF applicants who applied for 200 Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 95 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 $95 / 495$
 - 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 $95/495$
 - The numerator and denominator for arriving at allocation of 95 million shares to the 10 QIBs are reduced by 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 Offer

In the event of the Offer being over-subscribed, the Selling Shareholders shall finalize 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 BRLM, the SCBRLM and the Registrar to the Offer shall be responsible for ensuring that the basis of allotment is finalized in a fair and proper manner.

The allotment shall be made in marketable lots, on a proportionate basis as explained below:

- a) Bidders will be categorized 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) 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:
 - Each successful Bidder shall be allotted a minimum of [•] Equity Shares; and
 - The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above.
- e) If the proportionate allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that number is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. All Bidders in such categories would be allotted Equity Shares arrived at after such rounding off.
- f) 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.

PAYMENT OF REFUND

Bidders must note that on the basis of name of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid-cum-Application Form, the Registrar will obtain, from the Depositories, the Bidders' address, 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, Escrow Collection Bank(s), Bankers to the Issue nor the BRLM nor the SCBRLM 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

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS – Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. 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. The payment of refunds is mandatory for applicants having a bank account at any of

the abovementioned fifteen centers, except where the applicant, being eligible, opts to receive refund through Direct Credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Banker(s), in this case being, [●] 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 Selling Shareholders.
3. RTGS – Applicants having a bank account at any of the abovementioned fifteen centres and whose refund amount exceeds Rs. 1 million, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid-cum-application Form. In the event the same is not provided, refund shall be made through ECS. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Selling Shareholders. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value up to Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

Our 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 of date of Allotment of Equity Shares.

In case of applicants who receive refunds through ECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 15 days from the Bid/Issue Closing Date. A suitable communication shall be sent to the bidders receiving refunds through this mode within 15 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 Selling Shareholder and the Company 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 seven working days of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, The Selling Shareholders further undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within 15 (fifteen) days of the Bid/Issue Closing Date;
- 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 15 (fifteen) days of the Bid/Issue Closing Date would be ensured; and

The Selling Shareholders shall pay interest at 15% (fifteen) per annum for any delay beyond the 15 (fifteen)-day time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 15 (fifteen)-day time prescribed above as per the guidelines issued by the Government of India, Ministry of Finance pursuant to their letter No. F/8/S/79 dated July 31, 1983, as amended by their letter No. F/14/SE/85 dated September 27, 1985, addressed to the stock exchanges, and as further modified by SEBI's Clarification XXI dated October 27, 1997, with respect to the SEBI Guidelines.

Letters of Allotment or Refund Orders

The Selling Shareholders shall give credit to the beneficiary account with depository participants within 2 working days of finalization of the basis of allotment of Equity Shares, and shall dispatch refund orders, if any, of value up to Rs. 1,500, by “Under Certificate of Posting”, and will dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder’s sole risk within 15 days of the Bid/Offer Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Selling Shareholders further undertake that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Offer Closing Date;
- Dispatch of refunds will be done within 15 days from the Bid/Offer Closing Date; and
- They will pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund instruction are not given and/or demat credits are not made to investors within the 15 day time prescribed above.

The Selling Shareholders will provide adequate funds required for dispatch of refunds orders or allotment advice to the Registrar to the Offer.

Refunds will be made through any of the modes described above and bank charges, if any, for encashing cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Interest in case of delay in dispatch of allotment letters/refund orders

We agree that allotment of securities offered to the public shall be made not later than 15 days from the Bid/Offer Closing Date. We further agree that we shall pay interest at 15% per annum if the allotment letters/refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days from the Bid/Offer Closing Date.

In case of revision in the Price Band, the Bidding/Offer Period will be extended for three additional days after revision of Price Band. Any revision in the Price Band and the revised Bid/Offer Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the web site of the BRLM and the SCBRLM and at the terminals of the Syndicate.

UNDERTAKINGS BY THE SELLING SHAREHOLDERS

The Selling Shareholders undertake the following:

- that the Equity Shares being sold pursuant to this Offer have been held by us for a period of more than one year and the Equity Shares are free and clear of all liens or encumbrances and shall be transferred to the successful Bidders within the specified time;
- there would be no further offer of capital of the Company whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares allotted / to be allotted pursuant to the Offer have been listed;
- that the complaints received in respect of this Offer shall be attended to expeditiously. The Selling Shareholder has authorised the Company Secretary and Compliance Officer to redress all complaints, if any, of the investors participating in this Offer;
- that the funds required for making refunds or dispatch of allotment advice by registered post or speed post shall be made available to the Registrar to the Offer;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment;
- that the refund instruction shall be given or allotment advice to the successful Bidders shall be dispatched within specified time; and
- that where the refunds are effected through the electronic transfer of funds, suitable communication shall be sent to the applicants within 15 days of closure of the Offer giving details of the bank where refunds shall be credited along with the amount and expected date of electronic credit of the refund.

UNDERTAKINGS BY OUR COMPANY

The Company undertakes the following:

- that no further issue of Equity Shares shall be made until the Equity Shares offered through this Draft Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of allotment.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of GoI and FEMA. While the Industrial Policy, 1991 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 investment. Under the current foreign investment policy, foreign equity participation up to 100% is permissible under the automatic route in a company engaged in the mining of iron ore and the generation of wind energy.

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the equity shares to be offered is not less than the price at which the equity shares are offered to residents.

Transfers of equity shares previously required the prior approval of the FIPB. However, vide 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 foreign direct investment (FDI) Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (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.

Subscription by foreign investors (NRIs/FIIs)

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Offer.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act in reliance on Rule 144A under the Securities Act, and (ii) outside the United States to certain Persons in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

The above information is given for the benefit of the Bidders. The Company, the BRLM and the SCBRLM 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 ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company

The regulations contained in Table 'A' of Schedule I to the Companies Act shall apply only in so far as the same are not provided for or are not inconsistent with these Articles and the regulations for the management of the Company and for observance of the members thereof and their representatives shall, subject to any exercise of the statutory powers of the Company with reference to repeal or alteration of or addition to, its regulations by Special Resolution, as prescribed by the Companies Act, be such as are contained in these Articles.

Pursuant to Schedule II of the Companies Act and the SEBI Guidelines, the main provisions of the Articles of Association of the Company are detailed below:

1. *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.

2. *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 on the payment of 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 which may so be allotted or may be issued as fully paid up shares. 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.

3. *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 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.

4. *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.

5. *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 and 88 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.

6. *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.

7. *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.

8. *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 installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

9. *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.

10. *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, either out of unissued capital or out of increased share capital, then
 - a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company in proportion as near as circumstances admit, to the capital paid up on those shares at that date.
 - b) Such offer shall be made by a notice specifying the number of shares offered and limiting a time not being less than 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 them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right, Provided That the Directors may decline, without assigning any

reason to allot any shares to any person in whose favour any member may renounce the shares offered to him.

- d) After 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 and to such person(s) as they may think, in their sole discretion, fit.
- (2) Notwithstanding anything contained in sub-clause (1) thereof the further shares aforesaid may be offered to any persons whether or not those persons include the persons referred to in clause (a) of sub- clause (1) hereof) in any manner whatsoever.
- (a) If a special resolution to that effect is passed by the company in General Meeting, or
 - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman.) by the members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the company.
- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed:
- (a) To extend the time within which the offer should be accepted; or
 - (b) To authorise 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 (whether such option is conferred in these Articles or otherwise).

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

- (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.

11. 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.

12. *Allotment on application to the acceptance of shares:*

Any application signed by or on behalf of an applicant for shares in the company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the register, shall, for the purpose of these articles, be a Member.

13. *Returns or 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.

14. *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.

15. *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

16. 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 certificate 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, at least one of the aforesaid two Directors shall be a person other than a Managing or Whole-time Director.
- (iii) Particulars of every share certificate issued shall be entered in the Registrar 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 used 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 is lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company may 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.

17. *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.

18. *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.

19. *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 installments and calls due in respect of such share and for all incidents thereof according to the Company's regulations.

20. *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 application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve provided that in respect of a share or shares held jointly by several persons, the company shall not be 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

21. *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 or 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

22. *Company's lien on shares /debentures*

The Company shall have a first and paramount lien upon all the shares /debentures (other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at 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 is to have full effect and such lien shall extend to all dividends and interest 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.

23. *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 been 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.

24. *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

25. *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 installments.

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.

26. *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.

27. *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 be 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.

28. *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.

29. *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.

30. *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 such 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.

31. *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.

32. *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 pursuant to 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.

33. *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.

34. *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

35. *Board to have right to forfeit shares:*

If any member fails to pay any call or installment 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 installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.

36. *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 installment and such interest thereon (at such rate as the Directors shall determine from the day on which such call or installment ought to have been paid) and expenses as aforesaid, are to be paid.
- (b) The notice shall also state that in the event of the non-payment at or before the time the call was made or installment is payable the shares will be liable to be forfeited.

37. *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 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.

38. *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.

39. *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.

40. *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, installments, 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.

41. *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 are expressly saved.

42. *Evidence of forfeiture:*

A 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.

43. *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 and the remedy of any person aggrieved by the sale shall be in damage only and against the Company exclusively.

44. *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.

45. *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 as it thinks fit.

TRANSFER AND TRANSMISSION OF SHARES

46. *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.

47. *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.

48. *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 of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

49. *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 of same class of shares and should be in the form prescribed under the Act.

50. *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.

51. *Directors may refuse to register transfer:*

Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956 the Directors may, at their own absolute and uncontrolled discretion and by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer

shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except when the company has a lien on the shares. Transfer of shares/debentures in whatever lot shall not be refused.

52. *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.

53. *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.

54. *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

55. *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.

56. *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 by 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.

57. *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.

58. *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.

59. *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.

60. *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.

61. *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.

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 or 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.

62. *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.

63. *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

64. *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.

65. *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 of 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.
66. (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.

67. *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

68. *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 convert any stock into fully paid up shares of any denomination

69. *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

70. *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.

71. *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.

72. *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.

73. *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.

74. *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.

75. *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 accompany the notice of the meeting.

76. *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.

77. *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.

78. *Chairman of General Meeting*

The Chairman, if any, of the Board of Directors shall preside as Chairman at every General Meeting of the Company.

79. *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.

80. *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.

81. *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.

82. *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.

83. *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.

84. *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.

VOTE OF MEMBERS

85. *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.

86. *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.

87. *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.

88. *Proxy:*

On a poll, votes may be given either personally or by proxy.

89. *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 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 and in default the instrument of proxy shall not be treated as valid.

90. 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.

91. *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.

92. *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

93. *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.

94. *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.

95. *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 up to the date, up to which Director in whose place he is appointed would have office if it has not been vacated as aforesaid

96. *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 up to the date of the next Annual general Meeting of the Company and shall be eligible for re-election by the company at that Meeting.

97. *Alternate Directors:*

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 from 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.

98. *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.

99. *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 or in substitution for any other remuneration to which he may be entitled.

100. *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.

101. *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.

102. *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

103. 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.

104. 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.

105. 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.

106. 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 retiring 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

107. Increase or reduction in the number of Directors:

Subject to the provisions of Section 252, 255, 259, the Company in General Meeting may by Ordinary Resolution increase or reduce the number of its Directors.

108. 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.

109. 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 Director.

110. 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.

111. 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.

112. 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.

113. 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.

114. 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.

115. 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.

116. *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.

117. *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 be the Chairman of the Meeting.

118. *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.

119. *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 Directors.

120. *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 as a member of the committee.

121. *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.

122. *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 if it had been a resolution duly passed at a meeting of the Board or committee duly convened and held.

123. a) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under the Act raise any moneys or sums of money for the purpose of the company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company's bankers in the ordinary course of business shall not, without the sanction of the company at a General Meeting, exceed the aggregate of the paid up capital of the company and its free reserves, that is to say, reserves not set apart for any specific purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company, by the issue of debentures, perpetual or otherwise, including 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 up to which moneys may be borrowed by the Board of 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.

124. *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.

125. *Terms of Issue of Debentures:*

Any such 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 or otherwise, Debentures with a right of conversion into or allotment of shares shall be issued only with the sanction of the company in a General Meeting by a Special Resolution.

126. *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 Directors" 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 provisions shall have effect notwithstanding any of the other provisions herein contained.

127. *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 or 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 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 Director/s) on the Board of the Company and to remove from such office any person or persons so appointed and to appoint any person or persons in his /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.

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 hold or continue 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.

- c) 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.
- d) 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.
- e) 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.

Provided also that in the event of the Nominee Director/s being appointed as whole time Director/s, such Nominee Director/s shall exercise such powers and duties as may be approved by the appointer and have such rights as are usually exercised or available to a whole time Director in the management of the affairs of the Company. Such whole time Director in the management of the affairs of the Company shall be entitled to receive such remuneration commission and monies as may be approved by the appointer.

128. *Register of Mortgages:*

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.

129. *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.

130. *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.

131. *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 of the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above.
- c) Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount up to 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, up to which the fund may be invested and the nature of the investments which may be made by the delegate.
- e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount up to 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)

132. 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.

- d) 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.
- e) 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, if provided in the resolution passed by members of the Company in their meeting approving such appointments.

133. *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.

134. *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.

135. *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.

136. *Business to be carried on by Managing Directors/ Whole time Directors:*

- (a) The Managing Directors/whole-time Directors shall have subject to the supervision, control and discretion of the Board of Directors, 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 generality 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.

137. *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.

138. *Declaration of Dividends:*

The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

139. *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.

140. *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.

141. *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.

142. *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.

143. *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.

144. *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.

145. *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.

146. *Dividends not to bear interest:*

No dividends shall bear interest against the Company.

147. *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.

148. *Unpaid or Unclaimed Dividend:*

- (a) Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days, open a special account in that behalf in any scheduled bank called "Unpaid Dividend of MSPL Limited" and transfer to the said account the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.
- (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 Investors Education And Protection Fund.
- (c) No unclaimed or unpaid dividend shall be forfeited by the Board and the Directors shall comply with provisions of Sections 205A and 205B of the Act, as regards unclaimed dividends.

CAPITALISATION OF PROFITS

149. *Capitalisation of Profits:*

- a) The Company in General Meeting, may, on recommendation of the Board resolve:
 - (i) That it is desirable to capitalize 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.

150. *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 be 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.

151. *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

152. *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 giving 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 proved, such service shall be deemed to have been effected.
 - (iii) In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and
 - (iv) In any other case, at the time at which the letter would be delivered in ordinary course of post.

153. *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.

154. *Service on members having no registered address:*

If a member has no registered address in India, and has not supplied to the Company an address within India, for the giving of the notices to him, a document advertised in a newspaper circulating in the neighbourhood of Registered Office of the Company shall be deemed to be duly served to him on the day on which the advertisement appears.

155. *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.

156. *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.

157. *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.

158. *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.

159. 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.

WINDING UP

160. *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.

161. *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 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

162. *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 travelling 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.

163. *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 oversight 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 or in relation thereto, unless the same happens through his own willful act or default.
- b) Without prejudice to the generality of the 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.

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 Red Herring Prospectus, delivered to the Registrar of Companies, Maharashtra at Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the registered office and the corporate office of our Company from 10.00 am to 4.00 pm on working days from the date of this Red Herring Prospectus until the Bid/Offer Closing Date.

Material Contracts to the Offer

1. Letters of appointment dated January 2, 2006 to the BRLM and the SCBRLM from our Company appointing them as the BRLM and the SCBRLM.
2. Memorandum of Understanding among our Company, the Selling Shareholders, the BRLM and the SCBRLM.
3. Memorandum of Understanding/ Agreements executed by our Company and the Registrar to the Offer, etc.
4. Escrow Agreement dated [•], 2006 among the Company, the Selling Shareholders, the BRLM, the SCBRLM, the Escrow Banks and the Registrar to the Offer.
5. Syndicate Agreement dated [•], 2006 among the Company, the Selling Shareholders, the BRLM, the SCBRLM and the Syndicate Member.
6. Underwriting Agreement dated [•], 2006 among the Company, the Selling Shareholders, the BRLM and the SCBRLM and the Syndicate Member.
7. Letters of authorization from the Selling Shareholders for the Offer dated February 6, 2006.
8. Board Resolution of the Company dated January 4, 2006 authorizing the Offer and Board Resolution dated May 22, 2006 authorizing the re-filing of the Draft Red Herring Prospectus
9. Letter from the Selling Shareholders dated February 6, 2006, authorizing the Company Secretary to address investors' complaints.
10. Stabilization Agreement among the Selling Shareholders, Stabilising Agent, Green Shoe Lenders, Green Shoe Transferors and the Company dated February 10, 2006.

Material Documents

1. Our Memorandum and Articles of Association as amended from time to time.
2. Our certificate of incorporation.
3. Our certificates in relation to change of name.
4. Shareholders' resolutions in relation to this Offer and other related matters such as appointment of auditors, formation and revision of Audit, Remuneration and other committees.
5. Present terms of employment between the Company and our Directors as approved by our Board and our Shareholders.
6. Report of the joint auditors S.B.Chhajed & Company, Chartered Accountants and Deloitte Haskins & Sells, Chartered Accountants dated May 22, 2006 prepared as per Indian GAAP and mentioned in the Red Herring Prospectus.

7. Copies of annual reports of our Company for the years ended March 31, 2001, 2002, 2003, 2004 and 2005.
8. Consent of the joint auditors being joint auditors S.B.Chhajer & Company, Chartered Accountants, and Deloitte Haskins & Sells, Chartered Accountants. for inclusion of their report on accounts in the form and context in which they appear in the Red Herring Prospectus
9. General Power of Attorney executed by the Directors of our Company in favour of person(s) for signing and making necessary changes to the Red Herring Prospectus and other related documents
10. Power of Attorney given to Mr. Shrenikkumar N. Baldota on behalf of the Selling Shareholders dated February 4, 2006
11. Consents of Bankers to the Company, Syndicate Member, Registrar to the Offer, Escrow Collection Bank(s), Banker to the Offer, Legal counsel to the Company and Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities
12. Initial listing applications dated February 10, 2006 and February 10, 2006 filed with BSE and NSE, respectively
13. In-principle listing approval dated March 6, 2006 and March 8, 2006 from BSE and NSE, respectively, valid till June 10, 2006 and June 8, 2006 respectively.
14. Application dated June 2, 2006 and June 2, 2006 filed with BSE and NSE respectively for extension of in-principle listing approval.
15. Tripartite Agreement among NSDL, our Company and the Registrar to the Offer dated March 28, 2006
16. Tripartite Agreement among CDSL, our Company and the Registrar to the Offer dated March 16, 2006
17. SEBI observation letter no. [●] dated [●].
18. Due diligence certificate dated June 2, 2006 to SEBI from the BRLM and the SCBRLM.
19. Promoters Undertaking dated February 10, 2006

Any of the contracts or documents mentioned in this Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes

DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines issued by the GoI or the guidelines issued by Securities and Exchange Board of India, 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. We further certify that all the statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR COMPANY

Mr. Narendrakumar A. Baldota Sd

Mr. Rahulkumar N. Baldota Sd

Mr. Shrenikkumar N. Baldota Sd

Mr. R H Sawkar Sd

Mr. M Ravindra Sd

Mr. Anirudha R Barwe Sd

SIGNED BY THE GENERAL MANAGER (FINANCE AND ACCOUNTS) Mr. S. Raghunathan

Sd/-

SIGNED BY MR. SHRENIKKUMAR N. BALDOTA ON BEHALF OF ALL THE SELLING SHAREHOLDERS

Sd/-

Date: June 2, 2006

Place: Mumbai