

## SHRIRAM EPC LIMITED

(Our Company was incorporated as Shriram EPC Limited on June 12, 2000. A certificate of commencement of business was granted to our Company on June 30, 2000 by the Registrar of Companies, Tamil Nadu. Shriram Engineering Construction Company Limited was merged with our Company by an order of the court dated July 22, 2005 with effect from April 1, 2004.)

**Registered Office:** No. 5, T.V. Street, Chetput, Chennai 600 031, Tamil Nadu

For changes in our registered office see "History and Certain Corporate Matters" on page 96

**Company Secretary and Compliance Officer:** Mr. K. Suresh

**Tel:** (91 44) 2836 1817, **Fax:** (91 44) 2836 3518, **Email:** investors@shriramepc.com **Website:** www.shriramepc.com

<p><b>PUBLIC ISSUE OF 5,000,000 EQUITY SHARES OF Rs. [●] EACH OF SHRIRAM EPC LIMITED ("SHRIRAM EPC" OR THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE, AGGREGATING Rs. [●] MILLION (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE 11.66% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF THE COMPANY.</b></p>
<p><b>PRICE BAND: RS. 290 TO RS. 330 PER EQUITY SHARE OF FACE VALUE OF RS. 10.</b></p>
<p><b>THE FACE VALUE OF THE EQUITY SHARES IS RS. 10 AND THE FLOOR PRICE IS 29 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 33 TIMES OF THE FACE VALUE</b></p>
<p>In case of revision in the Price Band, the Bidding Period shall be extended for three additional working days after revision of the Price Band subject to the Bidding / Issue Period not exceeding 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the websites of the Global Co-ordinator and the Book Running Lead Manager, the Book Running Lead Manager, the Co- Book Running Lead Manager and at the terminals of the Syndicate.</p>
<p>In terms of Rule 19(2)(b) of the Securities Contract Regulation Rules, 1957 ("SCRR"), this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue 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 all QIBs including Mutual Funds, subject to valid bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. For details see the section titled "General Information" on page 15.</p>

### RISK IN RELATION TO THE FIRST ISSUE

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

### GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to "Risk Factors" on page ix.

### IPO GRADING

The issue has been graded by CRISIL Limited and has been assigned a grade of 3/5 indicating average fundamentals. The IPO Grading is assigned on a 5 point scale from 1 to 5 with a IPO Grade 5/5 indicating strong fundamentals and a IPO Grade of 1/5 indicating poor fundamentals.

### ISSUER'S ABSOLUTE RESPONSIBILITY

The Issuer having made all reasonable inquiries, accept responsibility for and confirm that this Red Herring Prospectus contains all information with regard to the Company and the Issue, which is material in the context of the Issue, that the information contained in this Red Herring Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Red Herring Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

### LISTING ARRANGEMENT

The Equity Shares offered through this Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approval from NSE and BSE for the listing of our Equity Shares pursuant to letters dated November 1, 2007 and October 23, 2007 respectively. For purposes of this Issue, the Designated Stock Exchange is BSE.

GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER	BOOK RUNNING LEAD MANAGER	CO-BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
 <p><b>Kotak Mahindra Capital Company Limited</b> 3rd Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021, India Tel: (91 22) 6634 1100 Fax: (91 22) 2283 7517 Email: secpipo@kotak.com Investor grievance id: kmccredressal@kotak.com Website: www.kotak.com Contact Person: Mr. Chandrakant Bhole SEBI Registration Number: INM000008704</p>	 <p><b>ICICI Securities Limited</b> ICICI Center, HT Parekh Marg, Churchgate, Mumbai 400 020, India Tel: (91 22) 2288 2460/70 Fax: (91 22) 2282 6580 Email: shriramepc_ipo@isecltd.com Website: www.icicisecurities.com Contact Person: Mr. Thomas Vincent SEBI Registration Number: INM000011179</p>	 <p><b>Motilal Oswal Investment Advisors Private Limited</b> 81/81 Bajaj Bhawan 8th Floor, Nariman Point Mumbai 400021 Tel:(91 22) 3980 4380 Fax:(91 22) 3980 4315 Email: shriramepc.ipo@motilaloswal.com Website: www.motilaloswal.com Contact person: Ms. Nisha Shah SEBI Registration Number: INM000011005</p>	 <p><b>Cameo Corporate Services Limited</b> Subramanian Building, V Floor/No. 1, Club House Road Chennai 600 002, India Tel: (91 44) 2846 0390 Fax: (91 44) 2846 0129 Email: shriramepc@cameoindia.com Website: www.cameoindia.com Contact Person: Mr. R.D. Ramasamy SEBI Registration Number: INR000003753</p>

### BID / ISSUE PROGRAMME

**BID/ISSUE OPENS ON : JANUARY 29, 2008**

**BID/ISSUE CLOSES ON : FEBRUARY 1, 2008**

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## SECTION I- GENERAL

### DEFINITIONS AND ABBREVIATIONS

Term	Description
“We”, “us”, “our”,	Unless the context otherwise indicates or implies, “we”, “our”, or “us”, refers to Shriram EPC Limited and its Subsidiaries and Associate companies, on a consolidated basis
“Issuer”, “the Company”, “our Company” and “Shriram EPC”	Refers to Shriram EPC Limited on a stand-alone basis, and includes SHRENCO, which was merged with Shriram EPC Limited with effect from April 1, 2004

#### Company Related Terms

Term	Description
Articles	Articles of Association of our Company
Associate companies	Associate companies of our Company, in this case Leitner Shriram Manufacturing Limited, Orient Green Power Company Limited and Ennore Coke Limited
Auditors	The statutory auditors of our Company being Deloitte Haskins and Sells
Bessemer/BVP	Bessemer Venture Partners Trust
Bessemer Investment Agreement	Investment Agreement dated March 24, 2006 between our Company, Bessemer Venture Partners Trust and the entities listed in the schedule to the agreement
Board/ Board of Directors	Board of Directors of our Company
Directors	Directors on the Board, unless otherwise specified
Ennore Coke	Ennore Coke Limited
Memorandum	Memorandum of Association of our Company
MSIDC	Maharashtra Small Scale Industries Development Corporation Limited
OGPL/Orient Green Power	Orient Green Power Company Limited
Order Backlog	Represents the value of contracts awarded to our Company that are yet to be billed to the client
Promoter Group	The Promoter Group Entity, which is the Shriram Ownership Trust.
Promoters	SIHPL and SAF
Registered Office of the Company	No. 5, T.V. Street, Chetput, Chennai 600 031, Tamil Nadu
ESOP 2006	The employee stock option scheme of the Company adopted at the meeting of the shareholders held on November 20, 2006 pursuant to which stock options have been granted to employees of our Company. The total options earmarked were 1,890,000.
ESOP 2007	The employee stock option scheme of the Company adopted at the meeting of the shareholders held on September 20, 2007 in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The total options earmarked are 500,000.
Galleon	Galleon Special Opportunities Master Fund SPC, Ltd. – Galleon Asian Crossover Segregated Portfolio
Hamon Group	Hamon Thermal Europe SA and Hamon (Nederland) B.V.
Hamon Shriram	Hamon Shriram Cottrell Private Limited
Leitner Shriram	Leitner Shriram Manufacturing Limited
Leitwind	Leitwind B.V.
SAF	Shriram Auto Finance
SHRENCO	Shriram Engineering Construction Company Private Limited.
Shriram Leitwind	Shriram Leitwind Limited
SIHPL	Shriram Industrial Holdings Private Limited
Subsidiary	Subsidiaries of our Company, in this case Hamon Shriram Cottrell Private Limited and Shriram Leitwind Limited
UNO Investment Agreement	Investment Agreement dated March 29, 2005 entered into between Company, UNO Investments, subsidiary of Chrys Capital III, LLC and entities listed in the schedule to the agreement
UTI IAS	Unit Trust of India Investment Advisory Services Limited
UTI Investment Agreement	Investment Agreement dated December 11, 2006 entered into between Shriram Industrial Holdings Private Limited and Shriram Auto Finance, our Company and UTI IAS

## Issue Related Terms

Term	Description
Allotment/Allot	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Issue
Allottee	The successful Bidder to whom the Equity Shares are/ have been allotted
Banker(s) to the Issue	Kotak Mahindra Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Yes Bank Limited, Axis Bank Limited Industrial Development Bank of India Limited and Centurion Bank of Punjab Limited
Basis of Allotment	The basis on which Equity Shares will be Allotted to Bidders under the Issue and which is described in "Issue Procedure – Basis of Allotment" on page 270
Bid	An indication to make an offer during the Bidding Period by a prospective investor to subscribe to or purchase the Equity Shares of our Company at a price within the Price Band, including all revisions and modifications thereto
Bid / Issue Closing Date	The date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a Tamil newspaper with wide circulation
Bid / Issue Opening Date	The date on which the Syndicate shall start accepting Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a Tamil 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 Issue
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase Equity Shares of our Company and which will be considered as the application for Allotment pursuant to the terms of the 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 / Issue Period	The period between the Bid/ Issue Opening Date and the Bid/ Issue Closing Date (inclusive of both days) and during which prospective Bidders can submit their Bids
Book Building Process/ Method	Book building route as provided in Chapter XI of the SEBI DIP Guidelines, in terms of which this Issue is being made
BRLM/Book Running Lead Manager	Book Running Lead Manager to the Issue, in this case being ICICI Securities Limited
Business Day	Any day other than Saturday and Sunday on which commercial banks in Mumbai, India are open for business
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of the Issue Price in accordance with the Book Building Process
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
CBRLM	Co-Book Running Lead Manager to the Issue, in this case being Motilal Oswal Investment Advisors Private Limited
CRISIL	CRISIL Limited with its registered office at 261, Solitaire Corporate Park, 151, Andheri Kurla Road, Andheri (E), Mumbai - 400 093
Cut-off Price	A price within the price band finalised by our Company in consultation with the GCBRLM, the BRLM and the CBRLM. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. Only Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs.100, 000. QIBs and Non-Institutional Bidders are not entitled to Bid at Cut-off Price
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the ROC, following which the Board of Directors may approve Allotment of Equity Shares to successful Bidders
Designated Stock Exchange	Bombay Stock Exchange Limited
Draft Red Herring Prospectus	The Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, filed with SEBI on September 28, 2007, which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
ECS	Electronic Clearing Service
Eligible NRI	NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby
Equity Shares	Equity shares of our Company of Rs. [•] each unless otherwise specified in the context thereof
Escrow Account	Account opened with the Escrow Collection Bank(s) for the Issue and in whose favor the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a

<b>Term</b>	<b>Description</b>
	<b>Bid</b>
Escrow Agreement	Agreement entered into among our Company, the Registrar, GCBRLM, the BRLM, the CBRLM, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and, where applicable, remitting refunds of the amounts collected to the Bidders on the terms and conditions thereof
Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being Kotak Mahindra Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Yes Bank Limited, Axis Bank Limited, Industrial Development Bank of India Limited and Centurion Bank of Punjab 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 Issue Price will be finalized and below which no Bids will be accepted
GCBRLM	Global Co-ordinator and Book Running Lead Manager to the Issue, in this case being Kotak Mahindra Capital Company Limited
I-Sec	ICICI Securities Limited having its registered office at ICICI Center, H.T. Parekh Marg, Churchgate, Mumbai 400 020
Issue	The Issue of 5,000,000 Equity Shares of Rs. 10 each for cash aggregating [•] by the Company
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus. The Issue Price will be decided by the Company in consultation with the GCBRLM, BRLM and the CBRLM on the Pricing Date
KMCC	Kotak Mahindra Capital Company Limited having its registered office at 3rd Floor, Bakthawar, 229, Nariman Point, Mumbai 400 021
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be between 10% to 100% of the Bid Amount, as applicable
MOIAPL	Motilal Oswal Investment Advisors Private Limited
Mutual Fund Portion	5% of the QIB Portion or 150,000 Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996, as amended
Net Proceeds	Proceeds of the Issue, after deducting our Company's share of the underwriting and management fees, selling commissions and other expenses associated with the Issue
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000 (but not including NRIs other than eligible NRIs)
Non Institutional Portion	The portion of the Issue being not less than 500,000 Equity Shares of Rs.10 each available for allocation to Non Institutional Bidders
Pay-in Date	Bid Closing Date or the last date specified in the CAN sent to Bidders, as applicable
Pay-in-Period	With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/ Issue Closing Date; and With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the closure of the Pay-in Date, specified in the CAN
Price Band	Price band of a minimum price (Floor Price) of Rs. 290 and the maximum price (Cap Price) of Rs. 330 and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI Guidelines
Pricing Date	The date on which our Company in consultation with the GCBRLM, the BRLM and the CBRLM finalizes the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of Section 60 of the Companies Act, containing, inter alia, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account on the Designated Date
QIB Margin Amount	An amount representing at least 10% of the Bid Amount which QIBs are required to pay at the time of submission of a Bid
QIB Portion	The portion of the Issue being 3,000,000 Equity Shares to be allotted to QIBs on a proportionate basis
Qualified Institutional Buyers or QIBs	Includes public financial institutions as specified in Section 4A of the Companies Act, FIIs, 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

<b>Term</b>	<b>Description</b>
	Development Authority, provident funds with minimum corpus of Rs. 250 million and pension funds with minimum corpus of Rs. 250 million
Refund account	The account opened with the Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount shall be made
Refund Banker	Axis Bank Limited
Refunds through electronic transfer	Refunds through electronic transfer of funds means refunds through ECS, Direct Credit, NEFT or RTGS as applicable
Registrar to the Issue	Cameo Corporate Services Limited having its registered office at Subramanian Building, V floor No.1, Club House Road, Chennai- 600 002
Retail Individual Bidder(s)	Individual Bidders (including HUFs) who have not Bid for Equity Shares for an amount less than or equal to Rs. 100,000 in any of the bidding options in the Issue (including HUF, applying through their Karta and eligible NRIs )
Retail Portion	The portion of the Issue being not less than 1,500,000 Equity Shares of Rs. 10 each 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	This Red Herring Prospectus which does not have complete particulars of the price at which the Equity Shares are offered and the size of the issue and which will be filed with RoC in terms of Section 60B of the Companies Act, at least three days before the Bid/ Issue Opening Date
Stock Exchanges	BSE and NSE
STT	Shriram Tower Tech Limited
Syndicate	The GCBRLM, the BRLM, the CBRLM and the Syndicate Members
Syndicate Agreement	Agreement entered into among the Syndicate and the Company in relation to the collection of Bids in this Issue
Syndicate Members	Kotak Securities Limited, ICICI Securities Limited and Motilal Oswal Securities Limited
TRS/ Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to the Bidder as proof of registration of the Bid
Underwriters	The GCBRLM, the BRLM, the CBRLM and the Syndicate Member
Underwriting Agreement	The Agreement between the members of the Syndicate and our Company to be entered into on or after the Pricing Date

### **Conventional and General Terms/ Abbreviations**

<b>Term</b>	<b>Description</b>
A/c	Account
Act or Companies Act	Companies Act, 1956, as amended and amendments thereto
AGM	Annual General Meeting
Air Pollution Act	Air (Prevention and Control of Pollution) Act, 1981, as amended
AS	Accounting Standards issued by the Institute of Chartered Accountants of India
AY	Assessment Year
Bonus Act	Payment of Bonus Act, 1965
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
CLRA	Contract Labour (Regulation and Abolition) Act, 1970
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996 as amended from time to time
DP ID	Depository Participant's Identity
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ECS	Electronic Clearing Service
EGM	Extraordinary General Meeting
Environment Act	Environment (Protection) Act, 1986, as amended
EPF	Employees Provident Fund and Miscellaneous Provisions Act, 1952
EPS	Earnings Per Share
ESI	Employees State Insurance Act, 1948
Factories Act	The Factories Act, 1948
FDI	Foreign Direct Investment
FII(s)	Foreign Institutional Investors (as defined under FEMA (Transfer or Offer of Security by a Person Resident outside India) Regulations, 2000) registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year.

Term	Description
FIPB	Foreign Investment Promotion Board
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000
GDP	Gross Domestic Product
GoI/Government	Government of India
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
Mn / mn	Million
MoU	Memorandum of Understanding
NA	Not Applicable
NAV	Net Asset Value
NEFT	National Electronic Fund Transfer
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the I.T. Act Income Tax Act, 1961
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer
RBI	The 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 Securities and Exchange Board of India Act, 1992
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. or S.	Section
Securities Act	United States Securities Act, 1933, as amended from time to time
SIA	Secretariat for Industrial Assistance
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
U.S. or U.S.A	United States of America
VCF	Venture Capital Fund registered under the Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996
Water Pollution Act	Water (Prevention and Control of Pollution) Act 1974, as amended

### Industry Related Terms

Term	Description
APC	Air Pollution Control
ASME	American Society of Mechanical Engineers
BOO	Build, Own and Operate
BOT	Build, Operate and Transfer
BOOT	Build, Own, Operate and Transfer
BHEL	Bharat Heavy Electricals Limited
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission

C&I	Control and Instrumentation equipment
CIPP	Cured-in-Place Pipe
CPT	Chevalier Pipe Technologies
DG	Diesel Generator
EPC	Engineering, Procurement And Construction
GRP	Glass - Fiber Reinforced Plastic
GWSSB	Gujarat Water Supply and Sewerage Board
IEA	International Energy Agency
IGCC	Integrated Gasification Combined Cycle
IPP	Independent Power Producer(s)
JSW	JSW Steel Limited
KW	Kilowatt
LSTK	Lumpsum Turnkey
MALCO	Madras Aluminium Company Limited
MW	Megawatt
MSWL	Machine Spirally Bound Lining
NEP	National Electricity Policy
NTPC	National Thermal Power Corporation
O&M	Operations and Maintenance
OPG	OPG Power Generation Private Limited.
PERCO	Perco Engineering Services Limited
RES	Renewable Energy Source
SCUF	Shriram City Union Finance Limited
SEB	State Electricity Board
SERC	State Electricity Regulatory Commission
SEZ	Special Economic Zone
SPT	Southern Powertech Equipments Private Limited.
SPV	Special Purpose Vehicle
SSI	Small Scale Industries
T&D	Transmission and Distribution
TNEB	Tamil Nadu Electricity Board
WEG/WTG/WTGs	Wind Turbine Generator/s

## PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

All references to “Rupees” or “Rs.” Or “INR” are to Indian Rupees, the official currency of the Republic of India. All references to “US\$” or “U.S. Dollars” or “USD” are to United States Dollars, the official currency of the United States of America. All references to "euro", "EUR" and "€" are to Euros, the official currency of the participating member states in the third stage of the Economic and Monetary Union of the treaty establishing the European Community.

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP and the SEBI Guidelines, which are included in this Red Herring Prospectus.

There are significant differences between Indian GAAP, IFRS and US GAAP. Although we have presented a summary of significant differences between Indian GAAP, IFRS and US GAAP, no attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto. 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 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 Red Herring Prospectus should accordingly be limited.

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

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

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

In this Red Herring Prospectus, the terms “we”, “our”, or “us”, unless the context otherwise indicates or implies, refers to Shriram EPC Limited and its Subsidiaries, on a consolidated basis, and references to the “Company” or Shriram EPC on a stand alone basis.

All references to a Fiscal with respect to our Company, Subsidiaries or Associate companies refer to the twelve month period ended March 31 of that year.

## FORWARD-LOOKING STATEMENTS

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

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

- We may not be successful in implementing our business strategies effectively or at all,
- We may not be able to secure additional funding in the future,
- Our insurance coverage may prove inadequate to satisfy future claims against us,
- We may be subject to industrial unrest, slowdowns and increased labour costs,
- We may be unable to keep pace with technical and technological developments in the industries in which we compete,
- Changes in government trade policies affecting the markets for our services,
- We may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful,
- The decrease in or elimination of government initiatives and incentives relating to renewable energy,
- Changes in the statutory and regulatory framework governing the Indian power sector,
- Political instability or changes in the government could delay the liberalization of the Indian economy and adversely affect economic conditions in India generally,
- Economic, political and social developments in India,
- Risks arising from interest rate fluctuations,
- Conditions in the Indian securities market.

For a further discussion of factors that could cause our actual results to differ, refer to “Risk Factors” on page ix. 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.

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

*An investment in the Equity Shares involves a high degree of risk. You should carefully consider all information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in the Equity Shares. The risks described below are not the only ones relevant to the country and the industries in which our Company operates, our Company or the Equity Shares. Additional risks not presently known to our Company or that we currently deem immaterial may also impair our Company's business operations. To obtain a complete understanding of our business, you should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" beginning on pages 63 and 198, respectively, as well as other financial information contained in this Red Herring Prospectus. If any of the following risks or any of the other risks and uncertainties discussed in this Red Herring Prospectus actually occur, our business, financial condition and results of operations could suffer, the trading price of the Equity Shares could decline, and you may lose all or part of your investment.*

*Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. The numbering of the risk factors has been done to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk over another.*

*In this section, unless the context requires otherwise, any reference to "we", "us" or "our" refers to Shriram EPC Limited and its Subsidiaries and Associates on a consolidated basis.*

### **Internal Risk Factors**

#### **General Risks Related to the Company**

**1. *Our Company has been made party to a criminal proceeding that is pending.***

A criminal case dated May 5, 2000 bearing No. 2247 of 2000 and 2248 of 2000 was filed before Judicial Magistrate 1st Class, Nasik by Maharashtra Small Scale Industries Development Corporation Limited ("MSIDC") under Section 138 of the Negotiable Instrument Act against the Chairman, Managing Director and certain other employees of Shriram Engineering and Construction Company Limited ("**SHRENCO**"). SHRENCO had entered into a contract with Maharashtra Small Scale Industries Development Corporation for the supply of PVC pipes and had issued certain post-dated cheques of amounts of Rs. 1,407,268. MSIDC alleged that the cheques were dishonored. The criminal revision application filed by us has been dismissed on December 29, 2007 and the Company proposes to file an appeal against the order. For more information on this proceeding, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 225.

**2. *We may not be successful in managing our growth.***

We have experienced growth in income of 240.7%, 95.1% and 106.6% in fiscal 2005, 2006 and 2007, respectively. While no assurance can be given that the past increases in our revenue will continue, if we continue to grow as we expect, this growth will place significant demands on us and require us to continuously evolve and improve our operational, financial and internal controls across our organization. As part of our growth strategy, we have diversified and intend to continue to diversify the portfolio of projects and services offered by us. However, due to our relative inexperience in these new types of projects and product and service offerings, such new business may not be successful, which could hamper our growth prospects and may also damage our reputation. In particular, continued expansion increases the challenges involved in:

- maintaining high levels of project control and management and client satisfaction;
- successfully executing on our projects;
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel;
- operating in jurisdictions where we have limited experience;

- adhering to health, safety and environment and quality and process execution standards that meet client expectations;
- preserving a uniform culture, values and work environment in our operations; and
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems.

Any inability to manage our growth may have a material and adverse effect on our business, results of operations and financial condition.

**3. *We may not be successful in implementing our business strategies effectively or at all.***

The success of our business will depend greatly on our ability to implement our business strategies effectively. See the section titled “Our Business – Our Strategies” beginning on page 68. Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the estimated budget, or that we will meet the expectations of targeted clients. We expect the implementation of our strategies to place significant demands on our management and other resources and require us to continue developing and improving our financial, operation and other internal controls. Any inability to manage our business and implement our strategies effectively or at all could have a material adverse effect on our business, financial condition and profitability.

**4. *We have not entered into any definitive agreements to utilise a substantial portion of the Net Proceeds of the Issue. Further, we have not identified the general corporate purposes for which we intend to utilise a portion of the Net Proceeds and the same may exceed 25% of the Issue size.***

We intend to use the Net Proceeds of the Issue to make equity investments in Shriram Leitwind, Leitner Shriram and Orient Green Power, purchase plant and equipment for pipe rehabilitation projects and for general corporate purposes. See the section titled “Objects of the Issue” beginning on page 34. We have not entered into any definitive agreements to utilize the net proceeds for investment in capital equipment, and our capital expenditure plans are based on management estimates and have not been appraised by any bank or financial institution or any other independent organization. In addition, our capital expenditure plans are subject to a number of variables, including possible cost overruns and changes in the management’s views of the desirability of current plans, among others. We have identified our Subsidiary, Shriram Leitwind, and Associate companies, Leitner Shriram and Orient Green Power, in which we plan to invest a portion of the proceeds of the issue. There can be no assurance of any future dividends from such subsidiaries and joint ventures. There can be no assurance that we will be able to conclude definitive agreements for investment in capital equipment or for investments in any special purpose vehicles, wholly owned subsidiaries or joint ventures on terms anticipated by us. These proposed expenditures have not been appraised by any bank or financial institution or any other independent organization.

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including investments in mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts. Our management, in accordance with the policies established by our Board of Directors from time to time, will have flexibility in deploying the Net Proceeds of the Issue. Further, we have not identified the general corporate purposes for which we intend to utilise a portion of the Net Proceeds and the same may exceed 25% of the Issue size. For further details, please see the section titled “Objects of the Issue” beginning on page 34.

**5. *Our largest shareholder, Bessemer Venture Partners Trust, will own 27.68% of the Equity Shares after the completion of the Issue and may sell all of its Equity Shares immediately after completion of the Issue.***

Bessemer Venture Partners Trust and UTI-IAS, owners of 10,481,762 and 3,786,779 Equity Shares, respectively, which together constitute 37.68% of the pre-Issue share capital, and will together constitute 33.28% of the post-Issue share capital (assuming no exercise of any outstanding stock options), of our Company Bessemer Venture Partners Trust and UTI-IAS are venture capital investors registered with SEBI and, consequently, are exempt from statutory lock-in requirements in respect of their pre-Issue equity share capital under the SEBI Guidelines and the Equity Shares held by them will be freely transferable following the Issue.

There are no contractual restrictions upon either shareholder's ability to sell any or all of the Equity Shares held by it immediately after this Issue. Such sales, or the possibility of such sales, could negatively impact the market price of the Equity Shares.

**6. *We may not be able to qualify for and win integrated engineering, procurement and construction ("EPC") and lump-sum turnkey contracts.***

Most of our EPC contracts are obtained through a competitive bidding process. In selecting contractors for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria including experience, technological capacity and performance, reputation for quality, safety record, financial strength and bonding capacity and size of previous contracts in similar projects, although price competitiveness of the bid is the most important selection criterion. Pre-qualification is key to our winning such major projects. We are currently qualified to bid for projects up to a certain value and therefore may not be able to compete for larger projects. Our ability to bid for and win such major projects is dependent on our ability to show experience of working on such large EPC and lump-sum turnkey contracts and developing strong engineering capabilities and credentials to execute more technically complex projects.

**7. *Our order book is relatively concentrated in certain large-scale projects.***

There are various risks associated with the execution of large-scale integrated projects. Larger contracts may represent a larger part of our portfolio, increasing the potential volatility of our results and exposure to individual contract risks. Managing large-scale integrated projects may also increase the potential relative size of cost overruns and negatively affect our operating margins.

Our ten largest contracts represented 72.6% of our order book as at December 31, 2007. We define "order book" as anticipated revenues from the uncompleted portions of existing contracts (signed contracts for which all pre-conditions to entry into force have been met, including letters of intent issued by the client prior to execution of final contract) at a certain date. We believe that our contract portfolio will continue to be relatively concentrated. If we do not achieve our expected margins or suffer losses on one or more of these large contracts, this could have a material adverse effect on our results of operations and financial condition. Similarly, our ten largest customers represented 85.2% of sales for the six months ended September 30, 2007.

**8. *Our business is dependent on continuing relationships with our clients and strategic partners.***

Our business is significantly dependent on EPC projects undertaken by government agencies and private companies. Our top ten clients vary from period to period depending on the completion schedule of projects. Our top ten clients provided 87.0%, 56.9%, 66.6% and 85.2% of our total EPC contracts and WTG sales revenue in fiscal 2005, 2006 and 2007 and the six months ended September 30, 2007, respectively. Our business is also dependent on developing and maintaining strategic alliances with our international partners. Our business and results of operations will be materially and adversely affected if we are unable to maintain a continuing relationship or pre-qualified status with certain of our key clients and strategic partners.

**9. *We conduct a portion of our operations through joint ventures, over which we may have limited control.***

Our Company generally seeks to enter into joint ventures and collaborations with the leading international players in the respective fields as part of our efforts to expand our business. Presently, we are engaged in two joint ventures in which we have a minority interest (namely, Orient Green Power Company Limited ("**Orient Green Power**") and Leitner Shriram) wherein we have invested a total of Rs. 56.01 million as at September 30, 2007. Except as otherwise stated in the section titled "Objects of the Issue" beginning on page 34 of this Red Herring Prospectus, there are no definite plans for further investment as of December 31, 2007, though our Company may be required to make additional investments in these joint ventures from time to time in line with the business needs of the entities. As with most joint venture arrangements, differences in views among the joint venture participants may result in delayed decisions or disputes. We cannot assure you that our relationships with our joint venture partners can at all times be amicably maintained. We also cannot control the actions of our joint venture partners. These factors could potentially harm the business and operations of a joint venture and, in turn, materially and adversely affect our business and results of operations.

Operating through joint ventures in which we are a minority holder results in us having limited control over many decisions made with respect to projects and internal controls relating to projects. As of December 31, 2007, our Company has minority ownership interests in the following joint ventures:

- Leitner Shriram Manufacturing Limited (“**Leitner Shriram**”), which is owned 51% by Leitwind and 49% by our Company, is expected to be engaged in the manufacture of megawatt-class WTGs and, around April 2008, is also expected to assume the manufacturing operations of our kilowatt-class WTGs. We expect Leitner Shriram to commence operations around April 2008; and
- Orient Green Power Company Limited (“**Orient Green Power**”), which is owned 48.7% by each of our Company and Bessemer Venture Partners Trust, and 2.6% by certain individuals, through its subsidiaries, is expected to be a biomass-based power generation company.

These existing and/or future joint venture arrangements involve a number of risks, including:

- Disputes with joint venture partners in connection with the performance of each party’s obligations under the relevant joint venture agreements;
- Financial difficulties encountered by a joint venture partner affecting its ability to perform its obligations under the joint venture agreements or other contracts with us;
- Conflicts between the policies and objectives adopted by the joint venture partners and those by us;
- Joint venture partners having economic or business interests inconsistent with ours; and
- Joint venture partners that follow inconsistent business processes, internal controls and internal control over financial reporting than we follow.

*The realization of any of these risks and other factors may lead to disputes between our joint venture partners and us and affect the operations of our subsidiaries and Associated companies and, as a result, our financial condition and results of operations may be materially and adversely affected.*

**10. We are exposed to significant construction risks on fixed-price or lump-sum turnkey contracts.**

Under the terms and conditions of fixed-price or lump-sum contracts, we generally agree to a fixed-price for providing engineering, procurement and construction services for the part of the project contracted to us or, in the case of turnkey contracts, completed facilities which are delivered in a ready to operate condition, subject, however, to contract variations pursuant to changes in a client’s project requirements. The actual expense to us for executing a fixed-price or lump-sum turnkey contract may vary substantially from the assumptions underlying our bid for various reasons, including:

- unanticipated changes in engineering design of the project;
- unanticipated increases in the cost of equipment, materials or manpower;
- delays associated with the delivery of equipment and materials to the project site;
- unforeseen construction conditions, including inability of the client to obtain requisite environmental and other approvals, resulting in delays and increased costs;
- delays caused by local weather conditions;
- suppliers’ or subcontractors’ failure to perform; and
- delays caused by us.

Unanticipated costs or delays in performing part of a contract can have compounding effects by increasing costs of performing other parts of the contract. In addition, we may be required to pay liquidated damages to the client for any delays caused by us. These variations and the risks generally inherent to the construction industry may result in our profits being different from those originally estimated and may result in our experiencing reduced profitability or losses on projects. Depending on the size of a project, these variations from estimated contract performance could have a significant effect on our results of operations.

**11. *We are subject to certain conditions and restrictions imposed by our financing agreements that may affect our ability to conduct our business and operations.***

As at December 31, 2007, we had total debt of Rs. 1178.03 million. In addition, we may incur additional indebtedness in the future. Our indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow may be used towards repayment of our existing debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in the future at reasonable terms may be restricted;
- fluctuations in market interest rates may affect the cost of our borrowings, as some of our indebtedness are at variable interest rates;
- there could be a material adverse effect on our business, financial condition and results of operations if we are unable to service our indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Most of our financing arrangements are secured by our movable and immovable assets. Many of our financing agreements also include various conditions and covenants that require us to obtain lender consents prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. Specifically, we require, and may be unable to obtain, lender consents to incur additional debt, undertake guarantee obligations, issue equity, change our capital structure, declare dividends for any year except out of profits for that relevant year after all the provisions are made, transfer shares held by majority shareholders / promoter directors to third parties, provide additional guarantees, invest by way of share capital, lend and advance funds, place deposits, change our management structure, or merge with or acquire other companies, whether or not there is any failure by us to comply with the other terms of such agreements. Under certain of these agreements, in an event of default, we are also required to obtain the consent of the relevant lender to pay dividends. Further, one of our Promoters, Shriram Auto Finance, has given a guarantee in relation to a debt facility provided to us by one of our lenders to guarantee the obligations undertaken by us. In the event that there is any default in any of these obligations, the guarantee given by our Promoter may be invoked. For details see “Financial Indebtedness” beginning on page 219.

We believe that our relationships with our lenders are good, and we have in the past obtained consents from them to undertake various actions and have informed them of our activities from time to time. Compliance with the various terms is, however, subject to interpretation and we cannot assure you that we have requested or received all consents from our lenders that are required by our financing documents. As a result, it is possible that a lender could assert that we have not complied with all terms under our existing financing documents. Any failure to comply with the requirement to obtain a consent, or other condition or covenant under our financing agreements that is not waived by our lenders or is not otherwise cured by us, may lead to a termination of our credit facilities, acceleration of all amounts due under such facilities and trigger cross default provisions under certain of our other financing agreements, and may materially and adversely affect our ability to conduct our business and operations or implement our business plans.

**12. *We have high working capital requirements, which require that we have sufficient cash flows to meet required payments on our debt and working capital needs.***

Our business requires a significant amount of working capital. Most of our EPC contracts provide for progress payments from clients with reference to the value of work completed upon reaching certain milestones. Generally, in our power projects, captive power and infrastructure businesses, the client, or a third party authorized under the contract, usually make payments against invoices raised upon mutual agreement. The client then effects payments with reference to these invoices generally within 30-45 days. As a result, significant amounts of our working capital are often required to finance the purchase of materials and the performance of

engineering, construction and other work on projects before payment is received from clients. In certain cases, we are contractually obligated to our clients to fund working capital on our projects. In addition, a portion of the contract value, generally 10%, is usually withheld by the client as retention money and is generally released upon the testing of the product or the supply date, whichever is later. The aggregate amount of retention money outstanding as of March 31, 2007 and December 31, 2007 was Rs. 254.05 million and Rs. 327.37 million, respectively. In addition, we provide performance guarantees to our clients for the course of the warranty period, which generally ranges from 12 months to 24 months, after the testing of the product or the supply date, or the commissioning of the project, as specified in the project contract. Some of the performance guarantees are secured by guarantees from banks.

Our working capital requirements may increase if, in certain contracts, payment terms include reduced advance payments or payment schedules that specify payment towards the end of a project or are less favorable to us. Delays in progress payments or release of retention money or guarantees in form of letters of credit from our clients may increase our working capital needs. If a client defaults in making its payments on a project to which we have devoted significant resources, it could also affect our profitability and liquidity and decrease the capital resources that are otherwise available for other uses. We may file a claim for compensation of the loss that we incurred pursuant to our contracts but settlement of disputes generally takes time and financial and other resources, and the outcome is often uncertain. In general, we make provisions for bad debts, including those arising from progress payments or release of retention money, based primarily on ageing and other factors such as special circumstances relating to specific clients. There can be no assurance that the progress payments and the retention money will be remitted by our clients to us on a timely basis or that we will be able to efficiently manage the level of bad debt arising from such payment practice. All of these factors may result, or have resulted, in increases in the amount of our receivables and short-term borrowings. Continued increases in working capital requirements may have an adverse effect on our financial condition and results of operations.

We may also have large cash outflows, including among others, losses resulting from fixed-price contracts, environmental liabilities, litigation costs, adverse political conditions, foreign exchange risks and professional and product liability claims. Moreover, we may need to incur additional indebtedness in the future to satisfy our working capital needs.

It is customary in the industries in which we operate to provide letters of credit, bank guarantees or performance bonds in favor of clients to secure obligations under contracts. If we are unable to provide sufficient collateral to secure the letters of credit, bank guarantees or performance bonds, our ability to enter into new contracts could be limited. Providing security to obtain letters of credit, bank guarantees and performance bonds increases our working capital needs and limits our ability to provide bonds, guarantees, and letters of credit, and to repatriate funds or pay dividends. We may not be able to continue obtaining new letters of credit, bank guarantees, and performance bonds in sufficient quantities to match our business requirements.

**13. *We experienced negative cash flow in fiscal 2007.***

In fiscal 2007, we experienced negative cash flow of Rs. 787.39 million. In addition, we experienced negative cash flow from operating activities in fiscal 2005, 2006 and 2007 and the six months ended September 30, 2007 of Rs. 144.78 million, Rs. 457.16 million, Rs. 290.45 million, and Rs. 120.56 million respectively. Our operating expenses have increased as we have continued to develop and expand our business at a high pace. We expect our operating expenses to continue to increase as we continue to grow. If our revenues do not grow as expected, if we are unable to collect from our sundry debtors on a timely basis or at all, or if our expenses increase at a greater rate than we expect, we may not be able to achieve positive cash flow. If we do achieve positive cash flow, we cannot assure you that we will be able to sustain our growth or achieve profitability in future periods.

**14. *We face significant competition in each of our business segments.***

We operate in a competitive environment. Our competition varies depending on the size, nature and complexity of the project and the specific industry segment. While service quality, technological capacity and performance, health and safety records and personnel, as well as reputation and experience, are important considerations in client decisions, price is a major factor in most tender awards. The industries in which we compete have been frequently subject to intense price competition. Some of our competitors are larger than us and have greater financial resources and they may also benefit from greater economies of scale and operating efficiencies. There can be no assurance that we can continue to effectively compete with our competitors in the future, and the failure to compete effectively could have a material adverse effect on our business, financial condition and

results of operations. For more information on our competitors in specific industry segments, please see the section titled “Our Business” beginning on page 63.

**15. *Our order book may not necessarily indicate future income. Projects included in our order book may be delayed, modified, cancelled or not fully paid for by our clients.***

Our order book does not necessarily indicate future earnings related to the performance of that work. Our order book refers to expected future revenues under signed contracts or contracts where letters of intent have been received. Order book projects represent only business that is considered firm, although cancellations or unanticipated variations or scope or schedule adjustments may occur. Due to changes in project scope and schedule, we cannot predict with certainty when or if our order book will be performed. In addition, even where a project proceeds as scheduled, it is possible that contracting parties may default and fail to pay amounts owed. We cannot guarantee that the income anticipated in our order book will be realized, or, if realized, will be realized on time or result in profits. Any project cancellations or scope adjustments, which may occur from time to time, could reduce the amount of our order book and the income and profits that we ultimately earn from the contracts. Any delay, cancellation or payment default could have a material adverse effect on our business, results of operation and financial condition.

For some of the contracts in our order book, our clients are obliged to perform or take certain actions, such as acquiring land, securing the right of way, clearing forests, supplying owner supplied material, securing required licenses, authorizations or permits, making advance payments or opening of letters of credit, approving designs, approving supply chain vendors and shifting existing utilities. If a client does not perform these and other actions in a timely manner or at all, and the possibility of such failure is not provided for in the contract, our projects could be delayed, modified or cancelled and as a result, our results of operations could be materially and adversely affected.

**16. *We may not be able to secure additional funding in the future.***

From time to time, our plans may change due to changing circumstances, new business developments, new business or investment opportunities or unforeseen contingencies. If our plans do change, we may need to obtain additional external financing to meet capital expenditure plans, which may include commercial bank borrowings or the sale of equity or debt securities. If we raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flow from operations and/or other means of financing. We cannot assure you that we will be able to raise adequate financing to fund future capital requirements on acceptable terms, in time or at all. Any failure to obtain sufficient funding could result in the delay or abandonment of our development and expansion plans and have a material adverse effect on our business and financial results.

**17. *We rely on effective and efficient project management. Any adverse change in our project management procedures could affect our ability to complete projects on a timely basis or at all, which may cause us to incur liquidated damages for time overruns pursuant to our contracts.***

Our project-based businesses depend on the proper and timely management of our projects. Although we focus on project management in a number of ways, including by appointing project managers at our sites and project coordinators at our headquarters and by obtaining progress reports periodically, ineffective or inefficient project management could increase our costs and expenses, and thus materially and adversely affect our profitability.

We typically enter into contracts which provide for liquidated damages for time overruns. Additionally, in some contracts, in case of delay due to our fault or because of defective work done by us, clients may have the right to appoint a third party to complete the work and to deduct additional costs or charges incurred for completion of the work from the contract price payable to us. Further, in our contracts our clients may be required to obtain statutory approvals for right of way, acquire land and make payments towards crop and tree compensation, increasing the risks of idling of resources and delay, as well as our liabilities. In case we are unable to meet the performance criteria as prescribed by the clients and if liquidated damages are levied, our financial condition and results of operations could be materially and adversely affected.

**18. *We have limited control over the award of new contracts and the timing of client payments, which can cause significant variations in our results of operations and cash flows from period to period.***

As a substantial majority of our income is generated from EPC contracts and the timing of new project awards and their commencement can vary significantly, our results of operations and cash flow may be subject to significant periodic fluctuations. It is generally very difficult to predict whether or when we will receive such awards as these contracts frequently involve a lengthy and complex bidding and selection process which is affected by a number of factors, such as market conditions, governmental approvals and project specific dynamics. As a substantial majority of our income is generated from EPC contracts in our power, captive power and water infrastructure projects businesses, our results of operations and cash flow may fluctuate significantly from quarter to quarter depending on the timing of our contract awards.

We recognize income from our EPC contracts at the time of billing, which generally depends on the client's approval and certification. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Significant Accounting Policies" for more information about our revenue recognition policies. As a result, even after we are awarded EPC contracts and we have begun providing services, income recognized from such business vary significantly from period to period depending upon how much of the project is billed and the total costs incurred.

**19. *Our operations are subject to hazards and other risks and could expose us to material liabilities, loss in revenues and increased expenses.***

Our operations are subject to hazards inherent in providing engineering and construction services and manufacturing WTGs, such as risk of equipment failure, work accidents, fire or explosion, including hazards that may cause injury and loss of life, severe damage to and destruction of property and equipment, and environmental damage.

We may also be subject to claims resulting from defects arising from engineering, procurement and/or construction services provided by us or WTGs manufactured and sold by us within the warranty periods extended by us, which generally range from 12 to 24 months from the date of commissioning. Actual or claimed defects in equipment procured and/or construction quality could give rise to claims, liabilities, costs and expenses, relating to loss of life, personal injury, damage to property, damage to equipment and facilities, pollution, inefficient operating processes, loss of production or suspension of operations. Our policy of covering these risks through contractual limitations of liability, indemnities and insurance may not always be effective. In some of the jurisdictions in which we operate, environmental and workers' compensation liability may be assigned to us as a matter of law. Clients and subcontractors may not have adequate financial resources to meet their indemnity obligations to us. Losses may derive from risks not addressed in our indemnity agreements or insurance policies, or it may no longer be possible to obtain adequate insurance against some risks on commercially reasonable terms. Failure to effectively cover ourselves against engineering and construction industry risks for any of these reasons could expose us to substantial costs and potentially lead to material losses. Additionally, the occurrence of any of these risks may also adversely affect public perception about our operations and the perception of our suppliers, clients and employees, leading to an adverse effect on our business. These liabilities and costs could have a material adverse effect on our business, results of operations and financial condition.

**20. *Our insurance coverage may prove inadequate to satisfy future claims against us, and we may be subject to losses that might not be covered in whole or in part by existing insurance coverage.***

We maintain insurance for a variety of risks, including risks relating to construction, automobile accidents, marine insurance and other similar risks. However, in some cases, we may have not obtained the required or contemplated insurance or such insurance policies may have lapsed prior to the completion of the project. Further, we may not have obtained insurance cover for some of our projects, products or services that do not require us to maintain insurance.

There are various other types of risks and losses for which we are not insured, such as loss of business and environmental liabilities, because they are either uninsurable or not insurable on commercially acceptable terms. We also do not carry any key-man insurance. Should an uninsured loss or a loss in excess of insured limits occur, or our insurers decline to fully compensate us for our losses, we could incur liabilities, lose capital invested in that property or lose the anticipated future income derived from that business or property, while remaining obligated for any indebtedness or other financial obligations related to our business. Any such loss could result in an adverse effect to our financial condition.

**21. *Our ability to grow and to compete will be harmed if we do not retain the continued services of our key technical and management personnel and identify, hire and retain additional qualified personnel.***

There is strong competition for qualified technical and management personnel in the sectors in which we compete. We may not be able to continue to attract and retain qualified technical and management personnel, such as engineers and project managers, who are necessary for the development of our business or to replace qualified personnel. In fiscal 2005, 2006 and 2007, the attrition rate among the Company's employees was 10.2%, 13.1% and 9.5%, respectively. Our planned growth may place increased demands on our resources and will likely require the addition of technical and management personnel and the development of additional expertise by existing personnel. Loss of the services of, or failure to recruit, key technical and management personnel could limit our ability to complete existing projects successfully and to compete for new projects, which could material adverse effect on our business, results of operations and financial condition.

**22. *We are dependent on technology licensors, suppliers, subcontractors and other contractors.***

The quality and efficiency of our technology licensors, suppliers, other contracts and sub-contractors have a direct impact on the overall quality of our solutions and the timeliness of their delivery. There is a risk that we may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, or our failure to extend existing task orders or issue new task orders under a subcontract. In addition, if any of our subcontractors fail to deliver on a timely basis the agreed-upon supplies and/or perform the agreed-upon services, our ability to fulfill our obligations as a prime contractor may be jeopardized.

In most instances, there is no contractual relationship between our clients and our suppliers or subcontractors. There is no contractual relationship between our clients and our technology licensors. Consequently, we would have to seek remedies from our suppliers, sub-contractors or technology licensors, as the case may be, should any service or product liability claim be made by our clients against us. Although we generally design and test the technology we use and implement strict quality control measures on projects through the establishment and enforcement of stringent internal rules and regulations, we are subject to such potential claims against us. In case of any such claim against us, even if it is not proven, our reputation may suffer and our business may be materially and adversely affected. In addition, our resources could be strained by any claim which proceeds to litigation irrespective of the merits of our case. We cannot assure you that claims of such nature will not be brought against us, which could have a material adverse effect on our reputation, business and financial performance.

We also rely on relationships with other contractors when we act as their subcontractor or joint venture partner. Our future revenue and growth prospects could be materially and adversely affected if other contractors eliminate or reduce their subcontracts or joint venture relationships with us.

**23. *We depend on the adequate and timely supply of raw materials and bought out items at commercially acceptable prices.***

Our business is significantly affected by the availability, cost and quality of the raw materials and bought out items, which we need to construct, develop and provide our projects, products and services. See the section titled "Our Business" beginning on page 63 for the principal raw materials and bought out items required in our businesses. The prices and supply of raw materials and bought out items depend on factors not under our control, including domestic and international general economic conditions, competition, availability of quality suppliers, production levels, transportation costs and import duties.

Although we may enter into back-to-back supplier contracts or provide for price contingencies in our contracts to limit our exposure, if, for any reason, our primary suppliers of raw materials and bought out items should curtail or discontinue their delivery of such materials to us in the quantities we need, provide us with raw materials and bought out items that do not meet our specifications, or at prices that are not competitive or not expected by us, our ability to meet our material requirements for our projects could be impaired, our construction schedules could be disrupted and our results of operations and business could suffer.

**24. *We are dependent on third-party transportation providers for the supply and delivery of our raw materials and bought out items.***

We typically use third-party transportation providers for the supply of most of our raw materials and bought out items, and for deliveries of our products to our clients. Some of our raw materials and bought out items are procured from suppliers with operations located outside of India, including in China, Dubai, Germany and South Africa, which increases our transportation costs. Transportation costs have been steadily increasing. Continuing increases in transportation costs may have an adverse effect on our business and results of operations. In addition, transportation strikes by members of truckers' unions and shipping delays have had in the past, and could have in the future, an adverse effect on our receipt of supplies and our ability to deliver our products. Disruptions or other problems related to transportation and deliveries of products to our projects may materially and adversely affect our results of operations.

**25. *We may be subject to industrial unrest, slowdowns and increased labour costs.***

As at December 31, 2007, we employed a work force of approximately 589 full-time employees and retained 54 long-term consultants, all but one of whom are located in India. In addition, we contract for casual and temporary contract labor on our project sites to meet our project requirements.

While we believe that we maintain good relationships with our employees and contract labor, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may materially and adversely affect our business and results of operations.

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 materially and adversely impact our operations and financial condition.

**26. *We may be unable to keep pace with technical and technological developments in the industries in which we compete.***

To meet our clients' needs, we must continuously update existing, and develop new technologies for, our engineering construction services. In addition, rapid and frequent technology and market demand changes can often render existing technologies and equipment obsolete, requiring substantial new capital expenditures and/or write downs of assets. Our failure to anticipate or to respond adequately to changing technical, market demands and/or client requirements could materially and adversely affect our business and financial results.

**27. *Our know-how with respect to WTGs, coke-oven batteries and pipe rehabilitation equipment cannot be protected by registered intellectual property rights such as patents.***

We cannot obtain registered intellectual property protection for our know-how with respect to WTGs, coke-oven batteries and pipe rehabilitation equipment. We believe that this know-how gives us a significant competitive advantage. In order to help maintain the confidentiality of our technical knowledge, we maintain internal controls and systems and enter into confidentiality agreements with certain of our employees. We also require our suppliers to enter into non-disclosure agreements to limit access to and distribution of our proprietary and confidential information. However, if we are unable to maintain the confidentiality of our technical knowledge with respect to WTGs, coke-oven batteries and pipe rehabilitation equipment, it could have a material adverse effect on our business.

**28. *A significant part of our business transactions are with government entities or agencies.***

For fiscal 2005, 2006 and 2007 and the six months ended September 30, 2007, 28.0%, 16.2%, 12.6% and 17.5% of our revenue from operating activities, respectively, were derived from our government entities or agencies.

There may be delays associated with collection of receivables from government owned or controlled entities. Our operations involve significant working capital requirements and delayed collection of our receivables could materially and adversely affect our liquidity and results of operations. In addition, we may be subject to additional regulatory or other scrutiny associated with commercial transactions with government owned or controlled entities and agencies. In addition, for projects of value less than Rs. 1,000 million, government agencies in India may grant “purchase preference” to public sector construction companies whose bid for the project is within 10% of the lowest bidder, and give such public sector enterprises an option to match the lowest bid.

**29. *Our future profits will depend to a certain extent on the performance of our Associate companies.***

As at December 31, 2007, we had three operating Associate companies, namely Orient Green Power, Leitner Shriram and Ennore Coke. Through September 30, 2007, we have made aggregate investments of Rs. 152.53 million in these Associate companies, but did not receive any investment income generated from our share of the results of Associate companies. However, we expect that Orient Green Power and Leitner Shriram will both begin operations around April 2008. Although we have a certain degree of influence over our Associate companies, we do not have control over them or their daily operations and management. We cannot assure you that we will receive sufficient, or any, returns on our investments in our Associate companies. In the event that any of our Associate companies do not perform at expected levels or suffer any losses, our investment returns and financial position may be materially and adversely affected.

**30. *Our operations worldwide expose us to legal, political and economic risks in different countries as well as currency exchange rate fluctuations.***

During fiscal 2007 and the six months ended September 30, 2007, revenue attributable to our services provided outside of India was approximately 8.27% and 2.8% of our total revenue, respectively. Approximately 8.0% and 2.8% of our total revenue in fiscal 2007 and the six months ended September 30, 2007, respectively, was contracted in non-Rupee denominations, primarily U.S. dollars. We expect the percentage of revenue attributable to our non-Indian operations and the amount of non-Rupee denominated contracts to increase further as a result of our strategic focus in certain countries outside India. There are risks inherent in doing business internationally, including:

- imposition of governmental controls and changes in laws, regulations or policies;
- political and economic instability;
- changes in government trade policies affecting the markets for our services;
- changes in regulatory practices, tariffs and taxes;
- potential non-compliance with a wide variety of laws and regulations; and
- currency exchange rate fluctuations, devaluations and other conversion restrictions.

Any of these factors could have a material adverse effect on our business, results of operations or financial condition.

**31. *We may undertake strategic acquisitions or investments, which may prove to be difficult to integrate and manage or may not be successful.***

In the future, we may consider making strategic acquisitions of other engineering construction companies whose resources, capabilities and strategies are complementary to and are likely to enhance our business operations in the different geographical regions that we operate in. It is also possible that we may not identify suitable acquisition or investment candidates, or that if we do identify suitable candidates, we may not complete those transactions on terms commercially acceptable to us or at all. The inability to identify suitable acquisition targets or investments or the inability to complete such transactions may materially and adversely affect our competitiveness or our growth prospects.

If we acquire another company we could face difficulty in integrating the acquired operations. In addition, the key personnel of the acquired company may decide not to work for us. These difficulties could disrupt our

ongoing business, distract our management and employees and increase our expenses. There can be no assurance that we will be able to achieve the strategic purpose of such acquisition or operational integration or our targeted return on investment.

**32. *We may be unable to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business.***

We require certain statutory and regulatory permits and approvals for our business. For example, laws or regulations in some countries, including India, may require us to obtain licenses or permits in order to bid on contracts or otherwise conduct our operations. Some activities related to construction of our projects may be subject to the prior granting of environmental licenses or permits or to prior notification. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. For further information, please see the section titled "Government Approvals" beginning on page 232.

**33. *We have submitted claims to clients for work we performed beyond the scope of some of our contracts. We may not be able to recover the amounts of such claims.***

We typically have pending claims submitted under some of our contracts for payment of work performed beyond the initial contractual requirements for which we have already recorded revenue. These claims typically arise from changes in the initial scope of work or from delays caused by the client. These claims are often subject to lengthy arbitration or litigation proceedings. In general, we cannot guarantee that such claims will be paid, in part or at all. Project claims may continue in the future. We also face a number of counterclaims initiated against us by certain clients in connection with our project claims. If we are found liable for any of these claims, we would have to incur write downs and charges against our earnings to the extent a reserve is not established. As at December 31, 2007, we did not have any outstanding project claims made by us or outstanding counterclaims against us.

Failure to recover amounts under these claims and/or counterclaims could have a material adverse impact on our results of operations, liquidity and financial condition.

**34. *The grants of stock options under our Company's employee stock option scheme will result in charges to our Company's profit and loss account.***

Our Company adopted an employee stock option scheme ("ESOP 2006") in November 2006. The issuance of Equity Shares pursuant to the ESOP will be subject to compliance with all applicable laws and regulations. Our Company adopted, in September 2007, an employee stock option scheme ("ESOP 2007") in accordance with the provisions of the SEBI ESOP Guidelines. The ESOPs are administered by our Compensation Committee, which shall determine the terms and conditions of the stock options granted from time to time. There will be no further grants of options under the ESOP 2006. The aggregate number of Equity Shares to be issued under the ESOP 2007 will be not more than 500,000 and the exercise price will be as determined by the Compensation Committee subject to the SEBI ESOP Guidelines. As of December 31, 2007, a total of 1,737,618 options are outstanding under the ESOP 2006.

If the exercise price of the options is lower than the fair value of the Equity Shares as certified by independent accountants, the ESOP will result in a charge to our Company's profit and loss account equal to the product of the number of Equity Shares granted thereunder and the difference between the exercise price and the fair value, which will be amortized over the vesting period of the stock option.

**35. *Any further offerings of Equity Shares by us or the issue of Equity Shares pursuant to our ESOP may dilute your shareholding and affect the trading price of the Equity Shares.***

Any future equity offerings by us, or the issue of Equity Shares pursuant to exercise of stock options under the employee stock option plan, may lead to dilution of investor shareholding in our Company or affect the market price of the Equity Shares and could impact our ability to raise capital through an offering of our securities.

**36. *Our Company is involved in certain legal and regulatory proceedings that, if determined against us, could have a material adverse impact on us.***

We are involved in certain legal proceedings in relation to certain civil and taxation matters. We also have one criminal case pending against us. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. Should any new developments arise, such as a change in Indian law or rulings against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which could increase our expenses and our current liabilities. We can give no assurance that these legal proceedings will be decided in our favour.

In addition to the criminal proceeding, we have four civil suits pending against us with a consolidated claim of approximately Rs. 91.30 million and one writ petition pending against us. Furthermore, we have seven taxation cases with a consolidated claim of approximately Rs. 43.70 million pending against us. In addition, 15 suits have been filed against our Company in relation to the land that we have acquired for the development, sale and maintenance of WTGs. In all such suits, the plaintiffs have prayed for injunctions against the Company from erecting any windmills, partition of the said property and to remove the existing installations erected by our Company on the said land.

Our Company has filed five civil cases. For further details on the proceedings refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 225.

**37. *Our contingent liabilities could materially and adversely affect our financial condition.***

Our contingent liabilities consist of guarantees given by banks in support of our bids and ongoing engineering, procurement and construction project activities, letters of credit issued by banks and corporate guarantees given by us in favour of Grasim Industries Limited (Birla White Cement Division), Lakshmi Overseas Industries Limited and Union Bank of India on behalf of Ennore Coke Limited, an Associate company. As of September 30, 2007, an aggregate amount of Rs. 909.84 million of bank guarantees and letters of credit was outstanding. Other contingent obligations include Rs. 330.00 million in corporate guarantees given by us on behalf of Ennore Coke Limited to Union Bank of India to secure term loans and to Grasim Industries Limited and Lakshmi Overseas Industries Limited towards due performance of the contracts awarded to the Company. If these contingent liabilities materialise, fully or partly, our financial condition could be materially and adversely affected.

**38. *We may infringe on the intellectual property rights of others.***

While we take care to ensure that we comply with the intellectual property rights of others, we cannot determine with certainty whether we or our technology providers are infringing upon any existing third-party intellectual property rights which may force us to alter our technologies, obtain additional licenses or significantly cease some portions of our operations. We may also be susceptible to claims from third parties asserting infringement and other related claims. Regardless of whether such claims that we or our technology providers are infringing patents or other intellectual property rights have any merit, those claims could adversely affect our relationships with current or future clients, result in costly litigation, cause product shipment delays or stoppages, divert management's attention and resources, subject us to significant liabilities, require us to enter into additional royalty or licensing agreements or require us to cease certain activities.

An adverse ruling arising out of any intellectual property dispute could subject us to significant liability for damages, prevent us from using technologies or developing products, or require us to negotiate licenses to disputed rights from third parties. Although patent and intellectual property disputes in the technology area are often settled through licensing or similar arrangements, costs associated with these arrangements may be substantial and could include license fees and ongoing royalties, which could be prohibitively expensive. Furthermore, necessary licenses may not be available to us on satisfactory terms, if at all. Any of the foregoing could materially and adversely affect our business, results of operations and financial condition.

**39. *We plan to bid for Build, Own and Operate (BOO), Build, Operate and Transfer (BOT) and Build, Own, Operate and Transfer (BOOT) projects.***

As part of our business strategy, we plan to bid for BOO, BOT and BOOT projects in the future. BOO, BOT and BOOT projects may offer the potential benefit of relatively higher operating margins as compared to our other projects. However, the risks associated with undertaking BOO, BOT and BOOT projects can be substantial, including the risk of incorrect forecasts at the bid stage concerning income to be derived from the

constructed facility during the concession period and the risk of extended exposure to fluctuating economic conditions. Adverse deviations between actual volumes and projected volumes, delays in completion of related project components and increases in execution costs and interest costs, could result in significant loss of income. We could face substantial losses if we inaccurately forecast the return from the BOO, BOT and BOOT projects we intend to enter into or are unable to otherwise manage such BOO, BOT and BOOT projects.

**40. We do not own, and have no legal right to use, any trade names or trademarks.**

We do not have any copyright, trademark, trade name or other intellectual property right in or to the names or logos, including the “Shriram EPC Limited”, “Shriram EPC” or “SEPC” trade names or trademarks with the Trade Mark Registry. On July 25, 2007, we filed for the registration of our Company’s logo in class 37 and class 4 bearing application numbers 584549 and 584550, respectively. Also on July 25, 2007, we filed for the registration of the service mark “SHRIRAM EPC LIMITED” in class 37 and class 42 bearing application numbers 584547 and 584548. Our applications are pending approval. As a result, we can neither prevent the use of these names or variations thereof by any other party, nor ensure that we will continue to have a right of usage. We cannot assure you that third parties will not infringe upon our trademark and/or trade name in a manner that may cause damage to our business prospects, reputation and goodwill.

**41. Our Promoters have incurred losses in the past.**

Our Promoters, SIHPL and SAF, have incurred losses in the past. The losses incurred by SIHPL and SAF for fiscal 2007, fiscal 2006 and fiscal 2005 were as follows:

Name of the Promoter	(Amount in Rs. millions)		
	Fiscal 2005	Fiscal 2006	Fiscal 2007
SIHPL	(2.64)	(0.70)	0
SAF	(0.01)	0.01	0

**42. Our registered office and certain other premises from which we operate are not owned by us.**

We do not own but have taken on lease the premises on which our registered office and certain other offices are located. If any of the owners of these leased premises do not renew the agreements under which we occupy the premises on terms and conditions acceptable to us, or at all, we may suffer a disruption in our operations. For further details, see the section titled “Our Business – Properties” beginning on page 89.

**43. We may have to undertake actions that may involve the restructuring of our investment in our subsidiary, Hamon Shriram Cottrell Private Limited in case an adverse order is passed in the case filed by GEI Industrial Systems Limited against Compagnie Financiere Hamon and others.**

GEI Industrial Systems Limited had filed a petition before the Company Law Board against Compagnie Financiere Hamon and others, praying for restraining Hamon/or any subsidiary or group company from entering into any new joint venture and cancellation/termination of any existing joint venture. Our Subsidiary, Hamon Shriram Cottrell Private Limited, filed a caveat on August 28, 2007 before the High Court of Bombay, apprehending that GEI Industrial Systems Limited may file a suit against it. On November 2, 2007, GEI Industrial Systems Limited filed a complaint with SEBI for return/ cancellation of the Draft Red Herring Prospectus due to the non-disclosure of the risk factor regarding the suit filed by it against Compagnie Financiere Hamon and others. We filed our reply with SEBI on November 19, 2007 stating that our knowledge of the dispute was limited to the fact that a petition had been filed, but that we were not aware of the details and facts of the petition. We have also notified GEI Industrial Systems Limited in a letter dated December 10, 2007 stating that the petition filed by GEI Industrial Systems Limited had specifically impleaded only Compagnie Financiere Hamon and others and that neither our Company nor Hamon Shriram had been made party to the petition. In the event of an adverse decision against Hamon, Hamon may be asked to terminate the Hamon Shriram joint venture. In such event, we may have to undertake actions that may involve the restructuring of our investment in the joint venture, which may have an adverse effect on our business and financial position.

**Additional risks relating to our renewable energy Engineering Procurement and Construction (“EPC”) projects and our Wind Turbine Generator (“WTG”) business**

**44. *The decrease in or elimination of government initiatives and incentives relating to renewable energy may have a material adverse effect on the revenue from our renewable energy segment.***

For fiscal 2005, 2006 and 2007 and the six months ended September 30, 2007, revenue from our renewable energy EPC contracts, which includes the development and construction of biomass-based power plants, was Rs. 147.86 million, Rs. 407.65 million, Rs. 502.66 million and Rs. 507.56 million, respectively, which represented approximately 19.8%, 28.0%, 16.7% and 22.5% of our total consolidated income, respectively. For the same periods, revenue from our Wind Turbine Generator business was Rs. 61.63 million, Rs. 309.11 million, Rs. 1,079.79 million and Rs. 1,032.72 million, respectively, which represented approximately 36.6%, 34.0%, 35.9% and 46.42% of our total consolidated income, respectively. In addition, on 28 August 2007, we entered into a memorandum of understanding with Bessemer Venture Partners Trust with respect to its potential investment in Orient Green Power. Further, in November 2007, we entered into an agreement with BVP, pursuant to which the parties have agreed on the final structure of the parties respective investments in Orient Green Power. The business of Orient Green Power, through its operating subsidiaries, is to invest in and develop power generation assets across India based on biomass and other renewable energy technologies. As of December 31, 2007, we have invested Rs. 0.76 million into Orient Green Power. Upon completion of the respective investments in Orient Green Power, we will be the beneficial owner of 51% of the equity interest in the company] of the investment by Bessemer Venture Partners Trust, we expect to own a 48.7% equity interest in Orient Green Power.

In recent years, the Indian government has enacted legislation and has established policies that support the expansion of renewable energy sources and such support has been a significant contributing factor in the growth of the renewable energy sector. Support for investments in wind power and biomass-based power plants is provided through fiscal incentive schemes and public grants to the owners of wind power systems and biomass-based power plants, for example through preferential tariffs on power generated by wind farms and biomass-based power plants or tax incentives, including in respect of certain capital investments, and promoting investments in wind power and biomass-based power plants. Various state governments have also provided wind power generators and biomass-based power plants with wheeling facilities and have also allowed wind power generators and biomass-based power plants to bank power with the grid. 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 and biomass-based power plants in general. If this direct and indirect government support for renewable energy was terminated or reduced, this would make producing electricity from wind power and biomass-based power plants less competitive and reduce demand for new wind mills and biomass-based plants in India.

**45. *Changes in the statutory and regulatory framework governing the Indian power sector may have an adverse effect on our wind turbine generator business and renewable energy EPC projects.***

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 State Electricity Boards, 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 Government 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 have a material adverse effect on our financial condition and results of operations. For further details see the section titled “Regulations and Policies” beginning on page 91.

**46. *Our MW-class wind turbines are not yet established in the Indian market.***

We intend to manufacture and sell MW-class gearless wind turbines using Leitwind's proprietary permanent magnet technology. We expect to invest significant amounts over the next three years in producing and manufacturing these turbines. The technology for MW-class gearless wind turbines has yet to be tested in India and may not receive customer acceptance or the necessary governmental authorizations and certification. If this technology is not established in the Indian market, our results of operation and financial condition may be materially and adversely affected.

**47. *Certain tax benefits applicable to companies in the power sector may not be available in the future.***

Under Section 80-IA of the Income Tax Act, 1961, companies in the power sector (including our clients and Orient Green Power) are eligible for an exemption from tax on 100% of the profits and gains for a period of ten years beginning from the year in which the undertaking begins to operate the power generating facility. This benefit is available subject to the fulfillment of certain conditions prescribed under such section and no benefit under this section is available with respect to any undertaking for the assessment year beginning on April 1, 2010 and subsequent years, unless an amendment is made to the existing regulations. The non-availability of such income tax benefits may decrease the incentive for clients to build wind farms and biomass-based power plants, which could materially and adversely affect our business and results of operations.

**48. *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 materially and adversely affect our results of operations and financial condition.

**49. *The demand for wind power projects is primarily dependent on the demand for electricity.***

The demand for electricity in India and in international markets, such as southeast Asia and eastern Europe, is closely linked to economic growth in these regions countries. As the economy grows, economic activities, such as industrial production and personal consumption, also tend to expand, which increases the demand for electricity. Conversely, in economic downturns, such activities may decline or stagnate, causing demand for electricity to decrease. If either the Indian economy or the economies of the international markets in which we construct or intend to construct wind power plants do not continue to grow at their current rate, or if there is an economic downturn, demand for electricity generally and demand for renewable energy sources such as wind power particularly are likely to decrease. A sustained economic downturn would have a material adverse effect on our business, financial condition and results of operations.

**50. *The demand for wind power projects is dependent on the cost competitiveness of wind-generated electricity compared to electricity generated from other sources of energy, as well as on the reliability of wind patterns.***

The demand for wind power plants is dependent on the cost of wind-generated electricity compared to electricity generated from other sources of energy, including other renewable energy sources, fossil fuels and nuclear power. The cost of electricity produced by wind power plants is dependent on the cost of establishment of the wind power plants themselves, financing costs, maintenance costs and wind conditions at the designated site. The cost and availability of fossil fuels, such as oil, coal and gas, and renewable energy sources, such as flowing water, biomass and solar energy, are key factors in determining the cost-effectiveness of non-wind power generation. Cheaper and large supplies of fossil fuels and flowing water favor non-wind power generation. If wind-generated electricity becomes less cost-competitive as compared to electricity generated from other sources of energy, the demand for wind farms could be materially and adversely affected, which could materially and adversely affect our business prospects in the wind power industry, our business generally and our results of operations.

**51. *The terms of financing that our customers can obtain for wind power projects has a significant influence on our wind power business, financial condition and results of operations.***

Wind power farms require high initial capital investment. Our customers are generally required to obtain financing. Therefore, the ability of our customers to obtain financing for investments in wind power on commercially acceptable terms has a significant influence on our ability to sell WTGs. Higher interest rate levels will cause the costs of investing in wind power to increase, thus making wind power a less attractive investment proposition. Factors having an adverse impact on the financing terms for wind power farms therefore influence our opportunities for selling our products and could materially and adversely affect our business, financial condition and results of operations.

The ability to obtain financing for a wind power project also depends on the willingness of banks and other financing institutions to provide loans to the wind power industry, including their willingness to participate in financing of large wind power projects. If lenders decide to reduce their exposure to the wind power industry or to one or more suppliers of WTGs, this could have a material adverse effect on our business, financial condition and results of operations.

**52. *Growth of the wind energy market depends largely on the availability and size of government subsidies and economic incentives.***

At present, the cost of wind energy exceeds the cost of conventional power generation in many locations around the world. Various governments have used different policy initiatives to encourage or accelerate the development and adoption of wind energy and other renewable energy sources. Renewable energy policies are in place in India, the European Union, most notably Germany and Spain, certain countries in Asia, including China, Japan and South Korea, Australia and the United States. Examples of government sponsored financial incentives include capital cost rebates, feed-in tariffs, tax credits, net metering and other incentives to end-users, distributors, system integrators and manufacturers of wind energy products to promote the use of wind energy and to reduce dependency on other forms of energy. Governments may decide to reduce or eliminate these economic incentives for political, financial or other reasons. Reductions in, or eliminations of, government subsidies and economic incentives before the wind energy industry reaches a sufficient scale to be cost-effective in a non-subsidized marketplace could reduce demand for our WTGs and materially and adversely affect our business prospects and results of operations.

**53. *We may not be able to obtain an adequate supply of components to manufacture our WTGs.***

The principal components required for the manufacture of our WTGs include gear boxes, generators, towers, materials for rotor blades bearings, castings and controllers, most of which are sourced in India. We have not entered into long-term supply agreements with suppliers of bearings, gear boxes and generators. We generally place orders for WTG components with our suppliers in advance (e.g., five to six months for bearings and one to two months for other components) to ensure timely supply. Additionally, we have in the past placed orders up to 18 months prior to expected delivery (and prior to receipt of firm orders for WTGs) in order to secure favourable pricing terms. Although we have not in the past experienced any material problems in sourcing the principal components for our WTGs, we cannot assure you that the primary suppliers of components for our WTGs will continue to supply such components to us in the quantities we need, that meet our quality requirements, and at the prices expected by us. If we are unable to procure the requisite quantities of components and at the prices that we expect, the performance of our business and results of operations may be materially and adversely affected.

**54. *We have little operating history in developing and building bio-ethanol production plants.***

We have recently begun to develop and build bio-ethanol production plants with no history of successful execution of such projects. Most of our management has little or no experience in developing and building a bio-ethanol production plant, even though they have experience in other types of EPC projects, including developing and building biomass-based power plants. We are presently, and likely to be for some time, dependent on the technical knowledge and expertise of our international partners, which have substantially more experience in building and running ethanol plants. Our ability to succeed in this new type of project may be hampered by unforeseen expenses, difficulties, complications and delays frequently encountered by the commencement of operations of a new business. We cannot assure you that we can manage such projects effectively. Any failure to manage such projects effectively could delay our ability to meet our clients' requirements and delay our ability to generate revenue from such projects, which could have a material adverse impact on our business, financial condition and results of operations.

**55. *Our cement, coal gasification and bio-ethanol businesses may not be sustainable.***

We have won orders for the execution of a cement plant in India, a coal gasification plant in India and bio-ethanol plant in Europe on a cost plus basis based on our experience in other areas. However, we have no track record of execution of EPC contracts in these segments. Accordingly, our current EPC orders in cement, coal gasification and bio-ethanol may be one-off contracts and may not result in sustainable business.

**56. *We or our clients may not be able to identify suitable land and obtain the development rights needed to build and develop wind farms and biomass-based power plants.***

The viability of wind power projects is dependent on the wind patterns, which vary based on location and time. Our ability to execute future wind farm projects will depend on our and our clients' ability to identify and obtain access to suitable parcels of land for development of wind farms. Our ability to obtain access to suitable parcels of land can be affected by a variety of factors, including location, the willingness of landowners to sell or develop the land, the availability and cost of financing, obtaining governmental permits and approvals for the development of wind farms and competition from other potential buyers of land. Some of those factors are beyond our control. Any failure to identify and obtain access to suitable parcels of land for development of wind farms in a timely manner may reduce the number of wind farm projects that we can undertake and thereby affect our business, prospects, financial condition and results of operation.

Our business plan focuses in part on designing, engineering and construction of thermal biomass-based power plants for our clients. Biomass-based power plants require constant and consistent supply of biomass within close proximity of the plant. Our clients may be unable to identify and secure suitable plant locations or obtain the development rights for such property. If our clients are unsuccessful in identifying and obtaining development rights on suitable properties for building biomass-based power plants and bio-ethanol production plants, our business and results of operations may be materially and adversely affected.

**57. *The construction and operation of wind power projects is subject to extensive governmental regulations, including environmental controls, and changes in these regulations could have a material adverse effect on our business, financial condition and results of operations.***

Many countries, including India, have introduced legislation governing the manufacture, erection, operation and decommissioning of WTGs, including compliance with procedures relating to the acquisition of land to be used for wind power plants, compliance with relevant planning regulations and approvals for the commencement of a wind power project, including clearances from environmental regulators. Further, the extraction activities on land used for wind farms and the refining and consumption of raw materials used in the manufacture of WTGs, the impact of noise pollution from manufacturing facilities and noise from the transport to and from production sites are subject to regulation. In the event legislation and regulation relating to the foregoing activities are made more stringent, such as increasing the requirements for obtaining approvals or meeting government standards, this could result in changes to the infrastructure necessary for wind power projects and the technical requirements for WTGs and the methods used to manufacture them, increasing the costs related to changing production methods in order to meet government standards and increasing penalties for non-compliance.

**58. *Decreases in ethanol and gasoline prices could adversely affect the attractiveness of bio-ethanol production plants.***

Prices for ethanol products can vary significantly over time. The price of ethanol has some relation to the price of gasoline. The price of ethanol tends to increase as the price of gasoline increases, and the price of ethanol tends to decrease as the price of gasoline decreases. When gasoline prices are at elevated levels, ethanol can be produced for a cost that is economically practical when compared to the cost to produce gasoline. In the event that the price of gasoline decreases, especially in relation to the price of ethanol, the attractiveness of and the market for building new bio-ethanol production plants could decrease, which could materially and adversely affect our business and results of operations.

**59. *As ethanol production in India continues to grow, ethanol supply may exceed demand causing ethanol prices to decline and the market for ethanol plants to be reduced.***

The number of ethanol plants being developed and constructed in India continues to increase at a rapid pace. As these plants begin operations, we expect domestic ethanol production to significantly increase. If the demand for ethanol does not grow at the same pace as increases in supply, we would expect the price for ethanol to decline.

Declining ethanol prices will result in lower revenues for producers of ethanol, which would reduce the market for new ethanol plants.

**60. *Imported ethanol may be a less expensive alternative to ethanol produced in India.***

A portion of the ethanol consumed in India is imported. Imported ethanol may be a less expensive alternative to domestically produced ethanol. Competition from imported ethanol may affect the market for new ethanol plants in India.

**Additional risks applicable to our municipal services business segment**

**61. *During the six months ended September 30, 2007, we incurred a gross loss from our municipal services business segment.***

For the six months ended September 30, 2007, our revenue from our municipal services projects, which includes engineering and construction services for water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation, was Rs. 87.00 million. For such period, our operating expenditure related to our municipal services projects was Rs. 110.43 million, which resulted in a gross loss of Rs. 23.43 million. We cannot assure you that we will not continue to sustain losses in this segment. If such losses continue, it may have a material adverse effect on our results of operations.

**62. *Any adverse change in local government policies with respect to municipal services or a reduction in government budgetary allocations for municipal services may have a material adverse effect on our business and our results of operations.***

For fiscal 2005, 2006 and 2007 and the six months ended September 30, 2007, our revenue from our municipal services projects represented approximately 35.0%, 16.0%, 6.7% and 3.9% of our total consolidated revenue, respectively. The demand for our services for these projects is primarily dependent on local government policies relating to municipal services and on budgetary allocations made by governments for such projects. Investment by the private sector in water treatment projects is dependent on the potential returns from such projects, which is linked to government policies relating to private sector participation and sharing of risks and returns from such projects. Any adverse change in government policies with respect to municipal services or a reduction in government budgetary allocations for municipal services may have a material adverse effect on our business and our results of operations.

**63. *The success of our municipal services business is dependent on third party trenchless pipe rehabilitation technology that may not gain widespread market acceptance among our municipal services clients.***

We market and implement trenchless pipe rehabilitation solutions based on Ribloc™ technology, which is licensed from CPT, and pipe bursting technology, which is licensed from Perco. Such technology is relatively new in India and competes with other forms of pipe rehabilitation solutions, such as conventional excavation, that currently are more prevalent in India. Our trenchless pipe rehabilitation solutions and the technology on which they are based may not achieve widespread market acceptance. The success of our municipal services business will depend on our ability to market our trenchless pipe rehabilitation solutions to local governments on terms and conditions acceptable to us and to establish and maintain successful relationships with various municipal governments and agencies.

We believe that market acceptance of our trenchless pipe rehabilitation solutions and licensed technology and the related success of our municipal services business will depend on many factors, including:

- the perceived advantages of our trenchless pipe rehabilitation solutions over competing pipe rehabilitation solutions;
- the pricing and cost-effectiveness of our trenchless pipe rehabilitation solutions;
- our ability to access local governments and regulatory agencies that may use our solutions;
- the effectiveness of our sales and marketing efforts;

- publicity concerning our trenchless pipe rehabilitation solutions and licensed technology or competitive solutions; and
- our ability to provide effective service in connection with our trenchless pipe rehabilitation solutions to our customers' satisfaction.

If our trenchless pipe rehabilitation solutions or licensed technology fail to gain market acceptance or if new technologies are introduced by others that are more favorably received than our technology, are more cost-effective or otherwise render our technology obsolete, we may experience a decline in demand for our trenchless pipe rehabilitation solutions. If we are unable to market and sell our trenchless pipe rehabilitation solutions successfully, our revenues would decline and our results of operations and prospects would be materially and adversely affected.

**64. *Our municipal services business relies on intellectual property licensed from third parties.***

The success of our municipal services business relies on trenchless pipe rehabilitation technology based on Ribloc™ technology, which is licensed from CPT, and pipe bursting technology, which is licensed from Perco. CPT and/or Perco may not be able to adequately protect and maintain the value of their intellectual property rights licensed to us. Any failure by the licensors to protect their intellectual property rights, or any failure to renew our licenses to use such technology on commercially reasonable terms, or at all, could have a material adverse effect on our business, results of operations or financial condition.

**Additional risks for the power generation business (Orient Green Power)**

**65. *Orient Green Power has no operating history.***

Orient Green Power does not have an operating history in its contemplated power generation business and, to date, has not earned any revenues in connection with that business. It is expected to begin operations only around April 2008. Accordingly, it may be difficult to assess or evaluate its business prospect or its ability to achieve its business objectives. Orient Green Power is subject to all the business risks associated with a new enterprise, including, but not limited to, risks of unforeseen capital requirements, failure of market acceptance, failure to establish business relationships and competitive disadvantages against larger and more established companies. If it cannot successfully address these risks, its business and anticipated results of operations and financial condition would suffer, and our Company may lose some or all of its investment in Orient Green Power.

**66. *Orient Green Power's operations have significant biomass fuel requirements and it may not be able to ensure availability of such fuel at competitive prices.***

The success of Orient Green Power's operations, and the proposed expansion of its generation capacity, will be dependent on, among other things, its ability to source sufficient quantities of biomass fuels at competitive prices during the life cycle of its existing and planned biomass-based power stations. Orient Green Power has not entered into any long-term supply contracts for the procurement of biomass. Orient Green Power may be unable to obtain sufficient quantities of biomass from suppliers on acceptable terms and conditions. Biomass fuel constraints may affect Orient Green Power's ability to generate electricity in its existing power plants and affect its capacity addition plans, which could materially and adversely affect the growth prospects, results of operations and financial condition of Orient Green Power.

**67. *Orient Green Power's electricity generating facilities are subject to operational risks that could result in unscheduled plant outages, unanticipated operation and maintenance expenses and increased power purchase costs.***

Operation of electricity generating facilities involves risks associated with thermal power generation that could adversely affect energy output and efficiency levels. All of Orient Green Power's planned generating capacity is renewable energy-based, principally biomass-based. Orient Green Power relies on a number of suppliers of biomass, making it vulnerable to increased prices for biomass fuel in the event of unanticipated interruptions in fuel supply, or increased prices for biomass transportation from its suppliers. Operational risks also include facility shutdowns due to breakdown or failure of equipment or processes, labor disputes, operator error and catastrophic events such as fires, explosions, floods, intentional acts of destruction or other similar occurrences affecting the electric generating facilities.

**68. *An increase in transport costs may materially and adversely affect the cost of biomass materials required for power generation.***

Transport costs, which are a major component of total costs in the operation of biomass-based power plants by Orient Green Power, and indirectly affect numerous other areas of our business. An increase in transport costs could increase the cost of biomass materials required for power generation, which could materially and adversely affect the results of operation and financial condition of Orient Green Power.

**69. *Orient Green Power is subject to extensive governmental regulations that affect its industry and operations.***

Orient Green Power's operations are subject to extensive laws and regulations concerning taxes, service areas, tariffs, rates, issuances of securities, employment, occupational health and safety, protection of the environment and other matters. In addition, Orient Green Power is required to obtain and comply with a wide variety of licenses, permits and other approvals in order to operate its facilities, including the generation and sale of biomass-based electricity. In the course of complying with these requirements, Orient Green Power may incur significant costs. If it fails to comply with these requirements, then it could be subject to civil or criminal liability and the imposition of liens or fines. In addition, existing regulations may be revised or reinterpreted, new laws, regulations, and interpretations thereof may be adopted or become applicable to Orient Green Power and future changes in laws and regulations may have a detrimental effect on its business.

**70. *The power generation business is subject to extensive environmental laws and regulations and potential environmental liabilities, which could result in significant costs and liabilities.***

The power generation business is subject to extensive laws and regulations imposed by government authorities, including the Ministry of Environment and Forests and the State Pollution Control Board, in the ordinary course of operations with regard to the environment, including environmental laws and regulations relating to air and water quality, solid waste disposal and other environmental considerations. Possible future developments, including the promulgation of more stringent environmental laws and regulations and the timing of future enforcement proceedings that may be taken by environmental authorities could affect the costs and the manner in which Orient Green Power conducts its business and could require Orient Green Power to make substantial additional capital expenditures.

Many of these environmental laws and regulations create permit and license requirements and provide for substantial civil and criminal fines which, if imposed, could result in material costs or liabilities. We cannot predict with certainty the occurrence of public or private claims for damages associated with specific environmental conditions. Orient Green Power may be required to make significant expenditures in connection with the investigation and remediation of alleged or actual spills, personal injury or property damage claims, and the repair, upgrade or expansion of its facilities in order to meet future requirements and obligations under environmental laws.

Environmental laws and regulations require Orient Green Power to incur certain costs, which could be substantial, to operate existing facilities, construct and operate new facilities, and mitigate or remove the effect of past operations on the environment. Governmental regulations establishing environmental protection standards are continually evolving, and, therefore, the character, scope, cost and availability of the measures Orient Green Power may be required to take to ensure compliance with evolving laws or regulations cannot be predicted. To the extent that environmental liabilities are greater than Orient Green Power's insurance coverage or Orient Green Power is unsuccessful in recovering anticipated insurance proceeds under the relevant policies, Orient Green Power's results of operations and financial condition could be materially and adversely affected.

**71. *Orient Green Power will be dependent on its subsidiaries for all of its income.***

Orient Green Power will be a holding company with majority or 100% equity interests in operating companies that operate individual power plants. Therefore, its income will be dependent on the receipt of dividends from its subsidiaries and income from their operations and maintenance of power plants. As a result, in the event of non-receipt of dividends from its subsidiaries, Orient Green Power may have insufficient income at the holding company level to issue dividends to its shareholders, including our Company, or to meet its operating expenses.

## **External Risk Factors**

### ***72. Our business could be materially and adversely impacted by economic, political and social developments in India.***

Our performance and growth are dependent on the health of the Indian economy. The Indian economy 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 the Indian economy could materially and adversely impact our business, our results of operations and our financial condition.

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

Since 1991, successive Indian governments have pursued policies of economic liberalization, including significantly relaxing restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The leadership of India has changed many times since 1996. The current central government, which came to power in May 2004, is headed by the Indian National Congress and is a coalition of several political parties. Although the current government has announced policies and taken initiatives that support the economic liberalization policies that have been pursued by previous governments, the rate of economic liberalization could change, and specific laws and policies affecting real estate, foreign investment and other matters affecting investment in our securities could change as well.

### ***74. Terrorist attacks or war or conflicts involving India or other countries could adversely affect business sentiment and the financial markets and adversely affect our business.***

Incidents such as the September 11, 2001, terrorist attacks on New York and Washington D.C., and other recent incidents such as in Bali, Indonesia, Madrid, Spain, London, UK, and New Delhi, India may adversely affect global equity markets and economic growth as well as the Indian economy and stock markets. Such acts negatively impact business and economic sentiment, which could materially and adversely affect our business and profitability.

Also, India has from time to time experienced, and continues to experience, social and civil unrest and hostilities with neighboring countries. Armed conflicts, particularly between India and Pakistan, could disrupt communications and adversely affect the Indian economy. Such events could also create a perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares. The consequences of any armed conflicts are unpredictable, and we may not be able to foresee events that could have an adverse effect on our business.

### ***75. We are subject to risks arising from interest rate fluctuations.***

Changes in interest rates could significantly affect our financial condition and results of operations. As at December 31, 2007, Rs. 1,177.72 million of our borrowings were at floating rates of interest. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may materially and adversely impact our results of operations, planned capital expenditures and cash flows.

### ***76. Our operations are sensitive to weather conditions.***

Our operations are also adversely affected by difficult working conditions and extremely high temperatures during summer months and during monsoon which restrict our ability to carry on construction activities and fully utilize our resources. Since we record revenues on the percentage of completion method and revenues are not recognized until there is reasonable progress on a contract, revenues recorded in the first half of our financial year between April and September are traditionally less compared to revenues recorded during the second half of our financial year. During periods of curtailed activity due to adverse weather conditions, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced.

## **Risks Relating to the Issue and the Equity Shares**

### ***77. A substantial portion of the Net Proceeds of the Issue may be used to create tangible assets.***

We intend to use up to Rs. 76.69 million of the Net Proceeds of the Issue to make investments in capital equipment to meet the requirements of our various projects. We intend to use the remaining proceeds of the Issue for equity investment in our Subsidiary and Associate companies and for general corporate purposes. Accordingly, a substantial portion of the Net Proceeds of the Issue may be used to create tangible assets. Tangible assets, such as capital equipment, are by nature relatively illiquid and create a certain amount of inflexibility with respect to the deployment of Company resources. Company funds used to invest in tangible assets would not be easily re-deployable by the Company for other uses in a short timeframe. In the event that the Company requires additional funding due to changes in business plans, new business opportunities or other reasons, the Company may need to raise additional debt or equity financing if it cannot convert its existing fixed assets to liquid resources in a timely manner. For more information relating to the use of proceeds, see the section titled “Objects of the Issue” beginning on page 34.

### ***78. Our Promoters will continue to retain majority control in our Company after the Issue, which will enable them to influence the outcome of matters submitted to shareholders for approval.***

Upon completion of the Issue, members of the Promoter group will beneficially own approximately 38.39% of our post-Issue equity share capital. As a result, the Promoter group will have the ability to control our business including matters relating to any sale of all or substantially all of our assets, the timing and distribution of dividends and the election or termination of appointment of our officers and directors. This control could delay, defer or prevent a change in control of our Company, impede a merger, consolidation, takeover or other business combination involving our Company, or discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of our Company even if it is in our Company’s best interest. In addition, for so long as the Promoter group continues to exercise significant control over our Company, they may influence the material policies of our Company in a manner that could conflict with the interests of our other shareholders. The Promoter group may have interests that are adverse to the interests of our other shareholders and may take positions with which we or our other shareholders do not agree.

### ***79. Certain shareholders also have rights to nominate directors on our Company’s Board under certain circumstances.***

We have entered into certain investment agreements, namely the UNO Investment Agreement, the Bessemer Investment Agreement and the UTI Investment Agreement. Each of these investment agreements provides for the right of the respective investor to nominate one director on our Board who will be a non-retiring director and who will have all rights and privileges as any of the other directors on our Board. Although these investment agreements will terminate upon completion of this Issue, the right to appoint the nominee director by each of the investors will survive such termination at the option of the respective investors so long as each investor continues to hold 5% of our issued and paid-up share capital.

### ***80. Any further issuance of Equity Shares by our Company or sales of the Equity Shares by any of our significant shareholders may adversely affect the trading price of the Equity Shares.***

Any future issuance of our Equity Shares by our Company could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders, including Bessemer Venture Partners Trust, UNO Investments and UTI-IAS 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. Upon completion of the Issue, 20% of our post-Issue paid-up capital held by our Promoters will be locked up for a period of three years from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked up, please see Notes to the Capital Structure in the section “Capital Structure” beginning on page 25. Other than Equity Shares locked in for three years, as discussed above, all other remaining Equity Shares that are outstanding prior to the Issue will be locked up for a period of one year from the date of allotment of Equity Shares in the Issue.

**81. *The price of our Equity Shares may be volatile, or an active trading market for our Equity Shares may not develop.***

Prior to this Issue, there has been no public market for our Equity Shares. The trading price of our Equity Shares may fluctuate after this Issue due to a variety of factors, including our results of operations and the performance of our business, competitive conditions, general economic, political and social factors, volatility in the Indian and global securities markets, the performance of the Indian and global economy and significant developments in India's fiscal regime. There can be no assurance that an active trading market for our Equity Shares will develop or be sustained after this Issue, or that the price at which our Equity Shares are initially offered will correspond to the prices at which they will trade in the market subsequent to this Issue.

**82. *You will not be able to sell immediately on an Indian stock exchange any of the Equity Shares you purchase in the Issue.***

The Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two working days of the date on which the basis of allotment is approved by NSE and BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within seven working days of the date on which the basis of allotment is approved by the Designated Stock Exchange. We cannot assure that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above.

**Notes to Risk Factors**

- Public Issue of 5,000,000 Equity Shares of Rs. 10 each for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million. The Issue would constitute 11.66 % of the fully diluted post issue paid-up capital of the Company.
- In terms of Rule 19 (2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue will be allocated on a proportionate basis to Qualified Institutional Buyers, 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 Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, up to 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and up to 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.
- Our net worth was Rs. 1,705.73 million as of March 31, 2007 and Rs. 1,819.59 million as of September 30, 2007 as per our restated unconsolidated financial statements included in this Red Herring Prospectus. The net worth of the Company was Rs. 1,704.25 million as of March 31, 2007 and Rs. 1,874.45 million as of September 30, 2007 as per our restated consolidated financial statements included in the Red Herring Prospectus.
- The net asset value per Equity Share of Rs. 10 each was Rs. 75.55 as at March 31, 2007 and Rs. 48 .05 as of September 30, 2007, as per our restated unconsolidated financial statements included in this Red Herring Prospectus. The net asset value per Equity Share of Rs. 10 each was Rs. 75.48 as of March 31, 2007 and Rs. 44.85 as of September 30, 2007 as per our restated consolidated financial statements included in this Red Herring Prospectus.
- The average cost of acquisition of our Equity Shares by our Promoters is Rs. 10 per Equity Share. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by us.
- Except as disclosed in "Capital Structure" beginning on page 25, we have not issued any shares for consideration other than cash.
- For related party transactions, see the section titled "Related Party Transactions" beginning on page 129.

- For further information on changes in the Company’s name, see the section titled “History and Certain Corporate Matters” beginning on page 96.
- Our Promoter, Directors and Key Managerial Personnel are interested in our Company by virtue of their shareholding, if any, in our Company. For further information on the interests of Promoters and Directors, see “Capital Structure” and “Our Management” beginning on page 25 and page 110, respectively.
- Investors may note that in case of over-subscription in the Issue, 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 Allotment” beginning on page 270.
- Any clarification or information relating to the Issue shall be made available by the GCBRLM, the BRLM, the CBRLM 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. Potential investors are free to contact the GCBRLM, the BRLM and the CBRLM, who will be obliged to provide such clarification or information to potential investors.
- Potential investors may contact the GCBRLM, the BRLM, the CBRLM and the Syndicate Members for any complaints pertaining to the Issue.
- Investors are advised to see the section titled “Basis for Issue Price” beginning on page 39.
- Our Company was incorporated on June 12, 2000 for the purpose of carrying on the business of engineering, procurement and construction. Pursuant to the provisions of Section 391 to 394 of the Companies Act and pursuant to an order of the High Court of Madras dated July 22, 2005, Shriram Engineering Construction Company Limited was merged with our Company with effect from April 1, 2004, since both companies were in the same line of business, namely, construction engineering. Shriram Engineering Construction Company Private Limited was originally incorporated as Shriram Construction Company Private Limited on June 3, 1982. The name of the company was subsequently changed to Shriram Engineering Construction Company Private Limited on April 24, 1991.

Trading in Equity Shares of our Company for all investors shall be in dematerialised form only.

## SECTION III – INTRODUCTION

### SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

#### Overview

We are one of the leading service providers of integrated design, engineering, procurement, construction and project management services for renewable energy projects, process and metallurgical plants and municipal services sector projects throughout India, and one of India's leading 250KW wind turbine generator ("WTG") manufacturers. Our engineering, procurement and construction business is focused on providing integrated turnkey solutions for biomass-based power plants, bio-ethanol production plants, process and metallurgy plants (including thermal power plants), water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation. Our WTG business has been focused on developing, manufacturing, erecting and commissioning 250KW WTGs, and is currently developing megawatt-class WTGs through Leitner Shriram Manufacturing Limited ("Leitner Shriram"), an Associate company.

We are headquartered in Chennai (formerly known as Madras), Tamil Nadu, with other offices in Mumbai, New Delhi, Kolkata and Beijing, and WTG and cooling tower factories in Puducherry, Chennai and Umbergaon (Gujarat). Our core services include detailed design and engineering, material procurement and overall project and construction management services. Our businesses are categorized into two segments – engineering, procurement and construction ("EPC") projects and development, sale and maintenance of WTGs. Our EPC business focuses on renewable energy, process and metallurgy and municipal services projects. Our EPC project experience and footprint reach across 16 states in India, and internationally in Zambia and France. We have completed wind energy projects for our WTG business throughout India, particularly south India.

Our renewable energy EPC projects primarily consist of biomass-based power projects, co-generation power projects and bio-ethanol plant projects. We believe that our experience and technical expertise in renewable energy provides us with a platform to take advantage of the growing demand for alternative power and fuel sources in India and abroad.

For our process and metallurgy EPC projects, we are focused on providing turnkey solutions for iron and steel, cement, aluminum, copper and thermal power plants. We have completed and are working on various projects, including the design, engineering and construction of blast furnace auxiliaries, rolling mills, aluminum refining, copper smelting, thermal power plants, cement plants, and coke oven batteries. We have also begun a project involving the design, engineering and construction of a coal gasification (producer gas) plant. We also provide cooling tower and air pollution control solutions for various energy and industrial applications through a joint venture with a leading international partner.

Our municipal services EPC projects principally consist of the design and implementation of turnkey design-build environmental projects for water and wastewater distribution, water and sewage treatment and pipe rehabilitation. We provide advanced pipe rehabilitation solutions utilizing certain technologies that allow for trenchless renovation, rehabilitation and/or repair of water and sewer pipes without the need for excavation, including MSWL using Rib loc™ technology, CIPP lining, GRP lining and pipebursting technologies. We are the licensee in India of CPT's Rib loc™ technology and Perco Engineering Services Ltd's (UK) EXPANDIT™ pipebursting technology. We also work with Angerlehner, Austria on specific projects using their GRP technology.

Our WTG business is focused on providing integrated solutions for our clients in India and abroad, which include the development and manufacture of WTGs, identification of suitable sites for wind farms, technical planning, infrastructure development, installation and commissioning of WTGs, connection to power grids and after-sale operations and maintenance ("O&M") services for WTGs supplied by us.

We usually enter into EPC contracts through a competitive bidding process for our process and metallurgy and municipal services business projects. Contracts for renewable energy projects (e.g, biomass-based power plants) and the sale of WTGs are generally entered into on a negotiated basis. Some notable private sector/multinational clients include Madras Aluminum Company Limited, Vedanta Aluminum Limited, Grasim Industries Limited and JSW Steel Limited, for whom we have completed process and metallurgy and power projects. We have worked on projects for government/public sector clients, such as SAIL, TWAD, Gujarat Water Supply and Sewerage Board, Ahmedabad Urban Development Authority and Bharat Heavy Electrical Limited. We have also exported one WTG to Thailand. Currently, we are executing one gas cleaning project in

Zambia for Konkola Copper Mines plc. Our consolidated order book stood as on December 31, 2007 at Rs. 22,791.77 million.

We also have investments in Associate companies engaged in the manufacture of WTGs, renewable power generation and manufacture of metallurgical coke, namely Leitner Shriram Manufacturing Limited, Orient Green Power Limited and Ennore Coke Limited, respectively.

As of December 31, 2007, our Company had 589 full-time employees and 54 long-term consultants. We believe that our management and employee resources, with their accumulated experience and technical capabilities, enable us to successfully implement modern engineering and construction methodologies and strong project management practices. We have received the ISO 9001:2000 certification for the quality management system we use in the design and construction of wind turbine generators (WTGs).

In the years ended March 31, 2004, 2005, 2006 and 2007, and the six months ended September 30, 2007, our consolidated income was Rs. 218.89 million, Rs. 745.74 million, Rs. 1,455.04 million, Rs. 3,005.73 million and Rs. 2,251.21 million, respectively, and our consolidated restated net profit was Rs. (0.62) million, Rs. 15.94 million, Rs. 64.92 million, Rs. 140.63 million and Rs. 104.37 million, respectively. The respective contributions to our consolidated income of our two business segments for the fiscal years 2004, 2005, 2006 and 2007 and the six months ended September 30, 2007 are set forth below:

(Rs. in million)

Segment	Fiscal year ended March 31,				
	Six months ended September 30, 2007	2007	2006	2005	2004
<b>Engineering, Procurement and Construction Contracts</b>					
- Renewable Energy	507.56	502.66	407.65	147.86	63.81
- Process and Metallurgy	597.56	1,176.25	309.11	61.63	154.78
- Municipal Services	87.00	198.47	233.49	260.41	-
Total Engineering and Construction Contracts	1,192.12	1,877.38	950.26	469.90	218.59
Development, sale and maintenance of wind turbine generators	1,032.72	1,079.79	495.08	272.83	-
<b>TOTAL REVENUE</b>	<b>2,224.84</b>	<b>2,957.17</b>	<b>1,445.34</b>	<b>742.74</b>	<b>218.59</b>

### Our Strengths

We believe we have distinct and different competitive strengths in each of our businesses, including the following:

#### *Ability to execute large and complex projects on a turnkey basis in a timely and cost-effective manner*

We undertake most of our EPC and WTG projects on a turnkey basis, in which we provide customized solutions from conceptualization to engineering and manufacturing to commissioning to meet the specialized needs of our public and private sector clients. We have in the past executed projects on time or prior to the scheduled completion date. There have been no instances where our performance guarantees have been invoked by our clients. Similarly, due to the effectiveness of our cost analysis procedures, we generally have been able to predict the estimated costs of our projects fairly accurately at the time of bidding, which has allowed us to complete our projects within the stipulated budgets. Our demonstrated ability to execute turnkey projects in a timely and cost-effective manner, and to deliver on clients' expectations, is a competitive advantage that factors into our ability to pre-qualify for projects and to maintain strong client relationships.

### ***Strong strategic alliances and partnerships with leading international companies***

We believe that our ability to identify, develop and forge strategic alliances and partnerships with leading international companies is a significant strength of ours. These alliances and partnerships allow us to exploit technologies and expertise developed by our partners. We believe that such alliances and partnerships allow us to leverage the combination of our partners' technologies with our project management, engineering and construction capabilities as well as our knowledge of the market and customers in order to provide effective solutions for clients.

We have signed joint venture agreements with Leitwind to form the Shriram Leitwind and Leitner Shriram joint ventures to manufacture and market WTGs incorporating technologies developed and owned by Leitwind for sale in India and southeast Asia, and with Hamon Group to form the Hamon Shriram joint venture to provide turnkey engineering, procurement and construction solutions for cooling towers and air pollution control systems in India and the surrounding region. Leitwind is one of the leading developers of cable car systems, ropeways, ski lifts and snow groomers with turnover of €592 million in 2006. Hamon Group is a 100-year old company and a leading specialist in the design, engineering, manufacture, and erection of cooling systems, heat exchangers, air pollution control systems and chimneys with turnover of €354 million in 2006.

We have also signed a memorandum of understanding with Strategic Engineering Private Limited, a company engaged in the manufacture of glass-fibre reinforced plastic (GRP) pipes, pipe fittings and tanks ("Strategic"), pursuant to which the Company and Strategic would form a joint venture to manufacture GRP pipes. We believe that this business would be complementary to our municipal services business (particularly, water management projects) and other infrastructure-related projects that involve the movement of liquids under high pressure. As of December 31, 2007, the joint venture has not been set up.

We have also entered into license agreements with (i) CPT for use of the Ribloc™ technology in India, (ii) Perco for exclusive use of their EXPANDIT™ pipebursting technology in India, (iii) CPT to use their CIPP lining and (iii) Angerlehner to use their GRP lining technology for specific projects.

For certain process and metallurgy projects, we seek to form project-specific alliances with international partners where we believe that the combined resources, technology and expertise of the alliance enhance its ability to pre-qualify for and win the bid for the project. We are currently working with (i) Danieli, Italy for rolling mill contracts for major steel producers in India, (ii) Waterbury, Canada for a stainless steel mill for an integrated steel plant, (iii) SSIT, China for coal dust injection, (iv) Envirotherm GmbH of Germany on coal gasification, and (v) Beltran, USA for wet electrostatic precipitators.

### ***Highly qualified and experienced management and employee base with strong project execution skills***

Our management team is well qualified and has significant experience in most aspects of our business. Members of our management have a proven track record, including (i) supply and/or installation of over 230 wind turbine generators, (ii) execution of a variety of projects in process-related areas and integrated steel plants, (iii) execution of biomass-based power plant projects, and (iv) commissioning of one of the largest water treatment plants (275 MLD) in India. Our board of directors brings significant management and business experience to the Company. We believe the strength and quality of our management will be instrumental in implementing and executing our Company's business strategies.

We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. As of December 31, 2007, we employed 589 full-time employees, of which 75.0% were technical personnel (including engineers) and 45.5% were engineers. Approximately 30.8% of our Company's technical employees have over ten years of experience in EPC project execution. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake and to implement strong project management practices. We are committed to the development of the expertise and know-how of our employees through technical seminars and training sessions organized by the Group and third parties.

### ***Operations in diverse and complementary projects***

We provide engineering, procurement and construction services for various types of projects, principally renewable energy, process and metallurgy plants and municipal services. We also develop, manufacture, sell and provide related services for WTGs. We believe that we are well-positioned to capitalize on the attractive growth opportunities in India presented by the confluence of various trends as a result of the growing Indian

economy, including the continued increase in the demand for energy, consumption of materials, growth of industrial development and the need to upgrade the existing municipal and private water, wastewater and sewer infrastructure, and the growing appetite for renewable energy projects internationally, particularly in Eastern Europe and southeast Asia. We believe that our comprehensive capabilities, presence in multiple geographic regions and experience in adequately addressing the complex requirements of our projects will allow us to capture additional revenue opportunities by cross-marketing our various businesses to clients where other companies would be required to outsource to other companies or engage subcontractors to provide specialized expertise. For instance, we can offer cooling towers and air pollution control solutions to clients for whom we are undertaking metallurgical plant, cement plant and biomass-based power plant projects, among others. We can also offer coal gasification solutions to our existing and potential clients, particularly process and metallurgy clients, that are interested in using alternative fuels. In addition, the diversity in project types enables us to reduce our dependence on any one industry or nature of project. Furthermore, we have a nationwide presence in India, which enables us to decrease our dependence on project activity in any particular region of India.

### ***Focus on renewable energy***

We have developed significant knowledge and experience in renewable energy, particularly in biomass-based power generation, wind farm development and the manufacture of 250KW WTGs. We are one of the few companies in India that are active in developing a broad range of renewable energy projects, including biomass, wind energy and bio-ethanol. In conjunction with our associate, Orient Green Power, which focuses on the ownership of power generation based on renewable sources and other non-fossil fuel sources, such as hydropower, we believe that we have a unique perspective on the renewable energy sector from the point of view of an owner, as well as a contractor. This allows us to provide more appropriate and cost-effective solutions to our clients. The availability of a wide range of renewable energy options from a single source will allow us to sell combined project solutions. For example, we can develop and build a bio-ethanol production plant that is powered by a biomass-based power plant built by us. Our renewable energy experience and expertise will also help us to identify and prepare our Company to take advantage of emerging trends in renewable energies. Our Company's reach and product range, combined with the project finance expertise of Orient Green Power, will also allow us to structure better financing options for our clients.

### ***Strong order book, revenue and profit growth***

Our revenues have grown substantially in recent years. In the years ended March 31, 2004, 2005, 2006 and 2007, our consolidated income was Rs. 218.89 million, Rs. 745.74 million, Rs. 1,455.04 million and Rs. 3,005.73 million, respectively, representing a compound annual growth rate of 138.3% during the period. Over the same period, our restated consolidated net profit was Rs. (0.62) million, Rs. 15.94 million, Rs. 64.92 million and Rs. 140.63 million, while our net margins have grown from 2.1% in fiscal 2005 to 4.7% in fiscal 2007. During the six months ended September 30, 2007, our consolidated income, restated net profit and net margins were Rs. 2,251.21 million, Rs. 104.37 million and 4.6%, respectively.

Our future growth depends substantially on our ability to continue to successfully market our services to existing and new clients. Our consolidated order book as at December 31, 2007 was Rs. 22,791.77 million, as compared with Rs. 13,742.50 million as at March 31, 2007 and Rs. 3,518.18 million as at March 31, 2006.

### ***Cost competitiveness***

We have a strong in-house design, engineering and project management team which gives us control of the entire process, from conceptualization to completion of a given project. Consequently, we can control costs by eliminating unnecessary product features and overdesign, procuring the most cost-efficient raw materials and maximizing our labour efficiency.

Lower costs associated with doing business in India, such as tax benefits in terms of human resources, procurement of materials for biomass power plants and water supply projects, and lower costs for human resources allow us to compete with international companies which may have higher costs in this regard. We have been successful in building a team of approximately 268 qualified engineers as at December 31, 2007 to design and manufacture our products, and to help perform our services. In each project, we work to create the most efficient plan to address our clients' needs.

## **Our Strategies**

Our objectives are to continue to generate strong financial returns and create a world-class engineering, procurement and construction company, with a particular focus in renewable energy, and developer and manufacturer of technologically advanced WTGs. We intend to achieve this by implementing the following strategies:

### ***Continue to expand our operations, especially in the renewable energy and process and metallurgy businesses***

Our objective is to expand and enhance our presence throughout India by capitalizing on our competitive strengths, local experience, familiarity with local working conditions and relationships with clients and strategic partners. We intend to target specific project segments and industries where we believe there is high potential for growth and where we enjoy competitive advantages. For example, we intend to capitalize on our experience in the WTG and biomass-based power plant projects and the collaborations with our strategic partners to benefit from the increasing demand for, and significant investments by public and private sector participants expected in the foreseeable future in, renewable energy projects, both in and outside of India.

We also intend to continue to expand our operations in process and metallurgy plant projects, with particular emphasis on EPC contracts that capitalize on our integrated design, engineering, procurement, construction and project management expertise with the potential for higher margins, including Build Own Operate (BOO), Build Own and Transfer (BOT) and Build Own Operate Transfer (BOOT) projects. For example, we (together with our international collaborator, Envirotherm GmbH) have recently received an EPC contract to design, engineer and construct two [producer gas] plants for an iron ore pelletisation plant in Barbil, Orissa, India. In addition, we believe that there is a high demand in India for our air pollution control and cooling towers solutions due to new plant construction, as well as the need of existing power plants to upgrade their facilities to meet higher standards and emissions requirements. We also intend to enter the natural draft towers business, which is a specialized type of cooling tower, as we further develop and broaden our cooling tower solutions to take advantage of the demand for natural draft towers by power generators.

For municipal services projects, we intend to focus on water and wastewater projects in regions where we have existing strengths, including Karnataka, Gujarat, Rajasthan and Tamil Nadu, and to expand the presence of our pipe rehabilitation business to all major metropolitan cities in India and developed industrial markets, including Kolkata, Hyderabad, Delhi, Mumbai and Chennai. In addition, we have also signed a memorandum of understanding with Strategic in connection with the formation of a joint venture to manufacture GRP pipes. We believe that this business would be complementary to our municipal services business (particularly, water management projects) and other infrastructure-related projects that involve the movement of liquids under high pressure. As of December 31, 2007, the joint venture has not been set up.

### ***Seek further growth and acquisition opportunities that leverage our project execution and operational skills***

Our senior management has significant experience in most aspects of our business and has helped to transform us into one of India's leading service providers of integrated design, engineering, procurement, construction and project management services for renewable energy, metallurgical and process plants and municipal services. We intend to identify acquisition targets and/or joint venture partners whose resources, capabilities and strategies we believe to be complementary to and are likely to enhance our business operations in India and internationally. We continue to closely monitor the markets in our existing lines of business. By selecting the opportunities for growth and acquisition carefully and leveraging our project execution and operational skills, we expect to continue to expand our business. As of the date of this Red Herring Prospectus, we have not entered into any memoranda of understanding, letters of intent or other agreements relating to any material acquisition that is not already reflected in our financial statements.

### ***Focus on profitability, performance and project execution***

We believe that we have developed a reputation for undertaking and successfully completing challenging projects. We intend to continue to focus on performance and project execution in order to maximize client satisfaction. We also intend to maximize our operating margins by continuing to control operating and overhead costs through effective planning, procurement and implementation. To facilitate efficient and cost-effective decision-making, we intend to continue to strengthen our internal systems. We also intend to continue to further enhance our strong engineering capabilities to enable us to provide value-added engineering services for technically complex, turnkey and design-build projects.

***Develop and strengthen relationships with our clients and strategic partners***

Our services are substantially dependent on engineering and construction projects undertaken by government and government-related agencies and private industrial companies. Our businesses are also dependent on developing and maintaining strategic alliances with our international partners. We will continue to develop, maintain and strengthen these relationships and alliances. We also intend to continue to establish strategic alliances and share risks with companies whose resources, skills and strategies are complementary to our business and are likely to enhance our business opportunities.

***Focus on international opportunities***

With a view to expanding our WTG product portfolio to exploit the significant demand for high-capacity WTGs in India and in the global market, we have partnered with Leitwind to develop and manufacture MW-class WTGs. As of December 31, 2007, we have exported one 250KW WTG to Thailand. We believe that our WTG products are gaining increasing international acceptability. We intend to focus on growing our export market for WTGs to customers in North America, Europe and southeast Asia by offering high-quality and cost-effective solutions for WTGs.

In addition, we believe that there are substantial market opportunities in the United States, Europe and southeast Asia for bio-ethanol production plants due to the increasing demand for alternative energy solutions that is not currently being met. By leveraging lower cost Indian engineering and supplies, we believe that we can capture significant revenues from international opportunities for bio-ethanol production plants.

***Leverage our project execution and operating skills and experience in building and managing captive biomass-based power plants to develop a commercial biomass power generation business through an Associate company***

The demand for power in India to support its growing economy has in recent years exceeded supply. Per capita consumption of power in India, despite significant increases in recent years, continues to lag behind other leading developed and emerging economies. The Government has initiated programs to promote and encourage the development of renewable energy projects by the private sector. We believe these factors make the commercial biomass power generation business an attractive growth opportunity in India and that, by leveraging our project execution, operating and management skills and experience in building and managing captive biomass-based power plants, we can compete successfully as an independent power producer. On 28 August 2007, we entered into a memorandum of understanding with Bessemer Venture Partners Trust to outline Bessemer's investment into Orient Green Power, whose intended business is to invest in and develop power generation assets across India based on renewable sources and other non-fossil fuel sources, such as hydropower. In November 2007, we further agreed with Bessemer to form a holding company in Singapore to acquire the entire equity interest in Orient Green Power. The formation and capitalisation of the Singapore holding company and the acquisition by such holding company of the interest in Orient Green Power have not yet been completed. Upon completion, which is expected by the end of March 2008, the Company will be the indirect beneficial owner of 51% of the equity interest in Orient Green Power.

Orient Green Power has bid for some licenses to generate biomass-based electricity, and has two licenses in Punjab from Punjab Energy Development Agency to generate 20MW of biomass-based electricity, and one license in Madhya Pradesh from Madhya Pradesh Urja Vikas Nigam to generate 10MW of biomass-based electricity. For further information on projects related to these licenses, please see the subsection titled "Our Associate Companies – Orient Green Power" beginning on page 86 of this Red Herring Prospectus. In addition, certain third-party entities own a total of six licenses to generate 36MW of biomass-based electricity and 15MW of hydropower-based electricity. As of December 31, 2007, such entities have commenced construction of six power plants in three states in India. Orient Green Power expects to acquire the majority of, or entire interest in, each of these projects. We intend to use a portion of the proceeds of the Issue to invest in Orient Green Power, which will use such amounts to fund the acquisitions of these six projects. Each power plant will be owned by a separate subsidiary or special purpose vehicle of Orient Green Power. For further information, please see the section titled "Objects of the Issue" starting on page 34.

***Continue to focus on health, safety and environmental standards***

We intend to continue to focus on our health, safety and environmental management and quality management standards as we believe that these elements of performance measurement are important competition

differentiators and key criteria for prequalification of contracts by potential clients. The health and well being of our employees are a high priority for us. We seek to ensure that our employees work in safe conditions and that all necessary precautions are taken to prevent accidents that could lead to loss of life, serious injury or loss of or damage to property. We will continue to strengthen the training programs for our personnel in regard to health, safety and environmental measures.

## SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated financial statements as of and for six months ended September 30, 2007 and for the years ended March 31, 2007, 2006, 2005, 2004 and 2003. These financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI Guidelines and are presented in the section titled “Financial Statements” on page 132. The summary financial information presented below should be read in conjunction with our restated consolidated financial statements, the notes thereto and the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” on page 198. Indian GAAP differs in certain significant respects from US GAAP. For more information on these differences, see the section titled “Summary of Significant Differences Between Indian GAAP and US GAAP” on page 191.

<b>CONSOLIDATED STATEMENT OF ASSET AND LIABILITIES, AS RESTATED</b>						
<i>(Rs. in millions)</i>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>A Assets</b>						
Fixed Assets-gross block	417.93	218.92	120.21	111.02	39.10	17.81
Less: Depreciation	(70.25)	(42.84)	(29.19)	(20.01)	(4.44)	(2.35)
Net Block	347.68	176.08	91.02	91.01	34.66	15.46
Capital work in progress	1.18	0.02	-	-	-	-
Net Block after adjustment for Revaluation Reserve	<b>348.86</b>	<b>176.10</b>	<b>91.02</b>	<b>91.01</b>	<b>34.66</b>	<b>15.46</b>
<b>B Goodwill on consolidation</b>	<b>13.70</b>					
<b>C Investments</b>	<b>163.53</b>	<b>170.59</b>	<b>26.85</b>	<b>26.62</b>	<b>65.88</b>	<b>40.00</b>
<b>D Current assets, loans and advances</b>						
Inventories	442.63	275.06	172.83	217.34	13.89	4.03
Receivables	2,172.20	1,356.37	624.63	186.99	53.17	67.68
Cash & bank balances	380.68	269.33	1,056.72	366.09	13.10	7.15
Loans and advances	909.12	713.72	432.57	144.22	58.16	81.60
	<b>3,904.63</b>	<b>2,614.47</b>	<b>2,286.74</b>	<b>914.65</b>	<b>138.33</b>	<b>160.46</b>
<b>E Liabilities &amp; Provisions</b>						
Loan funds						
Secured loans	628.43	199.53	440.96	158.56	2.58	0.35
Unsecured loans	5.86	-	17.00	96.16	-	0.04
Current Liabilities	1,837.24	960.01	325.57	241.54	38.27	69.27
Provisions	55.70	88.36	38.72	12.57	1.09	0.71
	<b>2,527.23</b>	<b>1,247.90</b>	<b>822.25</b>	<b>508.82</b>	<b>41.94</b>	<b>70.37</b>
<b>F Deferred Tax Liabilities</b>	<b>29.04</b>	<b>9.01</b>	<b>2.21</b>	<b>8.22</b>	<b>3.94</b>	<b>1.96</b>
<b>Net worth (A+B+C+D-E-F)</b>	<b>1,874.45</b>	<b>1,704.26</b>	<b>1,580.16</b>	<b>515.23</b>	<b>192.98</b>	<b>143.59</b>
<b>Represented by:</b>						
<b>G Share Capital</b>	<b>378.68</b>	378.68	378.68	202.45	198.00	148.00
<b>H Share Application money</b>	-	-	-	300.00	-	-
<b>I Employee Stock Option Outstanding</b>	<b>17.47</b>	3.24	-	-	-	-

<b>J</b>	<b>Minority Interest</b>	<b>49.43</b>	-	0.66	0.66	0.10	0.10
<b>K</b>	<b>Reserves &amp; surplus</b>	<b>1,428.88</b>	1,322.34	1,200.87	12.18	(5.09)	(4.47)
<b>L</b>	<b>Less: Miscellaneous expenditure not written off</b>	<b>(0.01)</b>	(0.01)	(0.06)	(0.07)	(0.03)	(0.03)
	<b>Net Worth (G+H+I+J+K-L)</b>	<b>1,874.45</b>	<b>1,704.25</b>	<b>1,580.16</b>	<b>515.23</b>	<b>192.98</b>	<b>143.59</b>

**CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED**

*(Rs. in millions)*

<b>Year ended</b>	<b>Period Ended 30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>Income</b>						
<b>Sales:</b>						
Revenue from Engg Construction Contracts	1,192.12	2,291.42	1,445.34	742.74	218.59	231.81
Sale & Maintenance of Wind Turbine Generators	1,032.72	665.75	-	-	-	-
Other income	26.37	48.56	9.70	3.01	0.30	0.05
<b>Total Income</b>	<b>2,251.21</b>	<b>3,005.73</b>	<b>1,455.04</b>	<b>745.74</b>	<b>218.89</b>	<b>231.86</b>
<b>Expenditure</b>						
Raw Materials & Goods Consumed	721.66	462.03	-	-	-	-
Manufacturing , Construction & operating expenses (Increase)/decrease in inventory	1,159.28 (1.53)	2,057.07 (0.19)	1,227.20 (44.51)	368.17 203.45	180.86 9.86	162.48 50.42
Employee costs	82.98	93.36	55.99	23.37	2.73	1.87
Other Costs	70.50	112.71	73.45	79.75	18.91	10.68
Interest	41.84	41.19	38.40	35.48	0.19	0.22
Depreciation	11.77	13.68	9.18	9.36	1.26	0.75
Miscellaneous expenditure written off	0.00	9.27	2.28	8.43	0.32	0.18
<b>Total Expenditure</b>	<b>2,086.50</b>	<b>2,789.12</b>	<b>1,361.99</b>	<b>728.00</b>	<b>214.13</b>	<b>226.60</b>
<b>Net Profit before tax</b>	<b>164.71</b>	<b>216.61</b>	<b>93.05</b>	<b>17.75</b>	<b>4.77</b>	<b>5.26</b>
Provision for taxation						
- Current Tax	37.20	75.00	22.00	6.00	0.38	0.47
- Deferred Tax	21.11	6.80	(6.02)	3.33	1.98	1.28
- Fringe Benefit Tax	2.03	3.45	2.56	-	-	-
- Tax pertaining to earlier Years	-	-	-	-	0.13	-
<b>Net profit after tax as per financial statements</b>	<b>104.37</b>	<b>131.36</b>	<b>74.51</b>	<b>8.42</b>	<b>2.27</b>	<b>3.51</b>
Adjustments on account of						
Deferred Revenue Expenditure	-	(9.27)	9.59	(7.52)	2.19	1.42
Amortisation of Technical Knowhow	-	-	-	-	0.83	0.69
Income Tax earlier years	-	-	-	-	(0.13)	0.13
<b>Restated Net Profit</b>	<b>104.37</b>	<b>140.63</b>	<b>64.92</b>	<b>15.94</b>	<b>(0.62)</b>	<b>1.28</b>
Balance brought forward from Previous Year	226.77	75.81	10.89	(5.09)	(4.47)	0.61
Share of Profits from Associates	0.09	-	-	-	-	-
Adjustments on Consolidation	-	10.33	-	-	-	-

Minority Interest	0.17	-	(0.00)	0.04	(0.00)	-
<b>Adjustment on account restatement</b>						
Deferred Revenue Expenditure	-	-	-	-	-	(5.89)
Amortisation of Technical Knowhow				1.99	-	(0.47)
<b>Appropriations</b>						
Additional amortisation of Technical knowhow		-	-	(1.99)	-	-
<b>Balance carried to Balance sheet, as restated</b>	<b>331.40</b>	<b>226.77</b>	<b>75.81</b>	<b>10.89</b>	<b>(5.09)</b>	<b>(4.47)</b>

**ANNEXURE 3: CONSOLIDATED STATEMENT OF CASH FLOWS, AS RESTATED**

	<i>Rs in Million</i>					
<b>PARTICULARS</b>	<b>Period Ended 30.09.07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Restated Net Profit / ( Loss ) before Tax	164.72	225.88	83.46	25.27	1.75	3.16
Interest Income	(17.22)	(46.16)	(4.23)	(2.16)	(0.30)	(0.05)
Dividend Income on Investments		(1.99)				
Depreciation	11.77	13.68	9.18	9.36	2.08	1.44
Exchange fluctuations		-	-	-		
Preliminary and Deferred Revenue Expenses written off	0.00	-	11.87	0.91	2.51	1.60
Interest expenditure	41.84	40.43	38.40	35.48	0.02	-
Employee share option expense	14.23	3.24	-	-	-	-
Profit on sale of fixed assets	(1.85)	(0.00)	-	-	-	-
<b>Operating Profit before working capital changes</b>	<b>213.49</b>	<b>235.09</b>	<b>138.68</b>	<b>68.85</b>	<b>6.05</b>	<b>6.15</b>
<b>Working capital changes :</b>						
Decrease / ( Increase ) in Inventories	(145.91)	(102.23)	44.51	(203.45)	(9.86)	50.42
Decrease / ( Increase ) in Sundry Debtors	(783.33)	(731.74)	(437.63)	(133.82)	14.51	(47.37)
Decrease / ( Increase ) in Loans and Advances	(183.54)	(270.48)	(288.35)	(86.05)	23.43	15.39
Increase / ( Decrease ) in Current Liabilities and provisions	820.18	637.82	104.17	219.02	(28.51)	(84.48)
<b>Cash used in operations</b>	<b>(79.12)</b>	<b>(231.55)</b>	<b>(438.62)</b>	<b>(135.45)</b>	<b>5.62</b>	<b>(59.89)</b>
Income tax	(41.44)	(58.90)	(18.54)	(9.33)	(2.50)	(1.75)
<b>Net cash from operating activities</b>	<b>(120.56)</b>	<b>(290.45)</b>	<b>(457.16)</b>	<b>(144.78)</b>	<b>3.12</b>	<b>(61.64)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Sale of fixed assets	2.19					
Additions to fixed asset	(165.90)	(99.07)	(9.19)	(65.71)	(21.29)	(8.40)
Capital profit on merger		-	-	1.29	-	-
Deferred Revenue expenditure incurred		-	(11.87)	(0.96)	(2.49)	(5.90)
Purchase of Investments	(11.00)	(171.85)	(0.23)	39.26	(25.88)	-
Sale of Investments		50.79	-	-	-	-

Dividend Received		1.99	-	-	-	-
Interest received	14.39	45.50	4.23	2.16	0.30	0.05
<b>Net cash from investing activities</b>	<b>(160.32)</b>	<b>(172.65)</b>	<b>(17.05)</b>	<b>(23.96)</b>	<b>(49.36)</b>	<b>(14.26)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from Issue of Shares		-	1,000.00	305.05	50.00	80.10
Share Issue Expenses		(29.74)	-	-	-	-
Proceeds from Borrowings	422.89	(246.43)	203.24	252.13	2.20	0.35
Interest paid	(41.84)	(48.13)	(38.40)	(35.48)	(0.02)	-
<b>Net Cash from Financing activities</b>	<b>381.05</b>	<b>(324.30)</b>	<b>1,164.84</b>	<b>521.71</b>	<b>52.18</b>	<b>80.45</b>
<b>TOTAL INCREASE ( DECREASE ) IN CASH AND CASH EQUIVALENTS DURING THE YEAR ( A + B + C )</b>						
	<b>100.18</b>	<b>(787.39)</b>	<b>690.63</b>	<b>352.98</b>	<b>5.94</b>	<b>4.54</b>
Cash and Cash equivalents as at the beginning of the year	280.50	1,056.72	366.09	13.10	7.15	2.61
Cash and Cash equivalents as at the end of the year	380.68	269.33	1,056.72	366.09	13.10	7.15

## THE ISSUE

<b>Equity Shares offered by</b>	
Issue*	5,000,000 Equity Shares
<i>Of which</i>	
A) Qualified Institutional Buyers (QIB) portion <sup>1</sup>	At least 3,000,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
<i>Of which</i>	
Mutual Funds Portion	150,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
Balance for all QIBs including Mutual Funds	2,850,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
B) Non-Institutional Portion <sup>2</sup>	Not less than 500,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
C) Retail Portion <sup>2</sup>	Not less than 1,500,000 Equity Shares <i>(Allocation on a proportionate basis)</i>
Equity Shares outstanding prior to the Issue	37,867,790 Equity Shares*
Equity Shares outstanding after the Issue	42,867,790 Equity Shares*
Use of Net Proceeds	See the section titled “Objects of the Issue” on page 34.

(1) Allocation to QIBs is proportionate as per the terms of this Red Herring Prospectus. 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion.

(2) Subject to valid bids being received at or above the Issue Price, under-subscription, if any, in the Non-Institutional Bidder and Retail Individual Bidder categories, would be allowed to be met with spill-over from other categories or a combination of categories, at the discretion of the Company in consultation with the GCBRLM, the BRLM and the CBRLM.

## GENERAL INFORMATION

Our Company was incorporated on June 12, 2000. We were granted a Certificate of Commencement of Business on June 30, 2000 by the Registrar of Companies, Tamil Nadu. By an order of the court dated July 22, 2005, Shriram Engineering Construction Company Limited was merged with our Company with effect from April 1, 2004.

### Registered Office

#### **Shriram EPC Limited**

No. 5, T.V. Street, Chetput  
Chennai 600 031  
Tamil Nadu  
India  
Tel: (91 44) 2836 1817  
Fax: (91 44) 2836 351

Corporate identification number: U74210TN2000PLC045167

Email: investors@shriramepc.com

Website: www.shriramepc.com

### Address of Registrar of Companies

#### *The Registrar of Companies, Tamil Nadu at Chennai*

Ministry of Corporate Affairs  
Block No. 6, B Wing  
Second Floor, Shastri Bhavan  
26, Haddows Road  
Chennai 600 006  
Tel: (91 44) 2827 2676  
Fax: (91 44) 2823 4298  
Email: bn.harish@mca.gov.in

### Board of Directors of the Issuer

Name, Designation, Occupation	Age	Address
<b>Mr. Arun Duggal</b> Chairman and Non-executive director Financial Advisor	61	A-4, West End, 3 <sup>rd</sup> Floor New Delhi 110 021 India.
<b>Mr. T. Shivaraman</b> Managing Director and Chief Executive Officer Business	42	No. 12, Besant Road Off Lloyds Road, Royapettah Chennai 600 014 Tamil Nadu India
<b>Mr. M. Amjad Shariff</b> Joint Managing Director Business	52	8, I Block, 10 <sup>th</sup> Street Anna Nagar East Chennai 600 102 Tamil Nadu India
<b>Ms. Vathsala Ranganathan</b> Whole Time Director Business	55	15, Sarangapani Street T. Nagar, Chennai Tamil Nadu 600 017 India
<b>Mr. R. S. Chandra</b> Nominee Director of Bessemer Venture Partners Trust Business	41	535 Middlefield Road, Suite 245 Menlo Park, CA 94025 United States of America
<b>Mr K.E.C. Raja Kumar</b>	45	96/A, 7th Cross Second Main

<b>Name, Designation, Occupation</b>	<b>Age</b>	<b>Address</b>
Nominee of UTI IAS Business		1st Block, RMV Second Stage Bangalore 560 094 Karnataka India
<b>Mr. S. R. Ramakrishnan</b> Independent Director Business	72	No 1005, Nanda Kaushambi Apartments Sahibabad 201 010 Ghaziabad India
<b>Major General A.L. Suri (Retd)</b> Independent Director Business	73	C-485, Defence Colony New Delhi 1100024 India
<b>Mr. R. Sundararajan</b> Independent Director Business	59	30 A, Davis Road Cooke Town Bangalore 560 084 Karnataka India
<b>Mr. K. Madhava Sarma</b> Independent Director Business	69	AB-50, (New No. 4, Second Street, AB Block) Anna Nagar Chennai 600 040 Tamil Nadu India

For further details of our Directors, see “Our Management” on page 110.

#### **Company Secretary and Compliance Officer**

##### **Mr. K. Suresh**

No. 5, T.V. Street, Chetput  
Chennai 600 031  
Tamil Nadu  
India  
Tel: (91 44) 2836 1817  
Fax: (91 44) 2836 3518  
Email: investors@shriramepc.com

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

#### **Global Co-Ordinator and 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) 2283 7517  
Email: sepcipo@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Chandrakant Bhole  
SEBI Registration Number: INM000008704

#### **Book Running Lead Manager**

##### ***ICICI Securities Limited***

ICICI Centre, 163, Backbay Reclamation  
H.T. Parekh Marg, Mumbai, 400020, India  
Tel: (91 22) 2288 2460  
Fax: (91 22) 2282 6580  
Email: shriramepc\_ipo@isecltd.com  
Website: www.icicisecurities.com  
Contact Person: Mr. Thomas Vincent

SEBI Registration Number: INM000011179

**Co-Book Running Lead Manager**

***Motilal Oswal Investment Advisors Private Limited***

81/81 Bajaj Bhawan  
8th Floor, Nariman Point  
Mumbai 400021  
India  
Tel: (91 22) 3980 4380  
Fax: (91 22) 3980 4315  
Email: shriramepc.ipo@motilaloswal.com  
Website: www.motilaloswal.com  
Contact person: Ms. Nisha Shah  
SEBI Registration Number: INM000011005

**Legal Advisors to the Issue**

***Legal Advisors as to US Law***

***Dorsey & Whitney***

Suite 3008, One Pacific Place,  
88 Queensway, Hong Kong  
Tel : (852) 2105.0261  
Fax: (852) 2524.3000

**Legal Advisors as to Indian Law**

***Amarchand & Mangaldas & Suresh A. Shroff & Co.***

Fifth 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

***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

**Syndicate Members**

***Kotak Securities Limited***

Bakhtawar, 1st Floor  
229, Nariman Point  
Mumbai 400 021  
India  
Tel: (91 22) 6634 1100  
Fax: (91 22) 6634 3927  
Email: Umesh.gupta@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Umesh Gupta

***ICICI Securities Limited***

ICICI Centre, 163, Backbay Reclamation  
H.T. Parekh Marg  
Mumbai, 400020  
India  
Tel : (91 22) 2288 2460  
Fax : (91 22) 2283 7045  
Email : shriramepc\_ipo@isecltd.com  
Website : www.icicisecurities.com  
Contact Person: Mr. Anil Mokashi

***Motilal Oswal Securities Limited***

81/81 Bajaj Bhawan  
8th Floor, Nariman Point  
Mumbai 400021  
Tel: (91 22) 3980 4380  
Fax: (91 22) 3980 4315  
Email: shriramepc.ipo@motilaloswal.com  
Website: www.motilaloswal.com  
Contact person: Mr. Sanket Padhye

**Registrar to the Issue**

***Cameo Corporate Services Limited***

Subramanian Building, V Floor  
No. 1, Club House Road  
Chennai 600 002

India  
Tel: (91 44) 2846 0390  
Fax: (91 44) 2846 0129  
Email: shriramepc@cameoindia.com  
Website: www.cameoindia.com  
Contact Person: Mr. R.D. Ramasamy  
SEBI Registration Number: INR000003753

#### **Bankers to the Issue and Escrow Collection Banks**

**Kotak Mahindra Bank Limited**  
4<sup>th</sup> Floor, Dani Corporate park, Kalina  
Santacruz East  
Mumbai 400 098  
India  
Tel: (91 22) 6659 6457/9820979989  
Fax: (91 22) 6648 2710  
Email: ibrahim.sharief@kotak.com  
Website: www.kotak.com  
Contact Person: Mr. Ibrahim Sharief  
SEBI Registration Number: INBI00000927

**HDFC Bank Limited**  
26A, Narayan Properties  
Off Saki Vihar Road  
Andheri (E), Mumbai 400 072  
India  
Tel: (91 22) 2856 9228/9324714629  
Fax: (91 22) 2856 9256  
Email: clayton.mendonca@hdfcbank.com  
Website: www.hdfcbank.com  
Contact Person: Mr. Clayton Mendonca  
SEBI Registration Number: INBI00000063

**Yes Bank Limited**  
Nehru Centre PMO, Discovery of India  
Dr. AB Road, Worli  
Mumbai 400 018  
India  
Tel: (91 22) 6622 9229/9324245734  
Fax: (91 22) 6669 9255  
Email: shreejit.nair@yesbank.in  
Website: www.yesbank.in  
Contact Person: Mr. Shreejit Nair  
SEBI Registration Number: INBI00000935

**Centurion Bank of Punjab Limited**  
Corporate Office, Modern Centre, "C" wing  
Ground Floor, Sane Guruji Marg, Mahalaxshmi East  
Mumbai 400 011  
Tel: (91 22) 6754 0250/ 09232421971  
Fax: (91 22) 6754 0011  
Email : s.ramkumar@centurionbop.co.in  
Website : www.centurionbop.co.in  
Contact Person: Mr.S. Ram Kumar  
SEBI Registration Number : INBI00000083

#### **Refund Banker**

**Axis Bank Limited**  
No.82, Dr. Radhakrishnan Salai  
Mylapore, Chennai 600 004

**ICICI Bank Limited**  
No.30, Mumbai Samachar Marg  
Raja Bahadur Mansion  
Fort, Mumbai 400 001  
India  
Tel: (91 22) 2262 7600  
Fax: (91 22) 2261 1138  
Email: venkataraghavan.t@icicibank.com  
Website: www.icicibank.com  
Contact Person: Mr. Venkataraghavan TA  
SEBI Registration Number: INBI00000004

**Axis Bank Limited**  
No.82, Dr. Radhakrishnan Salai  
Mylapore, Chennai 600 004  
India  
Tel: (91 44) 2828 5978  
Fax: (91 44) 2811 4781  
Email: m.sakthivel@axisbank.com  
Website: www.axisbank.com  
Contact Person: Mr. M. Sakthivel  
SEBI Registration Number: INBI00000017

**Industrial Development Bank of India Limited**  
37, P.M. Tower, Greaves Road  
Chennai 600 006  
India  
Tel: (91 44) 2829 3413/2829 4443  
Fax: (91 44) 2829 5370  
Email: v\_vkrishnan@idbi.co.in  
Website: www.idbi.co.in  
Contact Person: Mr. V. Venkatakrishnan  
SEBI Registration Number: INBI00000076

India  
Tel: (91 44) 2828 5978  
Fax: (91 44) 2811 4781  
Email: m.sakthivel@axisbank.com  
Website: www.axisbank.com  
Contact Person: Mr. M. Sakthivel  
SEBI Registration Number: INBI00000017

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**Bankers to the Company**

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<b>Hong Kong and Shanghai Banking Corporation Limited</b> Nagabrahma Towers, 76, Cathedral Road Chennai- 600 086 Tel: (91 44) 4391 2007 Fax: (91 44) 2811 1845 Email: shikhakhurana@hsbc.com Contact Person: Ms Shikha Khurana	<b>Oriental Bank of Commerce</b> Spencer Plaza, 769, Anna Salai Chennai- 600 002 Tel: (91 44) 2849 4252 Fax: (91 44) 2849 8031 Email: bm0165@obc.co.in Contact Person: Mr. Dinesh Vishnoi
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<b>Yes Bank Limited</b> 143/1, Ground Floor Uttamar Gandhi Salai, Nungambakkam, Chennai- 600 034 Tel: (91 44) 2831 9000 Fax: (91 44) 2831 9001 Email: Sudarshan.athreya@yesbank.in Contact Person: Mr. Sudarshan V. Athreya	<b>UTI Bank Limited</b> No 82, Radhakrishnan Salai road, Mylapore, Chennai – 600 004 Tel: (91 44) 2828 5978 Fax: (91 44) 2811 1084 Email: m.sakthivel@utibank.co.in Contact Person: Mr. M. Sakthivel
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<b>Indian Bank</b> 611, Anna Salai Kannammai Buildings Chennai-600 006 Tel: (91 44) 2829 1622 Fax: (91 44) 28293637 Email: ibthouli@indianbank.co.in Contact Person: Mr. S.V. Raghavan	<b>Bank of Maharashtra</b> Gujrathi Mandal Building 116, Broadway Branch Chennai- 600 108 Tel: (91 44) 2539 6755 Fax: (91 44) 2538 7348 Email: bomo300@mahabank.co.in Contact Person: Mr. V.M.Kale
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**HDFC Bank**  
Mariam Centre, II Floor  
751-B, Anna Salai,  
Chennai-600 002  
Tel: (91 44) 28586620  
Fax: (91 44) 28420867  
Email: sudhabarathi.shankar@hdfc.com  
Contact Person: Ms S. Sudhabharti

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**Auditors**

**Deloitte Haskins and Sells**  
2<sup>nd</sup> Floor, Temple Tower  
672, Anna Salai, Nandanam  
Chennai 600 035  
Tel: (91 44) 4213 1124  
Fax: (91 44) 4213 1129  
Contact Person: Mrs. Geetha Suryanarayanan  
Email: [gsuryanarayanan@deloitte.com](mailto:gsuryanarayanan@deloitte.com)

## IPO Grading Agency

### **CRISIL Limited**

261, Solitaire Corporate Park  
151, Andheri Kurla Road  
Andheri (E), Mumbai 400 093  
Tel: (91 22) 6691 3502  
Fax: (91 22) 6702 6954  
Contact Person: Mr. Ajay Dwivedi  
E-mail: adwivedi@crisil .com  
Website: www.crisil.com

## Monitoring Agency

There is no requirement for a monitoring agency for the Issue in terms of Clause 8.17 of the SEBI Guidelines.

## Inter se allocation of Responsibilities between the Global Co-ordinator and Book Running Lead Manager, the Book Running Lead Manager and the Co- Book Running Lead Manager

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

Activity	Responsibility	Co-ordinator
Capital Structuring with relative components and formalities such as type of instruments, etc.	KMCC and I-Sec	KMCC
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 GCBRLM and the BRLM 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	KMCC, I-Sec and MOIAPL	KMCC
<ul style="list-style-type: none"><li>▪ Drafting and approving all statutory advertisements</li><li>▪ Preparation and finalization of the road-show presentation</li><li>▪ Preparation of FAQs for the road-show team</li></ul>	KMCC, I-Sec and MOIAPL	KMCC
Approval of all non-statutory advertisements including corporate advertisements	KMCC, I-Sec and MOIAPL	KMCC
Appointment of intermediaries' viz. Printer(s), and advertising agency to the Issue.	KMCC and I-Sec	Isec
Appointment of Registrar & Banker to the Issue(s)	KMCC and I-Sec	Isec
Non-Institutional and Retail Marketing of the Issue, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"><li>• Formulating marketing strategies, preparation of publicity budget</li><li>• Finalize Media &amp; PR strategy</li><li>• Finalizing centers for holding conferences for brokers, etc.</li><li>• Follow-up on distribution of publicity and Issuer material including form, prospectus and deciding on the quantum of the Issue material</li><li>• Finalize collection centers</li></ul>	KMCC, I-Sec and MOIAPL	Isec
Institutional marketing of the Issue, which will cover, <i>inter alia</i> , <ul style="list-style-type: none"><li>• Institutional marketing strategy</li><li>• Finalizing the list and division of investors for one to one meetings, and</li><li>• Finalizing road show schedule and investor meeting schedules</li></ul>	KMCC and I-Sec	KMCC
Co-ordination with Stock Exchanges for Book Building software, bidding terminals and mock trading	KMCC and I-Sec	KMCC
Managing the Book and finalisation of pricing in consultation with the company	KMCC and I-Sec	KMCC
Post bidding activities including management of escrow accounts, co-ordination of allocation, intimation of allocation and dispatch of refunds to bidders, etc. The post issue activities for the Issue will involve essential follow-up steps including finalisation of trading and dealing of 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 Issue 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	KMCC, I-Sec and MOIAPL	Isec

Even if other intermediaries will handle many of these activities, the designated BRLM shall be responsible for ensuring that these agencies fulfill their functions and enable them to discharge this responsibility through suitable agreements with our Company.

### **Credit Rating**

As the Issue is of equity shares, credit rating is not required.

### **IPO Grading**

The issue has been graded by CRISIL Limited and has been assigned a grade of 3/5. This grade indicates that the fundamentals of the issue are average in relation to other listed equity securities in India. The IPO Grading is assigned on a 5 point scale from 1 to 5 with an IPO Grade 5/5 indicating strong fundamentals and an IPO Grade of 1/5 indicating poor fundamentals.

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The grading reflects the Company's strength in executing EPC projects in the captive power and metallurgy sectors. The grading draws strength from the deep experience of the top as well as the middle management team, which has demonstrated strong understanding of market dynamics, as reflected in the Company's consistent track record of attracting technology partners in the key business areas. The grading also reflects improvement in the Company's corporate governance system following the induction of the private equity investors on the board. The grading is, however, tempered by the fact that the Company lacks prior experience in MW-class WEG manufacturing and also in executing large-scale, turnkey EPC projects in the cement sector. The grading also takes into account the challenges the Company could face in recruiting experienced manpower to keep pace with its present growth plans.

### **Project Appraisal**

There is no project being appraised.

### **Trustees**

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

### **Book Building Process**

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

1. The Company;
2. The GCBRLM, the BRLM and the CBRLM;
3. Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as Underwriters. The Syndicate Members are appointed by the GCBRLM, the BRLM and the CBRLM; and
4. Registrar to the Issue.

In terms of Rule 19 (2)(b) of the SCRR this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue 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 Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date. In addition, QIBs are required to pay 10% Margin Amount upon submission of their Bid and allocation to QIBs will be on a proportionate basis. For further detail on the terms of the Issue see “Terms of the Issue” on page 247.

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

**While the process of Book Building under the 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 Issue.**

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

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

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

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

**Steps to be taken by the Bidders for bidding:**

1. Check eligibility for making a Bid (see “Issue Procedure - Who Can Bid” on page 253);
2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Red Herring Prospectus and in the Bid cum Application Form.

**Withdrawal of the Issue**

The Company, in consultation with the GCBRLM, the BRLM and the CBRLM, reserves the right not to proceed with the Issue at anytime including after the Bid/ Issue Closing Date, without assigning any reason thereof. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the RoC. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

**Bid/Issue Programme**

**Bidding/Issue Period**

<b>BID/ISSUE OPENS ON</b>	<b>January 29, 2008</b>
<b>BID/ISSUE CLOSES ON</b>	<b>February 1, 2008</b>

Bids and any revision in Bids shall be accepted only between 10.00 a.m and 3.00 p.m. (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum Application Form

except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m and 3.00 p.m (Indian Standard Time) and uploaded till (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 100,000 and (ii) till such time as permitted by the NSE and the BSE, in case of Bids by Retail Individual Bidders, where the Bid Amount is up to Rs. 100,000. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Bidders after taking into account the total number of Bids received upto the closure of timings for acceptance of Bid-cum-Application Forms as stated herein and reported by the GCBRLM, the BRLM and the CBRLM to the Stock Exchange within half an hour of such closure.

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the floor of the Price Band. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band advertised at least one day prior to the Bid /Issue Opening Date.

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

#### **Underwriting Agreement**

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

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)*

<b>Details of the Underwriters</b>	<b>Indicated Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (Rs. In million)</b>
<b><i>Kotak Mahindra Capital Company Limited</i></b> 3rd Floor, Bakhtawar 229, Nariman Point Mumbai 400 021	[•]	[•]
<b><i>ICICI Securities Limited</i></b> ICICI Centre, 163, Backbay Reclamation H.T. Parekh Marg Mumbai, 400020	[•]	[•]
<b><i>Kotak Securities Limited</i></b> Bakhtawar, 1st Floor 229, Nariman Point Mumbai 400 021	[•]	[•]
<b><i>Motilal Oswal Investment Advisors Private Limited</i></b> 81/81 Bajaj Bhawan	[•]	[•]

8th Floor, Nariman Point  
Mumbai 400021

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***Motilal Oswal Securities Limited***

81/81 Bajaj Bhawan  
8th Floor, Nariman Point  
Mumbai 400021

[•]

[•]

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

In the opinion of our Board of Directors (based on a certificate given by the 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 its meeting held on [•] has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally 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 Equity Shares to the extent of the defaulted amount.

## CAPITAL STRUCTURE

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

<i>(In Rs. except share data)</i>		
	Aggregate Value Nominal value	Aggregate Value at Issue Price
<b>A. Authorized Capital</b>		
65,000,000 Equity Shares of face value of Rs. 10 each		-
20,000,000 Convertible Preference Shares	850,000,000	
<b>B. Issued, Subscribed And Paid-Up Equity Capital</b>		
37,867,790 Equity Shares of Rs. 10 each fully paid-up before the Issue	378,677,900	[●]
<b>C. Present Issue in terms of this Red Herring Prospectus</b>		
5,000,000 Equity Shares of Rs 10 each	50,000,000	[●]
<b>D. Equity Capital after the Issue</b>		
42,867,790 Equity Shares of face value of Rs. 10 each	428,677,900	[●]
<b>E. Share Premium Account</b>		
Before the Issue	1,123,774,030	
After the Issue		[●]

The Issue has been authorized by a resolution of our Board dated September 10, 2007 and by special resolution passed pursuant to S. 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on September 20, 2007.

### Changes in the Authorised Share Capital of the Company since Incorporation:

- a) The initial authorized capital of Rs. 1,000,000 comprising 100,000 Equity Shares of Rs. 10 each was increased to Rs. 40,000,000 comprising 4,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on August 26, 2000.
- b) The authorized share capital of Rs. 40,000,000 comprising 4,000,000 Equity Shares of Rs. 10 each was further increased to Rs. 70,000,000 comprising 7,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 17, 2001.
- c) The authorized share capital of Rs. 70,000,000 comprising 7,000,000 Equity Shares of Rs. 10 each was further increased to Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on September 7, 2002.
- d) The authorized share capital of Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs. 10 each was further increased to Rs. 150,000,000 comprising 15,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on January 18, 2003.
- e) The authorized share capital of Rs. 150,000,000 comprising 15,000,000 Equity Shares of Rs. 10 each was further increased to Rs. 200,000,000 comprising 20,000,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 13, 2004.
- f) The authorized share capital of Rs. 200,000,000 comprising 20,000,000 Equity Shares of Rs. 10 each was increased to Rs. 300,000,000 comprising 30,000,000 Equity Shares of Rs. 10 each by AGM on February 19, 2005.
- g) The authorized share capital of Rs. 300,000,000 comprising 30,000,000 Equity Shares of Rs. 10 each was altered to 25,000,000 Equity Shares of Rs. 10 each and 5,000,000 convertible preference shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 19, 2005.

- h) The authorized share capital of Rs. 300,000,000 comprising 25,000,000 Equity Shares of Rs. 10 each and 5,000,000 convertible preference shares of Rs. 10 each was increased to Rs. 450,000,000 comprising 25,000,000 Equity Shares of Rs. 10 each and 20,000,000 convertible preference shares of Rs. 10 each pursuant to a resolution of the shareholders at an EGM held on March 20, 2006.
- i) The authorized share capital of Rs. 450,000,000 comprising 25,000,000 Equity Shares of Rs. 10 each and 20,000,000 convertible preference shares of Rs. 10 each was increased to Rs. 850,000,000 comprising 65,000,000 Equity Shares of Rs. 10 each and 20,000,000 convertible preference shares of Rs. 10 each pursuant to a resolution of the shareholders by AGM on June 11, 2007.

## Notes to Capital Structure

### 1. Share Capital History of our Company

#### (a) Equity Share Capital History of our Company

Date of Allotment	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons/Mode of Allotment	Cumulative No. of Equity Shares	Cumulative Paid-up share capital (Rs.)	Cumulative Share Premium (Rs.)
June 12, 2000	70	10	10	Cash	Subscribers to Memorandum <sup>(1)</sup>	70	70	Nil
March 17, 2001	900,000	10	10	Cash	Further allotment <sup>(2)</sup>	900,070	9,000,700	Nil
August 11, 2001	3,999,930	10	10	Cash	Further allotment <sup>(3)</sup>	4,900,000	49,000,000	Nil
February 19, 2002	1,900,000	10	10	Cash	Further allotment <sup>(4)</sup>	6,800,000	68,000,000	Nil
March 29, 2003	8,000,000	10	10	Cash	Further allotment <sup>(5)</sup>	14,800,000	148,000,000	Nil
March 13, 2004	5,000,000	10	10	Cash	Further allotment <sup>(6)</sup>	19,800,000	198,000,000	Nil
August 13, 2005	445,193	10	10	Cash	Further allotment <sup>(7)</sup>	20,245,193	202,451,930	Nil
September 20, 2007	17,622,597	10	-	N.A.	Conversion of convertible preference shares in the ratio of 1:1	37,867,790	378,677,900	1,123,774,030

<sup>(1)</sup>Allotment of 10 Equity Shares each to S.Shanker, K.Narayanaswamy, Santosh Kamat, R.K.Pal, P.Ashok, M.A.Shariff, K.Raman as subscribers to Memorandum

<sup>(2)</sup>Allotment of Equity Shares to TTG Consolidates (P) Ltd.

<sup>(3)</sup>Allotment of 899,930 Equity Shares to G.J.R Krishnan, Partner of Shriram Consumer Durables and Leasing; 500,000 Equity Shares to Vijaya T., 900,000 Equity Shares to R. Thyagarajan, Partner of Shriram Investments; 900,000 Equity Shares to T. Bhavani, Partner of Shriram Investments and 800,000 Equity Shares to Vijaya G., Partner of Shriram Construction Finance.

<sup>(4)</sup>Allotment of 1,000,000 Equity Shares to N. Venkateswaran, Partner of Shriram Hire Purchase and Investments; 360,000 Equity Shares to M. Narayanan, Partner of Shriram Medical Equipments; 100,000 Equity Shares to G.J.R Krishnan, Partner of Shriram Consumer Durables and Leasing; 100,000 Equity Shares to T. Vijay, 140,000 Equity Shares to R. Thyagarajan, Partner of Shriram Investments; 100,000 Equity Shares to T. Bhavani, Partner of Shriram Investments and 100,000 Equity Shares to Vijaya, Partner of Shriram Construction Finance.

<sup>(5)</sup>Allotment of 2,000,000 Equity Shares to G.J.R Krishnan, Partner of Shriram Consumer Durables and Leasing; 2,000,000 Equity Shares to R. Thyagarajan, Partner of Shriram Investments; 2,000,000 Equity Shares to T. Bhavani, Partner of Shriram Investments and 2,000,000 Equity Shares to Vijaya, Partner of Shriram Construction Finance.

<sup>(6)</sup>Allotment of 1,250,000 Equity Shares to G.J.R Krishnan, Partner of Shriram Consumer Durables and Leasing; 1,250,000 Equity Shares to R. Thyagarajan, Partner of Shriram Investments; 1,250,000 Equity Shares to T. Bhavani, Partner of Shriram Investments and 1,250,000 Equity Shares to Vijaya, Partner of Shriram Construction Finance.

<sup>(7)</sup>Allotment of 550 Equity Shares to T Jayaraman, 2,850 Equity Shares to A.V.S. Raja, 250 Equity Shares to Mrs. Indira Natarajan, 250 Equity Shares to V. Rajalakshmi, 2,400 Equity Shares to S. Shanker, 600 Equity Shares to Mrs. Rema Shanker, 5,000 Equity Shares to M/s Shriram City Union Finance Limited, 6,000 Equity Shares to Shriram Industrial Holdings Private Limited, 1,250 Equity Shares to

Arabhi Investments Private Limited, 9,100 Equity Shares to M/s Bilahari Investments Private Limited, 33,700 Equity Shares to Mrs. Bhavani Thyagarajan, 78,600 Equity Shares to M/s Shriram Chits and Investments Private Limited, 750 Equity Shares to R. Sundaram and S. Shanker, 106,000 Equity Shares to M/s Shriram Housing Finance and Development Company Limited, 157,308 Equity Shares to G.J.R Krishnan, 5,082 Equity Shares to R. Raghavan, 16,705 Equity Shares to M/s Shriram Logistics Private Limited, 4,780 Equity Shares to M/s Shriram General Finance Private Limited, 14,018 Equity Shares to M/s Shriram Chits Tamil Nadu Limited.

(b) *Preference Share Capital History of our Company*

Date of Allotment	No. of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Consideration	Reasons/Mode of Allotment	Cumulative No. of Preference Shares	Cumulative Paid-up preference share capital (Rs.)	Cumulative Share Premium (Rs.)
May 14, 2005	5,000,000	10	60	Cash	Further allotment <sup>(1)</sup>	5,000,000	50,000,000	250,000,000
March 31, 2006	12,622,597	10	79.22	Cash	Further allotment <sup>(2)</sup>	17,622,597	176,225,970	1,123,774,030
September 20, 2007	(17,622,597)	10	-	1:1	Conversion to Equity Shares in the ration Conversion to Equity Shares	-	-	-

<sup>(1)</sup> Allotment of 0% fully convertible preference shares to UNO Investments, Mauritius.

<sup>(2)</sup> Allotment of 0% fully convertible preference shares to Bessemer Venture Partners Trust.

2. **Promoter Contribution and Lock-in**

All Equity Shares which are being locked in are eligible for computation of Promoters' contribution and are being locked in under clauses 4.6 and 4.11.1 of the SEBI Guidelines.

(a) *Details of Promoters Contribution locked in:*

Name of Promoters	Date of Allotment / acquisition and when made fully paid-up	Nature of Allotment	Nature of consideration (Cash, Bonus, Kind etc.)	Number of Equity Shares locked in*	Face Value (Rs.) (per share)	Issue Price / Purchase Price (Rs.) (per share)	% of post-Issue paid up capital**	Lock-in Period (years)
A. Shriram Industrial Holdings Private Limited	November 22, 2007	Transfer	Cash	2,000,000	10	16.11	4.49	One
	January 7, 2006	Transfer	Cash	6,138,757	10	10	13.77	Three
	January 7, 2006	Transfer	Cash	356,436	10	10	0.80	One
	January 6, 2005	Transfer	Cash	4,839,930	10	10	10.86	One
B. Shriram Auto Finance	May 14, 2005	Transfer	Cash	2,774,580	10	10	6.23	Three
	May 14, 2005	Transfer	Cash	2,348,641	10	10	5.27	One
<b>TOTAL</b>				<b>18,458,344</b>			<b>41.42</b>	

\*Commencing from the date of the Allotment of the Equity shares in the Issue.

\*\*The lock in has been calculated in accordance with para 15.2 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 2000, with reference to the enlarged capital, i.e. 44,566,689 Equity Shares which would arise on exercise of all outstanding options (vested as well as unvested options).

The contribution by the Promoters, as indicated hereinabove, has been brought in to the extent of not less than the specified minimum lot as stipulated in accordance with the SEBI Guidelines.

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

In terms of clause 4.14.1 of the SEBI Guidelines, in addition to 20% of post-Issue shareholding of the Company, except for Equity Shares held by BVP (registered as a FVCI) our entire pre-Issue equity share capital constituting 16,472,691 Equity Shares will be locked-in for a period of one year from the date of Allotment in this Issue.

In accordance with Clause 4.15.1 of the SEBI Guidelines, the locked in Equity Shares held by the Promoters, 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 accordance with Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoters may be transferred to and among 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 accordance with Clause 4.16.1 (a) of the SEBI Guidelines, the Equity Shares held by persons other than the Promoter prior to the Issue 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.

Locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan.

Provided that if the securities are locked in as Promoters Contribution, the same may be pledged only if in addition to fulfilling the above conditions, the loan has been granted by such banks or financial institutions for the purpose of financing one or more of the objects of the instant Issue.

3. The list of the top ten shareholders of our Company and the number of Equity Shares held by them is as follows:
- (a) Our shareholders and the number of Equity Shares of Rs.10 each held by them as of the date of and ten days prior to filing this Red Herring Prospectus with SEBI is as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Percentage Shareholding (%)
1.	Shriram Industrial Holdings Private Limited	13,335,123	35.21
2.	Bessemer Venture Partners Trust	10,481,762	27.68
3.	Mrs. Vathsala Ranganathan, Partner Shriram Auto Finance	5,123,221	13.53
4.	UTI IAS	3,786,779	10.00
5.	Galleon	2,000,000	5.28
6.	New Vernon Private Equity Limited	1,750,000	4.62
7.	Argonaut Ventures	1,250,000	3.30
8.	SICP Management Company, Mauritius	140,835	0.37
9.	Mr. S. Shankar	10	0.00
10.	Mr. K. Narayanaswamy	10	0.00
11.	Mr. R.K.Pal	10	0.00
	Mr. P.Ashok	10	0.00
	Mr. M.A.Shariff	10	0.00
	Mr. T. Shivaraman	10	0.00
	Mrs. Vathsala Ranganathan	10	0.00

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

Name of the Shareholder	No. of Equity Shares	Percentage Equity Shareholding (%)
1. Shriram Industrial Holdings Private Limited	11,335,123	44.90

2. Mrs. Vathsala Ranganathan, Partner of Shriram Auto Finance	8,910,000	35.29
3. UNO Investments	5,000,000	19.80
4. Mr. S. Shanker	10	0.00
5. Mr. K. Narayanaswamy	10	0.00
6. Mr. Santosh Kamat	10	0.00
7. Mr. R.K. Pal	10	0.00
8. Mr. P. Ashok	10	0.00
9. Mr. M.A. Shariff	10	0.00
10. Mr. K. Raman	10	0.00

4. Shareholding pattern of our Company before and after the Issue is as follows:

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

(a) *Equity Shareholding Pattern of our Company*

Shareholder Category	Equity Shares owned before the Issue		Equity Shares owned after the Issue	
	No. of shares	%	No. of shares	%
<b>Promoters</b>				
Shriram Industrial Holdings Private Limited	13,335,123	35.21	13,335,123	31.11
Shriram Auto Finance, through Mrs. Vathsala Ranganathan, Partner	5,123,221	13.53	5,123,221	11.95
<b>Sub Total (A)</b>	<b>18,458,344</b>	<b>48.74</b>	<b>18,458,344</b>	<b>43.06</b>
<b>Promoter Group</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>Others</b>				
<i>Investors</i>				
Bessemer Venture Partners Trust	10,481,762	27.68	10,481,762	24.45
UTI IAS	3,786,779	10.00	3,786,779	8.83
Galleon	2,000,000	5.28	2,000,000	4.67
New Vernon Private Equity Limited	1,750,000	4.62	1,750,000	4.08
Argonaut Ventures	1,250,000	3.30	1,250,000	2.92
SICP Management Company, Mauritius	140,835	0.37	140,835	0.33
<i>Individuals</i>	70	0.00	70	0.00
<b>Sub Total (B)</b>	<b>19,409,446</b>	<b>51.25</b>	<b>19,409,446</b>	<b>45.28</b>
<b>Public (C)</b>	<b>-</b>	<b>-</b>	<b>5,000,000</b>	<b>11.66</b>
<b>Employees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sub Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total share capital (A+B+C)</b>	<b>37,867,790</b>	<b>100.00</b>	<b>42,867,790</b>	<b>100.00</b>

(1) *The break down of the Equity Shares to be allotted pursuant to the Issue is not included*

(2) *For further information in relation to the corporate information, the shareholding pattern, details of the board of directors and audited financials of our Promoters please see "Our Promoters" on page 124 of this Red Herring Prospectus.*

5. None of our Directors or Key Managerial Personnel holds Equity Shares in the Company, other than as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1.	Mrs. Vathsala Ranganathan	10	-	-
2.	Mr. T. Shivaraman	10	-	-
3.	Mr. M. Amjad Shariff	10	-	-
<b>TOTAL</b>		<b>30</b>	<b>-</b>	<b>-</b>

6. Our Company, our Directors, the GCBRLM, the BRLM and the CBRLM have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares of our Company from any person, other than as disclosed in this Red Herring Prospectus.
7. Our Promoters have not been issued Equity Shares for consideration other than cash other than set out in “Capital Structure- Notes to Capital Structure- Share Capital History of the Company”.
8. Except as stated herein below, our Promoters, Directors and our Promoter Group have not purchased or sold any Equity Shares within the last six months preceding the date of filing of this Red Herring Prospectus with the Registrar of Companies.

The table below sets forth the details of Equity Shares that have been purchased by Promoter during the period of six months preceding the date on which the Red Herring Prospectus was filed with SEBI:

Transferor	Transferee	Date of Transfer	Number of Equity Shares	Price at which shares purchased (Rs. per share)	Nature of consideration
UNO Investments	SIHPL	November 22, 2007*	2,000,000	16.11	Cash

\* Pursuant to the exercise of its promoters call option rights provided under UNO Investment Agreement dated March 29, 2005 and issuance of a written notice dated November 22, 2007 to UNO Investments in this regard. For details see “History and Certain Corporate Matters – Shareholders Agreements and Other Material Agreements” on page 99.

9. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investor.
10. In case of over-subscription in the Issue, at least 60% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. From the existing QIB Portion, 5% of the QIB Portion shall be available for allocation to Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of the Company and the Selling Shareholder in consultation with the GCBRLM, the BRLM and the CBRLM. For more information, please refer to “Issue Procedure – Basis of Allotment” on page 270.
11. Other than the options granted under ESOP as set forth in note 22 below, 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 Issue, 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 Issue.

14. An oversubscription to the extent of 10% of the Issue can be retained for the purposes of finalizing the Basis of Allotment.
15. Under-subscription, if any, in the Retail or Non Institutional Portion would be met with spill over from other categories or combination of categories at the discretion of our Company in consultation with the GCBRLM, the BRLM and the CBRLM.
16. Our Promoters and members of our Promoter Group will not participate in this Issue.
17. Except as disclosed in this Red Herring Prospectus, there would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of this Red Herring Prospectus to SEBI until the Equity Shares issued/ to be issued pursuant to the Issue have been listed.
18. We presently do not intend or propose to alter our capital structure for a period of six months from the date of filing of this Red Herring Prospectus, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise except that if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider raising additional capital to fund such activity or use Equity Shares as currency for acquisition or participation in such joint ventures.
19. The Equity Shares held by the Promoters are not subject to any pledge.
20. We have not issued any Equity Shares out of revaluation reserves or for consideration other than cash.
21. 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.

## 22. Employee stock option plans

ESOP scheme	Outstanding Options	Remarks
ESOP 2006	1,548,899	Adopted for the benefit of employees eligible under the plan. The total options earmarked were 1,890,000. The plan was approved by the shareholders of our Company at the meeting of the shareholders held on November 20, 2006.
ESOP 2007	150,000	Adopted for the benefit of employees eligible under the plan in accordance with Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The total options earmarked are 500,000. The plan was approved by the shareholders of our Company at the meeting of the shareholders held on September 20, 2007.

There would be no further grant of options under ESOP 2006. All options granted after September, 2007 will be granted under ESOP 2007. ESOP 2007 is in compliance with the SEBI ESOP Guidelines.

Following are the details in relation to options granted under ESOP 2006:

Particulars	Details		
Options granted	1,640,161*		
Exercise price of options	<b>Fiscal Year/Period</b>		<b>No. of options granted</b>
	2007		1,176,490
	April 1, 2007 to September 30, 2007		372,409
Total options vested (includes options exercised)	384,128		
Options exercised	Nil		
Total number of Equity Shares arising as a result of full exercise of options already granted	Nil		
Options forfeited/ lapsed/ cancelled	91,262		
Variations in terms of options	Nil		
Money realised by exercise of options	Nil		
Options outstanding (in force)	1,548,899		
Person wise details of options granted to key managerial employees	<b>Name of employee</b>	<b>No. of options granted</b>	<b>No. of options exercised</b>
	Mr. D. Arivalagan	70,744	Nil
	Mr. T. Sreedhar	37,499	Nil
	Mr. M. Radhakrishnan	49,306	Nil
	Mr. Vivek Sharma	38,719	Nil
	Mr. R. Parathsarthy	22,969	Nil
	Mr. S. Avudaiappan	16,844	Nil
	Mr. S. Ramnath	12,000	Nil
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	Nil		
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil		
Fully diluted EPS on a pre-issue basis	[•]		
Vesting schedule	The period of vesting shall be a maximum period of four years which		

Particulars	Details
	shall include the lock-in period of one year.
Lock-in	Nil
Impact on profits and EPS of the last three years	Nil

\* This includes 190,320 options granted to consultants. The said grants having been ratified by the shareholders at the EGM held on September 20, 2007. All Equity Shares arising from such options granted will be subject to the one year pre-Issue lock-in  
\*\* Excludes forfeited options.

Following are the details in relation to options granted under ESOP 2007:

Particulars	Details								
Options granted	150,000								
Exercise price of options	<table border="1"> <thead> <tr> <th></th> <th>No. of options granted</th> <th>Exercise Price</th> </tr> </thead> <tbody> <tr> <td>October 1 to December 31, 2007</td> <td>150,000</td> <td>10</td> </tr> </tbody> </table>		No. of options granted	Exercise Price	October 1 to December 31, 2007	150,000	10		
	No. of options granted	Exercise Price							
October 1 to December 31, 2007	150,000	10							
Total options vested (includes options exercised)	Nil								
Options exercised	Nil								
Total number of Equity Shares arising as a result of full exercise of options already granted	Nil								
Options forfeited/ lapsed/ cancelled	Nil								
Variations in terms of options	Nil								
Money realised by exercise of options	Nil								
Options outstanding (in force)	150,000								
Person wise details of options granted to key managerial employees	<table border="1"> <thead> <tr> <th>Name of employee</th> <th>No. of options granted</th> <th>No. of options exercised</th> <th>No. of options outstanding</th> </tr> </thead> <tbody> <tr> <td>Mr. D. Sugathan</td> <td>7,500</td> <td>Nil</td> <td>7,500</td> </tr> </tbody> </table>	Name of employee	No. of options granted	No. of options exercised	No. of options outstanding	Mr. D. Sugathan	7,500	Nil	7,500
Name of employee	No. of options granted	No. of options exercised	No. of options outstanding						
Mr. D. Sugathan	7,500	Nil	7,500						
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	<table border="1"> <thead> <tr> <th>Name of employee</th> <th>No. of options granted</th> <th>No. of options exercised</th> <th>No. of options outstanding</th> </tr> </thead> <tbody> <tr> <td>Mr. U.Banerjee</td> <td>100,000</td> <td>Nil</td> <td>100,000</td> </tr> </tbody> </table>	Name of employee	No. of options granted	No. of options exercised	No. of options outstanding	Mr. U.Banerjee	100,000	Nil	100,000
Name of employee	No. of options granted	No. of options exercised	No. of options outstanding						
Mr. U.Banerjee	100,000	Nil	100,000						
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil								
Fully diluted EPS on a pre-issue basis	[•]								
Vesting schedule	The period of vesting shall be a maximum period of four years which shall include the lock-in period of one year.								
Lock-in	Nil								
Impact on profits and EPS of the last three years	Nil								

23. As of the date of filing of this Red Herring Prospectus, the total number of holders of Equity Shares is 14.
24. Our Company or the Promoters shall not make any payments direct or indirect, discounts, commission allowances or otherwise under this Issue.

## OBJECTS OF THE ISSUE

The objects of the Issue are to (a) invest in our Subsidiary and Associate companies, (b) fund expenditures for general corporate purposes, and to achieve the benefits of listing on the Stock Exchanges.

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

We intend to utilize the proceeds of the Issue, after deducting the Issue related expenses, which is estimated at Rs. [●] (“Net Proceeds”) for financing the above mentioned objects.

The details of the utilization of Net Proceeds will be as per the table set forth below:

<i>(Amount in Rs. Million)</i>				
S. No.	Expenditure Items	Total estimated investment	Amount deployed as on December 31, 2007*	Amount to be utilized out of the Net Proceeds
1.	<i>Investment in our Subsidiary and Associate companies</i>			
	<b>Subsidiary Company</b>			
	Shriram Leitwind Limited	153.00	68.61	84.39
	<b>Associate Companies</b>			
	Leitner Shriram Manufacturing Limited	250.16	59.69	190.47
	Orient Green Power Company Limited	400.00		400.00
2.	<i>Expenditures towards purchase of plant and equipment for pipe rehabilitation projects</i>	76.69	-	76.69
3.	<i>General corporate purposes</i>	[●]	-	[●]
	<b>Total</b>	[●]		[●]

\*As per certification from Deloitte Haskins & Sells, dated January 4, 2008

The investments in our Subsidiary and Associate companies out of the Net Proceeds will be utilized within three months from the date of listing.

As on December 31, 2007, we have not incurred any expenditure in relation to the above stated objects except as stated herein below.

The fund requirement and deployment are based on current business plans and internal management estimates and have not been appraised by any bank or financial institution. These are based on current conditions and are subject to change in light of changes in external circumstances or costs, or in other financial condition, business or strategy. For risks associated with the non appraisal of internal management estimates see “Risk Factors – We have not entered into any definitive agreements to utilise a substantial portion of the Net Proceeds of the Issue”.

In case of variations in the actual utilization of funds earmarked for the purposes set forth above, increased fund requirements or a particular purpose may be financed by surplus funds, if any, available in respect of the other purposes for which funds are being raised in this Issue. If surplus funds are unavailable, the required financing will be through our internal accruals and/or debt.

In addition, the fund requirements are based on the current internal management estimates of our Company. We operate in highly competitive, dynamic market conditions, and may have to revise our estimates from time to time on account of new projects that we may pursue including any industry consolidation initiatives, such as potential acquisition opportunities. We may also reallocate expenditure to newer projects or those with earlier completion dates in the case of delays in our existing projects. Consequently, our fund requirements may also change accordingly. Any such change in our plans may require rescheduling of our expenditure programs, starting projects which are not currently planned, discontinuing projects currently planned and an increase or decrease in the expenditure for a particular project or land acquisition in relation to current plans, at the discretion of the management of the Company. The same would be subject to the approval of the shareholders of our Company by way of a special resolution. In case of any shortfall or cost overruns, we intend to meet our estimated expenditure from our cash flow from operations and debt. In the event any surplus is left out of the Net Proceeds after meeting all the aforesaid objectives, such surplus will be used for general corporate purposes.

## **Details of the Objects**

### ***Investment in our Subsidiary and Associate companies***

#### *Investment in Shriram Leitwind Limited*

A joint venture agreement was entered into between our Company and Leitwind BV on February 3, 2007 for setting up Shriram Leitwind Limited for the purposes of marketing and sale of wind turbines and components, and development of wind farm projects. For further details see “History and certain Corporate Matters” on page 96.

Pursuant to the joint venture agreement, we propose to make capital contribution in Shriram Leitwind Limited by way of subscription to equity shares at par to the extent of 51% of the paid up share capital of the company. As per the current business plan of Shriram Leitwind Limited, Rs. 300.00 million is the proposed equity share capital to be contributed by our Company and Leitwind BV in the ratio of 51:49 respectively. As of December 31, 2007, our Company and Leitwind BV have contributed a sum of Rs. 68.61 million and Rs. 69.39 million respectively. Our Company proposes to make the balance contribution to the share capital amounting to Rs. 84.39 million out of the Net Proceeds of the Issue in the form of equity share capital.

#### *Investment in Leitner Shriram Manufacturing Limited*

A joint venture agreement was entered into between our Company and Leitwind BV on January 16, 2007 with the objective of manufacturing wind turbines and its components. For further details see “History and Certain Corporate Matters” on page 96.

Pursuant to the joint venture agreement, we propose to make capital contribution in Shriram Leitwind Limited by way of subscription to equity shares at par to the extent of 49% of the paid up share capital of the company.

As per the current business plan of Leitner Shriram Manufacturing Limited, Rs. 510.54 million is the proposed equity share capital to be contributed by our Company and Leitwind BV in the ratio of 49:51 respectively. As of December 31, 2007, our Company and Leitwind BV have made a total capital contribution amounting to Rs. 172.92 million, Rs. 113.23 million held by Leitwind BV and Rs. 59.69 million held by our Company as share capital. Our Company proposes to make the balance contribution to the share capital amounting to Rs. 190.47 million out of the Net Proceeds of the Issue in the form of equity share capital.

#### *Investment in Orient Green Power Company Limited (“OGPL”)*

Our Company has entered into a MoU with Bessemer Venture Partners Trust on August 28, 2007. OGPL is in the process of setting up various renewable energy (including biomass based power projects) and also plans to make investments in special purpose vehicle companies (“SPVs”) which are engaged in the similar business, including biomass based power generation. As per the MoU, OGPL has entered into various agreements with SPVs which are engaged in setting up power plants utilizing biomass and other renewable sources of fuel. The SPVs have obtained their own licenses and approvals for implementing the plant. As per the MoU, the shareholding pattern of OGPL shall be 50% to be held by our Company and 50% by Bessemer Venture Partners Trust. 76,000 equity shares of the face value of Rs. 10 each have been allotted each to our Company and Bessemer Venture Partners Trust, constituting 48.72% each of the share capital of OGPL. Further, 2.56% of the share capital of OGPL consisting of 4,000 equity shares of Rs. 10 each are held by Mr. M. Amjad Shariff.

To date, OGPL has identified four biomass power projects in Dindugal, Pattukottai, Vandavasi and Pollachi in Tamil Nadu, one mini hydel power project in Orissa and one poultry waste based power project in Andhra Pradesh. The investments by OGPL in the SPVs will be in the form of equity share capital. Our Company will be investing Rs. 400 million in the equity share capital of OGPL out of the Net Proceeds of the Issue.

### ***Expenditures towards purchase of plant and equipment for pipe rehabilitation projects***

We have estimated a requirement to acquire machinery and equipment material for our pipe rehabilitation business a value aggregating Rs. 76.69 million. We believe that owning the said equipment and not having to hire the same will enable us to mobilize our resources and render our services to clients in a faster and more efficient manner.

We have obtained quotations for the aforesaid equipment. We have as yet not placed any orders, or made any payments in furtherance of the same.

The details of the equipment to be acquired by us, and the proposed schedule for its acquisition are given below:

S. No	Description of item	Quantity	Amount (Rs. in million)	Quote from*	Date of Quote
1.	TATA Hitachi Model KH 500 Hydraulic Crawler mounted crane with basic boom of 15 meters with 100 ton hook block with additional attachments	1	55.19	Telco Construction Equipment Company Limited	January 8, 2008
2.	A. Special purpose vehicle mounted super suction equipment consisting of trilobe vacuum pump, auxiliary diesel engine, dual cyclone unit, suction and discharge silencer, electrical and pneumatic controls, various pipes and fittings, quick release coupling, suction hoses, nozzles, spare blower, etc.	1	6.50	Southern Powertech Equipments Private Limited	January 2, 2008
	B. Special purpose vehicle mounted pay load carrier consisting of 16 cum capacity storage tank, hydraulic powerpack, hydraulic cylinder, control valves, various pipes and fittings, quick release coupling, suction hoses, etc.	4	7.00	Southern Powertech Equipments Private Limited	January 2, 2008
3.	A. Special purpose vehicle mounted combined cum jetting machine with recycling unit consisting of tank, high pressure pump, suction blower, recycling filter unit, various pipes and fittings, quick release coupling, suction hoses, jetting hose and nozzles, etc.	1	5.00	Southern Powertech Equipments Private Limited	January 2, 2008
	B. Special purpose vehicle mounted combined cum jetting machine consisting of tank, high pressure pump, suction blower, various pipes and fittings, quick release coupling, suction hoses, jetting hose and nozzles, etc.	1	3.00	Southern Powertech Equipments Private Limited	January 2, 2008
<b>TOTAL</b>			<b>76.69</b>		

\* All of the above quotations have been obtained by us from the respective suppliers within the last month from the date of this Red Herring Prospectus. Fresh quotations will be obtained at the time of the actual placement of the order for the respective equipment.

### **General Corporate Purposes**

We, in accordance with the policies set up by our Board, will have flexibility in applying the remaining Net Proceeds of this Issue, for general corporate purposes towards project implementation, strategic and business development initiatives and acquisitions, brand building exercises and the strengthening of our business development and marketing capabilities.

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

### **Benefits of Listing**

We believe that equity capital markets are ideal sources for meeting long term funding requirements of a growing company like ours. In addition, the listing of our Equity Shares will, *inter alia*, enhance our visibility and brand name among our existing and potential customers. We also believe that as a listed entity we would be able to attract high quality and talented personnel. Further, the listing of our Equity Shares will also provide liquidity to our existing shareholders and allow the entry of new investors into the Company.

### **Issue Related Expenses**

The expenses of this Issue include, among others, underwriting and management fees, printing and distribution expenses, legal fees, advertisement expenses and listing fees. The estimated Issue expenses are as follows:

*(Rs. in million)*

<b>Activity</b>	<b>Expenses*</b>
Lead management fee and underwriting commissions	[•]
Advertising and Marketing expenses	[•]
Printing and stationery	[•]
IPO Grading Fees	[•]
Others (Monitoring agency fees,, Registrars fee, legal fee, etc.)	[•]
<b>TOTAL</b>	<b>[•]</b>

\* Will be incorporated after finalisation of the Issue Price

### **Means of Finance**

The stated objects of the Issue are proposed to be financed entirely out of the proceeds of this Issue.

### **Working Capital Requirement**

The Net Proceeds of this Issue will not be used to meet our working capital requirements as we expect sufficient internal accruals and availability of working capital facilities to meet our existing working capital requirements. However, in the event that there is surplus of funds after deployment from the Net Proceeds of the Issue, the funds may be utilized towards reducing our reliance on working capital facilities.

### **Interim use of funds**

Pending utilization for the purposes described above, we intend to invest the funds in high quality interest bearing liquid instruments including investments in mutual funds, deposits with banks, for the necessary duration or for reducing overdrafts.

### **Monitoring Utilization of Funds**

Our Board/Audit Committee will monitor the utilization of the Net Proceeds. We will disclose the details of the utilization of the Issue proceeds, including interim use, under a separate head in our financial statements for

fiscal 2008, specifying the purpose for which such proceeds have been utilized or otherwise disclosed as per the disclosure requirements of our listing agreements with the Stock Exchanges and in particular clause 49 of the listing agreement. As per the requirements of clause 49 of the Listing Agreement, we will disclose to the Audit Committee the uses/applications of funds on a quarterly basis as part of our quarterly declaration of results. Further, on an annual basis, we shall prepare a statement of funds utilized for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. The said disclosure shall be made till such time that the full money raised through the Issue has been fully spent. The statement shall be certified by our Statutory Auditors.

Further we will furnish to the stock exchange on a quarterly basis, a statement indicating material deviations, if any, in the use of proceeds from the objects stated in this Red Herring Prospectus.

No part of the proceeds from the Issue will be paid by us as consideration to our Promoters, our Directors, Promoter Group companies or key managerial employees, except in the normal course of our business.

## BASIS FOR ISSUE PRICE

The Issue Price will be determined by us in consultation with the GCBRLM, the BRLM and the CBRLM on the basis of assessment of market demand and on the basis of the following qualitative and quantitative factors for the Equity Shares offered by the Book Building Process. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

### Qualitative Factors

- Ability to execute large and complex projects on a turnkey basis in a timely and cost-effective manner
- Strong strategic alliances and partnerships with leading international companies
- Highly qualified and experienced management and employee base with strong project execution skills
- Operations in diverse and complementary projects
- Focus on renewable energy
- Strong order book, revenue and profit growth
- Cost competitiveness

For details on the above and additional qualitative factors, which form the basis for deciding the price refer to “Our Business – Our Strengths” on page 65 and “Risk Factors” on page ix .

### Quantitative Factors

Information presented in this section is derived from the Company’s restated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for deciding the price, are as follows:

#### 1. Adjusted Earning Per Share (EPS)

Financial Period	Adjusted EPS (Rs.) (Based on weighted average shares of face value of Rs. 10 outstanding in that period)	Weight
Year ended March 31, 2005	0.79	1
Year ended March 31, 2006	3.21	2
Year ended March 31, 2007	6.95	3
Weighted Average	4.67	

Note:

- The Earning Per Share has been computed on the basis of the adjusted profits and losses of the respective years drawn after considering the impact of accounting policy changes and material adjustments but before adjustment of extra ordinary items of income. For details of extra ordinary items, please see the section titled “Financial Statements” on page 132 of this document.
- The denominator considered for the purpose of calculating Earning Per Share is the weighted average number of Equity Shares outstanding during the year.
- EPS calculations have been made in accordance with the Accounting Standard-20 – “Earning per Share” issued by the Institute of Chartered Accountants of India.
- EPS for the six month period ended on September 30, 2007 is Rs.2.65 (Post conversion of outstanding preference shares on September 20,2007)

#### 2. Price Earning Ratio (P/E Ratio)

- Based on the year ended March 31, 2007 EPS is Rs. 6.95.
- P/E based on the above EPS is [●] at the Floor Price and [●] at the Cap Price.

### 3. Return on Net Worth as per restated Indian GAAP

Financial Period	Return on Networth(%)	Weight
Year ended March 31, 2005	3.09%	1
Year ended March 31, 2006	4.11%	2
Year ended March 31, 2007	8.25%	3
Weighted Average	6.01%	

Minimum Return on Total Net Worth post-Issue to maintain pre-Issue EPS for fiscal year ended March 31, 2007 is [●].

Note: The return on net worth has been computed by dividing Profit after Tax and before extraordinary items by Net Worth.

### 4. Net Asset Value (NAV)

(i)	NAV as at March 31, 2007	Rs. 75.48 per Equity Share
(ii)	NAV as at Sept 30,2007 *	Rs. 44.85 per Equity Share
(iii)	NAV after Issue	Rs. [●] per Equity Share
(iv)	Issue Price	Rs. [●] per Equity Share

NAV per equity share has been calculated as shareholders' equity less miscellaneous expenses as divided by weighted average number of equity shares.

\* Post conversion of outstanding preference shares on September 20,2007

### 5. Comparison with other Listed Companies

The Book Runners consider the Issue Price of Rs. [●] is justified in view of the above qualitative and quantitative parameters. For further details and to have a more informed view, see "Risk Factors" on page ix and the financials of the Company, including important profitability and return ratios as set out in the auditor's report.

	EPS (Rs)	P/E as on ratio as on December 20, 2007	RoNW (%)	NAV (Rs.)	Sales (Rs. Cr.)
Shriram EPC	6.95	[●]	8.25	75.48	300
Praj	4.5	37.6	85.2	12.9	586
Suzlon	36.1	49.9	32.6	128.5	5380
L&T	46.5	66.2	27.1	214.4	17597
Thermax	16.1	39.7	35.5	48.6	2068
Punj Lloyd	2.1	165.3	5.7	65.8	2197

#### Notes:

All data for peer group companies are for full fiscal 2007;

All figures for the Company are based on its financial statements and for year ended March 31, 2007.

While the above companies are comparable to us in one or more business segments, none of them may be compared with us directly.

All figures for peer group are from Source: Capital Market, Volume XXII/ 22. December 31, 2007 – January 13, 2008.

## STATEMENT OF TAX BENEFITS

January 10, 2008

The Board of Directors,  
Shriram EPC Limited  
No.5, T.V. Street, Chetput  
Chennai – 600 031  
Tamil Nadu, India

Dear Sirs,

### **Initial Public Offer of Equity Shares Offer Document**

#### **Tax benefits**

We refer to the proposed Initial Public Offer of Shriram EPC Limited, (“Company”) and give below the current position of tax benefits available to the Company and to its shareholders as per the provisions of the Income-tax Act, 1961, Wealth-tax Act, 1957 and the Gift Tax Act, 1958 for inclusion in the Offer Document for the proposed initial public issue.

The current position of tax benefits available to the Company and to its shareholders is provided for general information purposes only. In view of the individual nature of tax benefits, each investor is advised to consult its own tax consultant with respect to the specific tax implications arising out of its participation in the issue.

**Unless otherwise specified, sections referred to below are sections of the Income-tax Act, 1961 (“the Act”). All the provisions set out below are subject to conditions specified in the respective sections.**

#### GENERAL TAX BENEFITS TO THE COMPANY

- I.
  1. In accordance with section 10(34), dividend income (referred to in section 115-O) declared, distributed or paid on or after April 1, will be exempt from tax.
  2. In accordance with section 35(1), the Company will be entitled to a deduction of the capital expenditure (other than on acquisition of land) and revenue expenditure incurred on scientific research related to the business carried on by the Company in the year in which such expenditure is incurred.
  3.
    - (a) The depreciation rates in respect of Plant and Machinery has been reduced to 15% from 25%, of Motor Cars reduced to 15% from 20% and furniture and fittings reduced to 10% from 15%
    - (b) Initial depreciation at 20% in respect of new machinery or plant will be allowed as deduction in case of a company engaged in the production or manufacture of an article or a thing. There is no requirement for new or substantial expansion.
  4. The amount of tax paid under Sec.115JB by the company for any assessment year beginning on or after 1<sup>st</sup> April 2006 will be available as credit for seven years succeeding the Assessment Year in which MAT credit becomes allowable in accordance with the provisions of Sec.115JAA.
  5. In case of loss under the head “Profit and Gains from Business or Profession”, it can be set-off with other income and the excess loss after set-off can be carried forward for set-off with the business income of the next eight Assessment Years.

6. The unabsorbed depreciation, if any, can be adjusted against any other income and can be carried forward for set-off with the income of future years.
7. If the company invests in the equity shares of another company, as per the provisions of Section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income if the transaction is chargeable to securities transaction tax.
8. Income received in respect of the units of mutual fund specified under clause 10(23D) or income received in respect of units from administrator of the specified undertakings or income received in respect of units from the specified company is exempt from tax in the hand of the Company, under section 10(35) of the IT Act.
9. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of:
  - (a) 20 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') of the capital gains as computed after indexation of the cost. or
  - (b) 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') of the capital gains as computed without indexation.
10. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.

## **II. Section 115O**

Tax on distributed profits of domestic companies.

Increase in rate to 15%, the surcharge on Income tax remains at 10%, increase in education cess to 3%

## **III Tax Rates**

The tax rate is 30% .

The surcharge on Income tax is 10%.

Education cess is increased to 3%

## **IV Fringe Benefit Tax**

The company will be liable to Fringe Benefit Tax in accordance with Chapter XII H of the Income Tax Act.

## **GENERAL TAX BENEFITS TO THE SHAREHOLDERS OF THE COMPANY**

### ***(I) Under the Income-tax Act***

Residents

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) on or after April 1, 2003 will be exempt from tax.
2. Shares of the Company held as capital asset for a period of more than twelve months preceding the date of transfer will be treated as a long term capital asset.
3. In accordance with section 10(38), any income arising from the transfer of a long term capital asset being an equity share in a company is not includible in the total income if the transaction is chargeable to securities transaction tax.
4. As per the provision of Section 71, if there is a loss under the head “Capital Gains”, it cannot be set-off with the income under any other head. Section 74 provides that the short term capital loss can be set-off against any long term capital gain. But Long term capital loss cannot be set-off against short term capital gain.
5. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be the lower of :
  - (a) 20 per cent (plus applicable surcharge and additional surcharge called as ‘Education Cess’) of the capital gains as computed after indexation of the cost. or
  - (b) 10 per cent (plus applicable surcharge and additional surcharge called as ‘Education Cess’) of the capital gains as computed without indexation.
6. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 10 per cent (plus applicable surcharge and additional surcharge called as ‘Education Cess’) and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.
7. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company on which securities transaction tax is not payable, shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified asset notified for the purpose of investment is Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

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

8. In accordance with section 54ED, capital gain arising on the transfer of a long-term capital asset being listed securities on which securities transaction tax is not payable, shall be exempt from tax provided the whole of the capital gain is invested within a period of six months in equity shares forming part of an eligible issue of capital.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head “Capital Gains” of the year in which the specified equity shares are transferred.

The cost of the specified equity shares will not be eligible for deduction under Section 80C.

9. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual or Hindu Undivided Family-
- owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
  - purchases another residential house within a period of one year after the date of transfer of the shares; or
  - constructs another residential house within a period of three years after the date of transfer of the shares;
- and*
- the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

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

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

**Tax Rates:**

1. Individuals, HUFs and Association of Persons:

- (i) The Income tax exemption limit has been raised from  
Rs. Rs.1,00,000/- to Rs 1,10,000
- (ii) Women residents of India and below the age of 65 years,

The Income tax exemption limit has been raised from  
Rs.1,35,000/-to Rs 1,45,000

Surcharge at 10% will be payable only in respect of total income exceeding  
Rs.10,00,000/-.

Education cess is increased to 3%

2. *Senior Citizens*

**Tax Rates:**

- i) Individuals residents of India and above the age of 65  
years:  
The Income tax exemption limit has been raised from  
Rs.1,85,000/- to Rs 1,95,000

Surcharge at 10% will be payable only in respect of total  
income exceeding Rs.10,00,000/-.

Education cess is increased to 3%

**B) I. Non-Residents**

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) on or after April 1, 2003 will be exempt from tax.
2. In accordance with section 48, capital gains arising out of transfer of capital assets being shares in the Company, and such transaction is not chargeable to securities transaction tax, shall be computed by converting the cost of acquisition, expenditure in connection with such transfer and the full value of the consideration received or accruing as a result of the transfer into the same foreign currency as was initially utilised in the purchase of the shares and the capital gains computed in such foreign currency shall be reconverted into Indian currency, such that the aforesaid manner of computation of capital gains shall be applicable in respect of capital gains accruing/arising from every reinvestment thereafter and sale of shares or debentures of an Indian company including the Company.

3. In accordance with section 112, the tax on capital gains on transfer of listed shares, where the transaction is not chargeable to securities transaction tax, held as long term capital assets will be at the rate of 20% (plus applicable surcharge and additional surcharge called as 'Education Cess').

A non-resident will not be eligible for adopting the indexed cost of acquisition and the indexed cost of improvement for the purpose of computation of long-term capital gain on sale of shares.

4. In accordance with Section 111A capital gains arising from the transfer of a short term asset being an equity share in a company and such transaction is chargeable to securities transaction tax, the tax payable on the total income shall be the aggregate of (i) the amount of income-tax calculated on such short term capital gains at the rate of 10 per cent (plus applicable surcharge and additional surcharge called as 'Education Cess') and (ii) the amount of income-tax payable on the balance amount of the total income as if such balance amount were the total income.
5. In accordance with section 54EC, long-term capital gains arising on transfer of the shares of the Company and on which securities transaction tax is not payable, the tax payable on the capital gains shall be exempt from tax if the gains are invested within six months from the date of transfer in the purchase of a long-term specified asset. The long-term specified asset notified for the purpose of investment is Rural Electrification Corporation Ltd. (REC) and National Highways Authority of India (NHAI). Notification issued by Government of India specifies that no such bonds will be issued to a person exceeding Rs.50 lakhs.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

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

6. In accordance with section 54ED, capital gain arising on the transfer of a long-term capital asset being a listed security and on which securities transaction tax is not payable, is exempt from tax provided the whole of the capital gain is invested within a period of six months in equity shares forming part of an eligible issue of capital.

If only a part of the capital gain is so invested, the exemption would be limited to the amount of the capital gain so invested.

If the specified equity shares are sold or otherwise transferred within a period of one year from the date of acquisition, the amount of capital gains on which tax was not charged earlier shall be deemed to be income chargeable under the head "Capital Gains" of the year in which the specified equity shares are transferred.

7. In accordance with section 54F, long-term capital gains arising on the transfer of the shares of the Company held by an individual or Hindu Undivided Family, and on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is utilised, within a period of one year before, or two years after the date of transfer, in the purchase of a new residential house, or for construction of a residential house within three years. Such benefit will not be available if the individual or Hindu Undivided Family-

- a. owns more than one residential house, other than the new residential house, on the date of transfer of the shares; or
- b. purchases another residential house within a period of one year after the date of transfer of the shares; or

- c. constructs another residential house within a period of three years after the date of transfer of the shares; *and*
- d. the income from such residential house, other than the one residential house owned on the date of transfer of the original asset, is chargeable under the head “Income from house property”.

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

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

## II Non-Resident Indians

Further, a Non-Resident Indian has the option to be governed by the provisions of Chapter XII-A of the Income-tax Act, according to which:

1. In accordance with section 115E, income from investment or income from long-term capital gains on transfer of assets other than specified asset of the Company shall be taxable at the rate of 20% (plus applicable surcharge and additional surcharge called “Education Cess”). In case of income by way of long term capital gains in respect of a specified asset, shall be chargeable at 10% plus applicable surcharge and additional surcharge called “Education Cess”).
2. In accordance with section 115F, subject to the conditions and to the extent specified therein, long-term capital gains arising from transfer of shares of the Company acquired out of convertible foreign exchange, and on which securities transaction tax is not payable, shall be exempt from capital gains tax if the net consideration is invested within six months of the date of transfer in any specified asset.
3. In accordance with section 115G, it is not necessary for a Non-Resident Indian to file a return of income under section 139(1), if his total income consists only of investment income earned on shares of the Company acquired out of convertible foreign exchange or income by way of long-term capital gains earned on transfer of shares of the Company acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Income-tax Act.
4. In accordance with section 115-I, where a Non-Resident Indian opts not to be governed by the provisions of Chapter XII-A for any assessment year, his total income for that assessment year (including income arising from investment in the Company) will be computed and tax will be charged according to the other provisions of the Income-tax Act.
5. As per the provisions of Section 90, the NRI shareholder has an option to be governed by the provisions of the tax treaty, if they were beneficial than the domestic law wherever India has entered into Double Taxation Avoidance Agreement (DTAA) with the relevant country.

### **C) Foreign Institutional Investors (FIIs)**

1. In accordance with section 10(34), dividend income declared, distributed or paid by the Company (referred to in section 115-O) on or after April 1, 2003 will be exempt from tax in the hands of Foreign Institutional Investors (FIIs).
2. In accordance with section 115AD, FIIs will be taxed at 10% (plus applicable surcharge and additional surcharge called as ‘Education Cess’) on long-term capital gains, if securities transaction tax is not payable on the transfer of the shares, and at 10% (plus applicable surcharge and additional surcharge called as ‘Education Cess’) on short-term capital gains arising on the sale of the shares of the Company which is subject to securities transaction tax.

***D) Persons carrying on business or profession in shares and securities.***

In accordance with Section 88E where the total income includes income chargeable under the head “profits and gains of business or profession” arising from taxable securities transactions, an amount equal to the securities transaction tax paid will be available as deduction from the amount of income-tax on such income arising from such transactions subject to the other applicable conditions.

***E) Mutual Funds***

In accordance with section 10(23D), any income of:

- (i) a Mutual Fund registered under the Securities and Exchange Board of India Act 1992 or regulations made there under;
- (ii) such other Mutual Fund set up by a public sector bank or a public financial institution or authorised by the Reserve Bank of India subject to such conditions as the Central Government may, by notification in the Official Gazette, specify in this behalf,

- will be exempt from income-tax.

***(II) Under the Wealth Tax and Gift Tax Acts***

- 1) ‘Asset’ as defined under section 2(ea) of the Wealth-tax Act, 1957 does not include shares in companies and hence, these are not liable to wealth-tax.
- 2) Gift tax is not leviable in respect of any gifts made on or after October 1, 1998. Therefore, any gift of shares will not attract gift-tax.

We hereby give our consent to include our above referred opinion regarding the tax benefits available to the Company and to its share holders in the offer document which the Company intends to submit to the Securities and Exchange Board of India, Mumbai.

Yours faithfully,

For Deloitte Haskins & Sells

(B.Mala)  
Partner  
M No 19958

## SECTION IV: ABOUT THE COMPANY

### INDUSTRY

*The information in this section is derived from various government publications and other industry sources. Neither we nor any other person connected with the Issue has verified or attempted to verify this information. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Accordingly, investment decisions should not be based to an undue extent on such information. Industry sources and publications are also prepared based on information and estimates as of specific dates and may no longer be current.*

*A glossary of technical and industry terms is provided on page v. Newly installed capacity refers to the MW capacity installed during a particular year. Unless otherwise specified, accumulated installed capacity refers to the total MW capacity installed taking into account the effect of decommissioning.*

#### **The Indian Economy**

India is the world's largest democracy by population size, and one of the fastest growing economies in the world. According to the International Monetary Fund, India had an estimated population of 1.13 billion people as of April 2007. (Source: [www.imf.org](http://www.imf.org)) For 2006, India was the sixth largest economy in the world in terms of purchasing power parity adjusted GDP. (Source: *CIA World Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/index.html>)

In recent years, India has experienced rapid economic growth. According to India's Central Statistical Organisation (CSO), India's GDP grew approximately 7.5%, 8.1% and 9.0% in financial years 2004, 2005 and 2006, respectively. In financial year 2006, India's industrial, agricultural and service sectors grew approximately 8.0%, 6.0% and 10.3%, respectively (quick estimates). The Reserve Bank of India has reported GDP growth of 9.2% in the financial year 2007 (advance estimates of the CSO) and forecasts that GDP will grow at around 8.5% in financial year 2008.

Some of the factors that have contributed to India's significant growth in recent years include industrial resurgence, increase in investment, modest inflation, rapid growth in exports and imports, and progress in fiscal consolidation. The continuing growth of the Indian economy is expected to continue to fuel the growth in the industrial, commercial and agricultural sectors, which in turn will increase the demand for certain basic requirements, such as power and water.

#### **The Indian Power Scenario**

##### ***Global Electricity Demand***

The International Energy Agency (IEA), in its *World Energy Outlook 2006*, estimates that world electricity demand is projected to increase by just over one-half between now and 2030, at an average annual rate of 1.6%. Globally, the power sector is required to add an estimated 4,800 GW of capacity to meet the projected increase in electricity demand and to replace aging infrastructure. The IEA has estimated that this would require an investment of US\$10 trillion and more than US\$5 trillion of that amount will be required by developing countries alone.

According to the IEA, fossil fuels, which include coal, oil and natural gas, will continue to dominate energy supplies, accounting for 83% of the overall increase in energy demand between 2004 and 2030. Nuclear power's contribution is expected to decline and the use of renewable energy sources, such as hydroelectricity, wind power, biomass and solar, is expected to increase. The IEA also estimates that wind power share in total electricity generation will grow from 0.2% in 2002 to 3.0% in 2030 and will be the second largest renewable source of electricity after hydroelectricity.

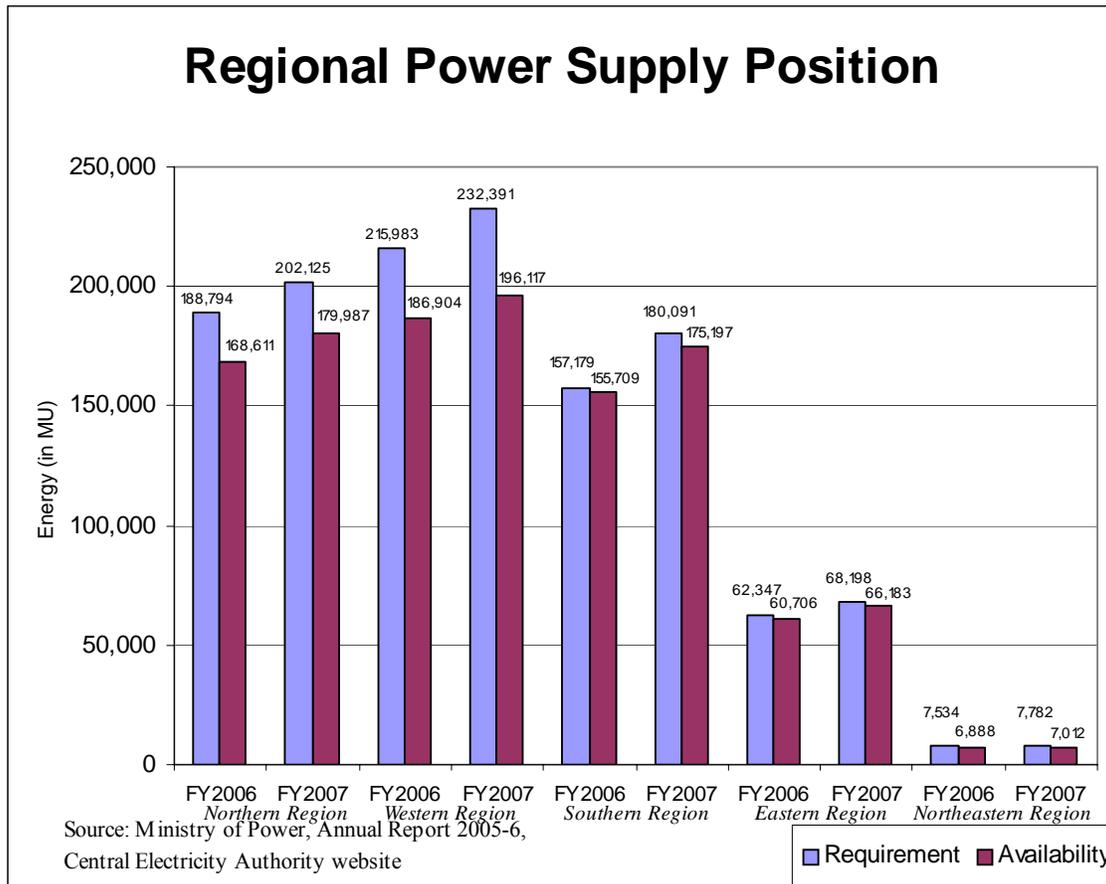
## Indian Electricity Demand

According to the Report of the Expert Committee of the Planning Commission on the Integrated Energy Policy, in order for India to maintain a sustained economic growth of 8% per annum through fiscal 2032, India would need to increase primary energy supply and electricity generation capacity/supply by three to four times and by five to seven times, respectively. By fiscal 2032, power generation capacity would have to increase to nearly 800,000 MW from the current capacity of approximately 160,000 MW (including captive plants). (Source: [http://www.planningcommission.nic.in/reports/genrep/rep\\_intengy.pdf](http://www.planningcommission.nic.in/reports/genrep/rep_intengy.pdf))

IEA's World Energy Outlook 2004 projects electricity demand in India will increase by 5.4% per year from 1997 to 2020.

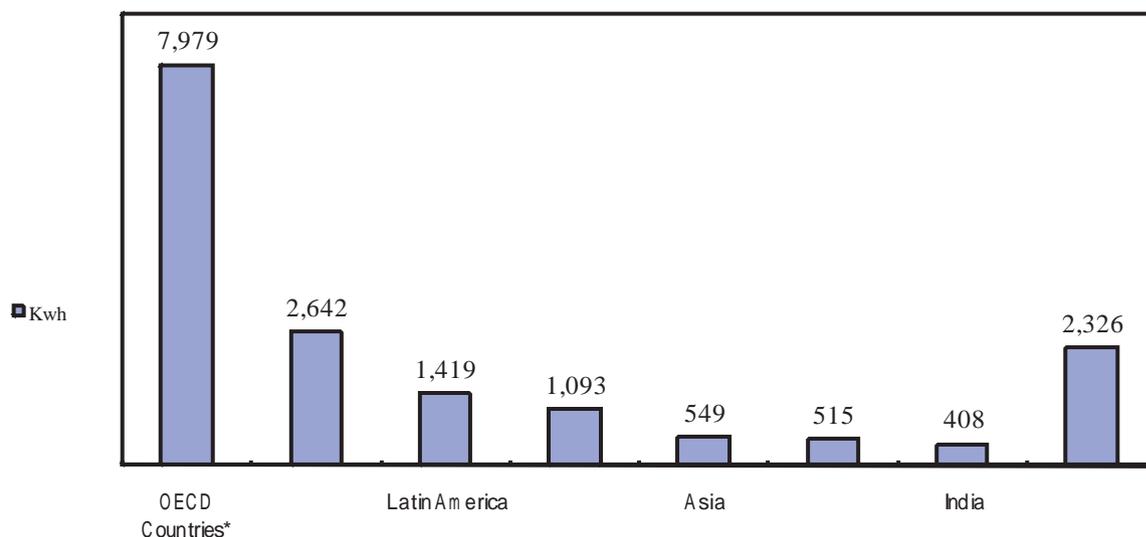
Historically, however, the power industry in India has been characterized by energy shortages. Although power generation capacity in India has increased substantially in recent years, it has not kept pace with the growth in demand or the growth in the economy generally. According to the Central Electricity Authority (CEA), in fiscal 2007, demand for electricity in India exceeded supply by an estimated 9.6% in terms of total requirements and 13.8% in terms of peak demand requirements. The total energy shortage during fiscal 2007 was 66,091 million units amounting to 9.6% of total requirements in the peak shortage was 13,897MW translating to 13.8% in terms of peak demand requirements.

The following graph presents the gap between requirements and supply of electricity in the various regions of India in fiscal 2006 and fiscal 2007:



Even though per capita consumption of electricity in India has grown by 15 kWh/year in 1950 to 606 kWh/year in fiscal 2005, the consumption in India is extremely low in comparison to much of the rest of the world. According to the Ministry of Power, per capita consumption of energy in India is projected to increase to 932 kWh/year in 2012. This is in part due to an unreliable supply and inadequate distribution networks. The following chart compares per capita electricity consumption in India, other countries and the world average consumption.

## COMPARATIVE PER CAPITAL CONSUMPTION OF ELECTRICITY



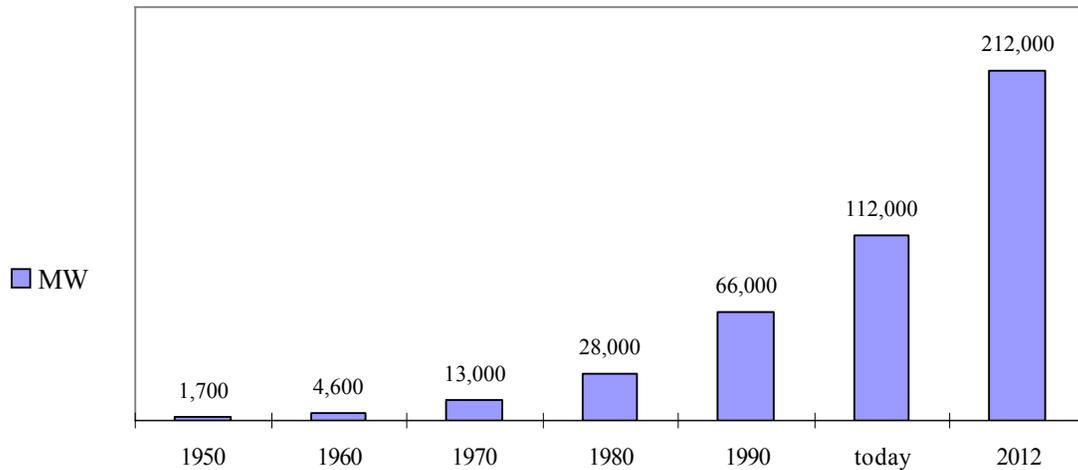
Source: KeyWorld Energy Statistics (2003)

\*Organisation of Economic Co-operation and Development countries. Please see [www.oecd.org](http://www.oecd.org) for further information.

According to the Ministry of Power, as on April 30, 2007, India had an estimated installed generation capacity of approximately 132,110 MW. Of the installed capacity, thermal power plants powered by coal, gas or oil accounted for approximately 64.8% of total power capacity. Hydroelectric stations accounted for approximately 26.2%, renewable energy accounted for 5.9% and nuclear stations accounted for 3.1%.

The following graph presents installed generation capacity in India from 1950 to 2006, from the first plan period to partway through the 10<sup>th</sup> plan period, and the projected installed generation capacity in 2012:

## INSTALLED POWER CAPACITY



Source: Ministry of Power

To sustain the strong recent economic growth in India, the Ministry of Power has set an ambitious target of providing “Power for All by 2012”, with a target of achieving an installed capacity of 212,000 MW by 2012 by adding approximately 100,000 MW of generation capacity.

### *Recent Developments in the Indian Power Sector*

In India, control of the development of the power industry is shared between the central and state governments. State governments have set up state utilities that are responsible for ensuring that the supply transmission and distribution of electricity in such states is done in the most economical and efficient manner.

According to the Ministry of Power, as on April 30, 2007, state utilities owned around 52.7% of generation capacity. An additional 34.3% was owned by central sector utilities, such as the NTPC, Nuclear Power Corporation of India and NHPC, among others. Central sector utilities were created after 1975, under the Companies Act, with administrative control in the hands of the Ministry of Power. They were designed to pool state resources, such as hydroelectricity and coal, thus providing economies of scale, and complementing State Electricity Boards’ limited investment capability. The private sector owned the remaining 13.0% of power generation capacity.

In recent years, as a result of persistent power shortages, the Government has taken significant action to restructure the power sector and attract investments in the sector. The most significant reform package has been the introduction of the Electricity Act, 2003, which has modified the legal framework governing the electricity sector. The Electricity Act has been designed to alleviate many of the problems facing India's power sector and to attract capital for large-scale power projects.

The Electricity Act as a central unified legislation replaced the multiple legislations that previously governed the Indian electricity sector. The Electricity Act consolidates all the existing legislations and provides for further material reforms in the sector. The most significant reform initiative under the Electricity Act is the move towards a multi-buyer, multi-seller system as opposed to the current structure, which permits only a single buyer purchase of power from generators. The aim is to give the private sector access to the state electricity board transmission grids thereby allowing private power producers to sell directly to consumers. Furthermore, under the Electricity Act, the regulatory regime is more flexible, as a multi-layer approach, and allows regulatory commissions greater freedom in determining tariffs, without being constrained by the rate of return regulations. With increased urbanisation, industrial growth and per capita consumption, the gap between the actual demand and supply is likely to increase without significant investment. Some latent demand for electricity may also

surface in the event of wider distribution and increased reliability in power supply. In this scenario, the government expects that alternative sources of energy, such as wind energy and biomass, are likely to play an increasingly important role in bridging the demand supply gap.

The National Electricity Policy has also been notified in February 2005. This policy aims at accelerated development of the power sector, providing supply of electricity to all areas and protecting the interests of consumers and other stakeholders keeping in view availability of energy resources technology available to exploit these resources, economics and generation using different resources and energy security issues. The salient features of this policy are as stated here:

- Access to Electricity: Available for all households in the next five years;
- Availability of Power: Demand to be fully met by 2012. Energy and peaking shortages to be overcome and spinning reserve to be available;
- Supply of reliable and quality power of specified standards in an efficient manner and at reasonable rates;
- Per capital availability of electricity to be increased to over 1,000 units by 2012;
- Minimum lifeline consumption of one unit per household per day by the year 2012;
- Financial turnaround and commercial viability of the electricity sector; and
- Protection of consumer interests.

Until the end of 2005, the tariff regime in India for all electricity generators was regulated and determined by the Central Electricity Regulatory Commission (CERC), or the State Electricity Regulatory Commissions (SERCs) that set the tariff on a cost-plus basis consisting of a capacity charge, a variable energy charge and an unscheduled interchange charge. The tariff regime guaranteed a fixed return on equity to the generators and treated all costs as pass-through on in the tariff. In order to improve efficiency and provide cheaper electricity cost to consumers, and at the same time attract adequate investments and accelerate development in the power sector, the Government notified the National Tariff Policy in January 2006 with the key objectives of ensuring availability of electricity to consumers at reasonable rates, promoting transparency, consistency and predictability in the regulatory approach for tariff setting and minimizing regulatory risks.

The Regulatory Commissions shall be guided by the Tariff Policy. In order to facilitate consistency in approach, a forum of regulators has been formed. As per National Tariff Policy, procurement of future requirement of power will be through competitive bidding. Furthermore, PPAs are required to ensure adequate and bankable payment security mechanisms in case of default. Earlier, in January 2005, guidelines for procurement of electricity through competitive bidding were issued. The captive plants are permitted to sell to non-captive users connected to transmission grids based on negotiated tariff. SERCs are also empowered to fix minimum percentage of offtake from nonconventional sources/cogeneration. Additionally, all investments other than by central transmission utility and/or state transmission utilities are required to be made only through competitive bids in transmission projects. SERCs are also required to notify the standards of performance for distribution with respect to quality continuity and reliability of services. SERCs are required to be guided by multi-year-tariff principle in order to determine tariff. The multi-layer-tariff framework is currently under implementation. SERCs are required to monitor trading transactions and to fix the permissible trading margin.

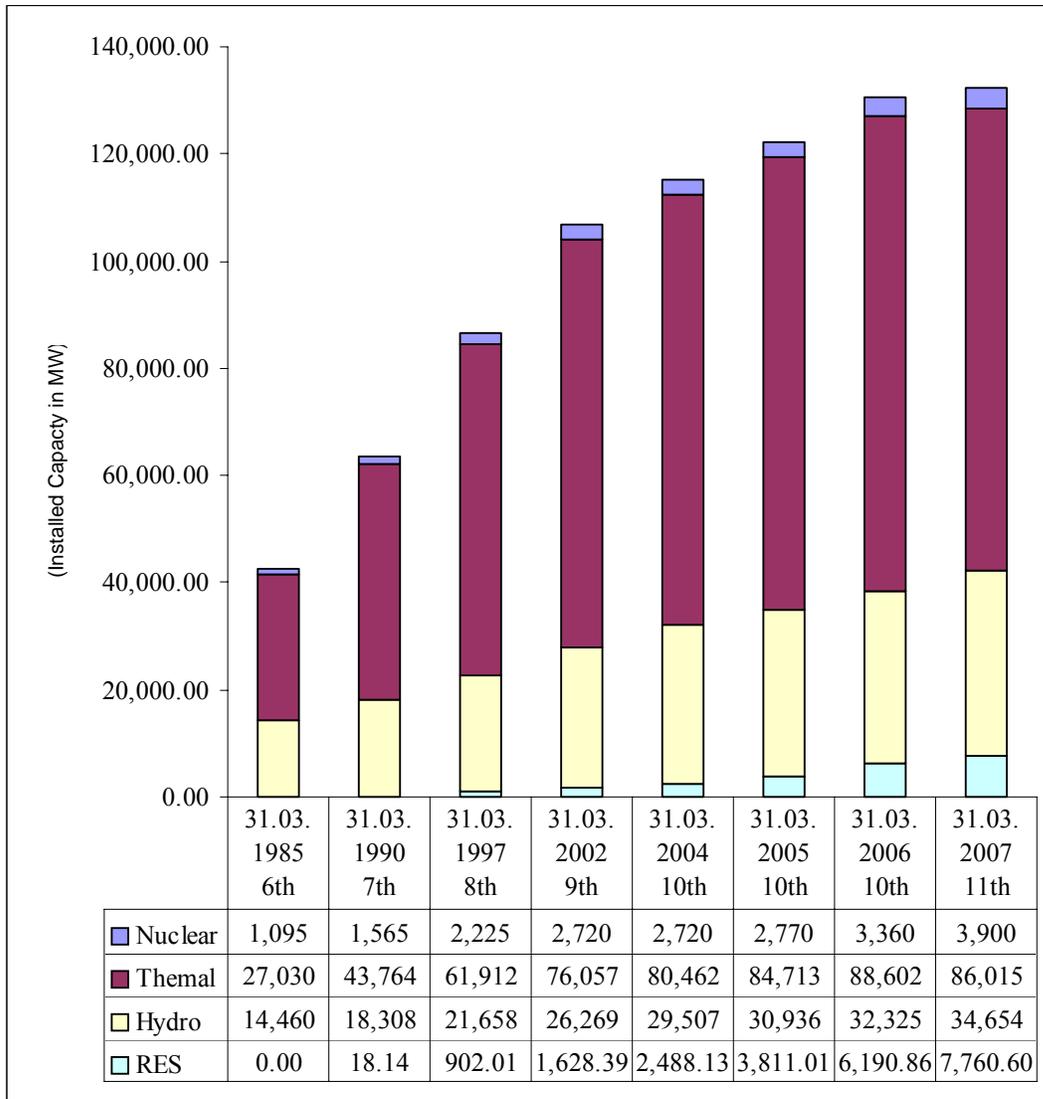
### ***Renewable Energies***

Renewable energy principally comprises wind power, hydro power, solar power, biomass energy and geothermal energy. Renewable energies are essential contributors to the world's energy supply portfolio as they contribute to world energy supply security, reducing dependency on fossil fuel resources, and provide opportunities for mitigating greenhouse gases. According to the IEA, renewables are the third largest contributor to global electricity production, following coal and natural gas, accounting for almost 18% of production in 2004. Almost 90% of electricity generated from renewables comes from hydropower plants, while close to 6% comes from combustible renewables and waste (97% of which is biomass) and 4.5% from geothermal, solar and wind. The IEA estimates that by 2030 over a quarter of global electricity production will be from renewables.

According to the Ministry of Power, as of March 31, 2007, installed generation capacity from renewable energy sources was 7,761 MW, or 5.9%, out of the total installed generation capacity, as compared to 6,191 MW, or 5.0%, as of March 31, 2006. Approximately 87.4% of installed generation capacity from renewable energy sources is owned by the private sector, with the remaining 12.6% owned by the state sector.

The following graph summarises the growth in installed generation capacity in India since 1985 broken down by type of power.

**GROWTH OF INSTALLED CAPACITY SINCE 6<sup>TH</sup> PLAN**



Sources: Annual Report, Ministry of Power, 2005-06 and powermin.nic.in

Recent regulatory enactments in India further support the absorption of renewables in the energy 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.
- Maharashtra Energy Regulatory Commission has stipulated 750 MW of new wind power capacity for sale to utilities by March 2007.

- Karnataka Energy Regulatory Commission has stipulated a minimum of 5% and maximum of 10% of electricity from renewables.
- Madhya Pradesh Energy Commission has stipulated 0.5% of electricity from wind power by 2007.
- The state government of Maharashtra has imposed a Rs. 0.04 per unit green power cess on commercial and industrial users in order to promote non-conventional energy projects.

## Wind Energy

### Global Scenario

In the last 20 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. Technological advances have resulted in larger and better quality wind turbine generators with higher generation efficiencies and lower costs. Wind energy has become firmly installed as one of the important players in the energy markets. The total value of new generating equipment installed in 2006 reached approximately US\$23 billion. (Source: Global Wind Energy Council, [www.gwec.net](http://www.gwec.net)) We believe that heightened environmental awareness has also resulted in increased demand for "green power" in developed countries.

According to the American Wind Energy Association (AWEA), the world wind capacity reached 47,317 MW in 2004. From 1990-2002, wind has been the fastest-growing power source worldwide on a percentage basis, with an average annual growth rate exceeding 30%. Of the top ten countries in terms of wind capacity as of December 2004, India ranked fifth and was the leading country outside of Europe and the United States with 3,000 MW of installed wind capacity. (Source: [www.awea.org](http://www.awea.org))

World Leaders in Wind Capacity (December 2004)		
Country	Capacity (MW)	% of total world wind capacity
Germany	16,629	35.1
Spain	8,263	17.5
United States	6,740	14.2
Denmark	3,117	6.6
India	3,000	6.3
Italy	1,125	2.4
Netherlands	1,078	2.3
United Kingdom	888	1.9
Japan	874	1.8
China	764	1.6
<b>Top Ten – Total</b>	<b>42,478</b>	<b>89.8</b>
<b>Rest of the World – Total</b>	<b>4,839</b>	<b>10.2</b>
<b>WORLD TOTAL</b>	<b>47,317</b>	<b>100.0</b>

Sources: AWEA, Global Wind Energy Council

In 2004, there were approximately 8,000 MW of installations globally. India, with 875 MW installed in 2004, was the largest market in Asia and the third largest market in the world in terms of annual installations in 2004.

New Installed Wind Power Capacity in 2004 (in MW)		
Country	Capacity (MW)	% of total world wind capacity
Spain	2,065	25.9
Germany	2,037	25.5
India	875	11.0
United States	389	4.9
United Kingdom	240	3.0
Portugal	226	2.8

Italy	221	2.8
Netherlands	197	2.5
China	197	2.5
Austria	192	2.4
<b>Top Ten – Total</b>	<b>6,639</b>	<b>83.2</b>
<b>Rest of the World – Total</b>	<b>1,337</b>	<b>16.8</b>
<b>WORLD TOTAL</b>	<b>7,976</b>	<b>100.0</b>

Source: Global Wind Energy Council

#### Indian Scenario

The wind power program in India was initiated in 1983-84. Since the program's inception, the Government has promoted a market-oriented strategy, which has led to commercial development of technology. The broad-based national program includes wind resource assessment activities, research and development support, implementation of demonstration projects to create awareness, opening up of new sites, involvement of utilities and industry, growth of infrastructure to ability and capacity for manufacture, installation, operation and maintenance of wind turbine generators and policy support.

India is perhaps the only country in the world to have an exclusive Ministry for New and Renewable Energy (MNRE). The key functions of the MNRE include (i) policy making and planning, (ii) program formulation and implementation, (iii) research and development, (iv) technology development and commercialisation, (v) promotion of demonstration and pilot projects, and (vi) implementation of fiscal and financial incentives.

The MNRE estimates India's gross wind power potential to be about 45,000 MW and installed capacity for wind power to be about 7,000 MW as of March 31, 2007.

State	Gross Potential (MW)	Installed capacity as on March 31, 2007 (MW)
Andhra Pradesh	8,275	122.4
Gujarat	9,675	636.6
Karnataka	6,620	821.1
Kerala	875	2.0
Madhya Pradesh	5,500	57.3
Maharashtra	3,650	1,487.7
Rajasthan	5,400	469.8
Tamil Nadu	3,050	3,492.6
West Bengal	450	1.1
Other states	2,990	3.2
Total MW	45,195	7,093.9

Source: MNRE data

Seven states in India (Tamil Nadu, Karnataka, Andhra Pradesh, Rajasthan, Maharashtra, Gujarat and Madhya Pradesh) account for over 99% of wind power installations in India. As of March 2007, Tamil Nadu had the highest share and accounted for 49.3% of the cumulative capacity. Maharashtra had the second most number of installations and accounted for 21.0% of the cumulative capacity. (Source: *Indian Wind Energy Association, www.inwea.org*)

According to the MNRE, during the first half of fiscal 2007, Indian-manufactured wind turbines valued at US\$250 million were exported to other countries/regions, such as the United States, Europe, China, Brazil and Australia. Total exports of wind turbines were expected to reach US\$500 million for fiscal 2007. Additionally, US\$25 million worth of Indian-manufactured wind turbine blades were exported to Germany, China, Spain and the United States.

#### Biomass Energy

Biomass refers to organic matter that can be converted to energy. Some of the most common sources of biomass fuels are wood, agricultural wastes and crops grown specifically for energy. Unlike other renewables, biomass is a versatile source of energy that is capable of being converted into liquid and gaseous fuels, electricity and process heat. Biomass energy systems can be set up in any agricultural areas with adequate amounts of biomass availability.

The Government actively promotes the use of biomass energy. In India, biomass energy is principally used in domestic, commercial and industrial applications. As a tropical country, India has high potential for energy generation through biomass. The estimated potential for power generation from biomass sources is about 16,000 MW. However, as of June 2004, the installed capacity in India for biomass energy was only 630MW. (Source: Confederation of Indian Industry – Biomass Energy – Potential & Prospects, June 2004; <http://www.greenbusinesscentre.com/Documents/biomass.pdf>)

State	Installed capacity of Biomass Power as on March 31, 2007 (MW)
Andhra Pradesh	301.25
Chhattisgarh	88.50
Gujarat	0.50
Haryana	6.00
Karnataka	254.28
Madhya Pradesh	1.00
Maharashtra	62.00
Punjab	28.00
Rajasthan	23.30
Tamil Nadu	215.50
Uttar Pradesh	121.50
Total MW	1,101.83

Source: MNRE data

As India's power demands grow and environmental initiatives become mandated, biomass-based power generation is emerging as an increasingly attractive option. Some of the advantages of using biomass include: (i) year-round availability; (ii) environmentally-friendly power generation due to CO<sub>2</sub> neutrality and lack of greenhouse gas production (*i.e.*, low NO<sub>x</sub> and So<sub>x</sub> emissions); (iii) incentivises rural development; and (iv) potential for additional revenue streams (*e.g.*, carbon credit trading).

#### **Key growth drivers**

We believe that the market for renewable energies has become significant due to the following factors:

**Increasing electricity demand:** In World Energy Outlook 2004, IEA estimates the global electricity consumption to double between 2002 and 2030, with demand for electricity likely to increase at a much faster pace in developing countries like India and China. The IEA also estimates the share of wind power's share of total electricity generation to grow from 0.2% in 2002 to 3.0% in 2030 and that it will be the second largest renewable source of electricity after hydroelectricity.

**Increasing cost competitiveness:** The continuous focus on improving the cost efficiency of wind turbine generators has resulted in wind power becoming increasingly cost competitive compared to traditional sources of energy. The AWEA in its report dated December 22, 2000 estimated that the cost per kWh of wind generated electricity has fallen from US\$ 0.38 in the early 1980s to anywhere from three cents to six cents at excellent wind sites. Some of the factors that have contributed and are expected to continue to contribute to reduce costs are increasing focus on larger projects, technical advancements resulting in wind turbine generators with higher capacity, economies of scale resulting from increase in the size of wind turbine generator manufacturers and the ability to obtain financing for wind power projects.

**Environmental awareness and Government initiatives:** Generating electricity from fossil energy sources releases carbon dioxide, which many claim leads to the "greenhouse effect". As such, many countries, such as India, the United Kingdom, the United States of America and Germany, have provided fiscal incentives and schemes to encourage the growth of renewables. These incentives and schemes range from preferential tariffs or tax credits for renewable energy projects to taxing those who contribute to the emission of carbon dioxide.

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 Kyoto Protocol, the participating countries agreed to a long-term reduction of their carbon dioxide emissions by an average of 5.2% compared to the level of emissions for 1990, by 2012. The greenhouse

gas reduction targets have cascaded down to the regional and national level. These in turn have been translated into targets for increasing the proportion of renewable energy. Wind and biomass are preferred sources given wind's modular nature, biomass' general availability and their ability to generate power at competitive cost. Many countries have set targets with respect to wind power and other renewable energy installations.

In addition, countries such as Australia, certain states in India and certain states in the United States have introduced the Renewable Portfolio Standard, which mandates that renewable energy sources contribute a specified minimum percentage of total electricity supply. In Australia, the existing Mandatory Renewable Target requires that renewable energy make up a further 2% of total power generated by 2010. Further, the system of carbon trading has also been initiated in countries in the European Union and other countries, such as Japan. Carbon trading refers to a system where emitters of carbon dioxide and other harmful gases are required to purchase green certificates from clean energy producers, including renewable energy producers. Trading in green certificates may also provide an additional stream of revenue for renewable energy projects.

The Government has also put into place certain tax incentives to encourage development of renewable energies. Among other benefits, investments into qualified renewable energy projects can be depreciated up to 80% in the first year. A total tax exemption on income derived from such projects is available for an initial number of years, depending on the type of project. Thereafter, partial tax exemptions are available as stipulated by law.

**Repowering:** Repowering involves the replacement of old wind turbine generators with new and more cost efficient wind turbine generators. It is expected to become one of the growth drivers in relation to the future market for wind power, particularly for countries in Europe that have a large number of aging wind turbine generator installations with relatively low capacity and outmoded technology.

**Global market opportunities:** The global wind turbine generator market presents a new opportunity for wind power, especially in Europe. Several offshore projects have commenced operations, with Denmark accounting for a majority of them. Total offshore installations stood at 589 MW at the end of 2004. With the introduction of larger wind turbine generators targeted at the offshore market, significant developments are expected in the offshore market in the future.

### ***Bio-ethanol***

Ethanol is a clean, high-octane, high-performance automotive fuel commonly blended in gasoline to extend supplies and reduce emissions. Ethanol can be produced from any sugar or starch crop. Another potential resource for ethanol is biomass, which includes materials such as agricultural residues, forestry wastes, wastepaper and other wastes. Indian regulations require all Indian gasoline to be blended with at least 5% ethanol.

In a recent report, "Outlook for Biomass Ethanol Production Demand," the U.S. Energy Information Administration found that advancements in production technology of ethanol from cellulose could reduce costs and result in production increases of 40% to 160% by 2010. Biomass is often available for a relatively low cost, but are more abundant, global and renewable in nature. The principal sources of biomass for ethanol production are sugarcane, wheat, sugar beets and corn/maize. In addition, research is being conducted to determine the viability of certain grasses as a biomass source for ethanol production.

In India, there are two principal commercial applications for ethanol. The first is as a mandatory oxygenate additive to gasoline to comply with Indian regulations. The second is as a voluntary substitute for gasoline. Some states in India require that the ethanol content in gasoline be at least 5%. The Government of India has discussed plans to double the requirement for ethanol blending into gasoline, which would increase the ethanol content in gasoline sold in India to 10%.

In addition to its lower raw material costs, bio-ethanol production has the following advantages over corn-based production:

- Biomass allows producers to avoid the pressure on margins created by increases in corn prices;
- Key limitation for ethanol is that there are currently no pipelines available for the transportation of ethanol; this may create a potential niche market for bio-ethanol because it can be produced locally with a variety of biomass products;
- Biomass generates an additional class of valuable co-products, such as CO<sub>2</sub>, which are not derived from corn; and
- Biomass is more energy efficient than its corn counterpart.

The economics of biomass-based ethanol favor small footprint processing plants that can be located close to biomass and waste sources. Immediate proximity to urban ethanol markets reduces freight costs and increases potential margins.

We believe the key growth drivers for ethanol are:

- Rising cost of crude oil (US\$10 in 1998 to US\$72 in 2006) makes it cost competitive.
- Continued growth in demand for fuel.
- High octane fuel that provides superior engine performance.
- Reduced tailpipe emissions – 10% ethanol blend gasoline reduces greenhouse emissions by 18-29% compared to gasoline.
- Displaces use of toxic components such as benzene.
- Bio-ethanol produces no threat to surface waters unlike MTBE (methyl tert-butyl ether).
- CO<sub>2</sub> produced during fermentation can be captured and used for carbonating soft drinks.
- Alcohol blending in some countries is now mandatory and may increase. Some states in India require 5% blending. Thailand requires 10% blending.

As the Indian demand for gasoline and the cost of crude oil continue to increase, the demand for ethanol will rise accordingly. We believe that there is substantial opportunity in India and globally to capitalize on the growing demand for ethanol.

### **Metallurgy and Process Plants**

Industrial growth is an important component of GDP growth. The Government recognizes that growing industry's share of the economy is vital to increasing the per capital income of the country. One of the focuses of the Tenth Plan (FY2002-2007) was to continue to build capacity in the industry sector.

India's base of skilled and lower cost labor is a key factor for attracting multinational companies looking to move their manufacturing base to a relatively lower cost environment or to final alternatives for product sourcing. Multinational companies, such as Toyota, General Motors, Makino, Hyundai, Ford and Kodak are recent entrants to the Indian market. Entry by multinational companies leads to massive investments in industrial plants, including metallurgy and process industries.

Steel and cement are core areas of capital expenditure. The National Steel Policy, 2005, targets consumption of 65 mtpa by 2012 and 110 mtpa by 2020 at a CAGR of 7.3% per annum.

Large factory and industrial operators that are energy intensive or energy users that rely on an uninterrupted power supply may require captive power generation. Furthermore, industrial plants typically require large amounts of water for production. Thus, industrial growth would necessarily lead to build-outs of captive power plants and water and wastewater treatment systems to meet energy and water requirements.

The Index of Industrial Production for the month of April 2007 (base 1993-94), which is prepared by the CSO, showed an annual growth rate of 11.5% for the period of April 2006 – March 2007 over the corresponding period of the previous year.

### **Water Infrastructure**

Over the past 150 years, India has made large investments in large-scale water infrastructure. This has resulted in a dramatic economic shift, with once-arid areas becoming centers of economic growth. (*Source: World Bank Report, India's Water Economy – Bracing for a Turbulent Future, October 5, 2005, the "World Bank Report on India Water"*)

Suitable water management in India is fast becoming a necessity as pressure on water resources is increasing due to growing population and industrial development. The country's water infrastructure is straining to meet the demands of a growing economy and population. Growing populations, cities and industries are putting great stress on India's water infrastructure. India's cities and industries need to use water more effectively, and there will have to be massive investments in sewers and wastewater treatment plants. (Source: World Bank Report on India Water)

Municipal water and related environment services have been historically managed by the Government with nearly 70% of the overall funding in the sector coming through central and state allocations. (Source: UNESCO) However, the World Bank and other international bodies have pointed out that given the immense scale of investment requirement to service the needs of a fast-growing economy and ever-increasing population, the government can no longer afford to be the sole source of funding for development of water infrastructure in the country. The national target of full water coverage for the urban population alone is estimated to require expenditure ranging from Rs. 112,000 million to Rs. 168,000 million for water supply and Rs. 289,000 million to Rs. 626,000 million for related sanitation services. The estimates of future investment requirements in the water and sanitation sectors in India are as follows:

FUTURE INVESTMENT REQUIREMENTS		
Particulars	Low	High
<b>Water Sector</b>		(Rs. in million)
Backlog	26,000	39,000
Additional	86,000	129,000
<b>Total</b>	<b>112,000</b>	<b>168,000</b>
<b>Sanitation Sector</b>		
Backlog	203,000	529,000
Additional	86,000	97,000
<b>Total</b>	<b>289,000</b>	<b>626,000</b>

Source: www.unesco-ihe.org

The Rakesh Mohan Committee on Infrastructure states that if the service levels advocated by the Planning Commission are to be met, Operation & Maintenance (O&M) expenditure will have to rise from Rs. 100 per capita on water and Rs. 150 on sewerage to Rs. 300 per capita on water and Rs. 450 per capita on sewerage. (Source: UNESCO) These investment gaps would have to be met through increased internal generation by local government bodies and through the inflow of private sector resources.

In accordance with the recommendations of the Rakesh Mohan Committee on Infrastructure, private participation in the Indian water sector is increasingly being encouraged via two modes:

- **Privatization through either BOOT projects or management contracts:** This is particularly popular in industrial and urban water supply-related undertakings. The Government has also started subcontracting O&M of existing water and wastewater treatment plants to private operators given the economies in terms of fixed costs.
- **Infrastructure reforms with incentives for private participation:** The recent indirect fiscal benefits such as zero customs duty and zero excise duty, announced by the Government to bring down capital costs related to infrastructure projects are steps in that direction.

In addition, wider, more far-reaching reforms are in the pipeline that would further open up the sector to water systems players. The report of the influential Steering Committee on Drinking Water Supply and Sanitation for the Tenth Five Year Plan has significant positive implications for the overall growth in the sector, particularly private participation in water treatment infrastructure. Some of the key recommendations of the Committee include:

- Central assistance for reforms in the sector;
- Water is to be managed as an economic asset rather than a free commodity;
- Highest priority to ensure safe drinking water on a sustainable basis to all habitations;
- Encourage recycling of wastewater in both urban and rural areas;

- Institutional funding for both rural and urban water supply and sanitation projects during implementation as well as operation and maintenance phases;
- Private sector participation in the form of service contracts and management contracts;
- BOOT approach in bulk Water Supply and Treatment Schemes; and
- Support to private enterprises in the form of venture capital.

As India continues to globalize and open up its economy to international participants, there will be a growing need for India's environmental, hygiene and sanitation standards to comply with more stringent international standards. Simultaneously, the Asian Development Bank (ADB) and World Bank are actively promoting privatization and commercialization of water in India through their sector restructuring loans, Urban Water Supply loans and Urban Infrastructure loans. The India Country Assistance Strategy of 2004 outlines the broad features of World Bank involvement with India, including (i) lending that simultaneously addresses investments, reforms and knowledge transfer, (ii) a large increase in lending for water-related sectors (including water resources management, irrigation, hydropower and water supply and sanitation), with aggregate lending for these sectors set to rise from US\$200 million to US\$800 million a year, (iii) a willingness to consider financing high-return infrastructure that can be built to reasonable social and environmental standards, and (iv) clear guidelines for engagement with each water-related sector. (*Source: World Bank Report on India Water*)

Private participation in water engineering as a whole and the water treatment segment in particular is expected to witness a significant boost in the future. The Government has allowed 100% foreign direct investment in the infrastructure sector, include water treatment systems. The large size of the potential market, strong economic growth and continued regulatory liberalization offer immense scope for established participants and new entrants. With India's vast pool of high quality technical and scientific expertise, strong growth can be expected in this sector.

Further, due to the growing water tax, and the resultant increase in the cost of water, the manufacturing industry is moving towards in-house water management and recycling of water. Also, regulations are getting stricter and enforcement agencies are insisting on high level of environmental clearances. Small scale industries are also subject to regulations requiring common effluent treatment plants. Notwithstanding the regulatory requirements, many Indian companies are trying to enhance their corporate image by voluntarily subjecting their operations to higher standards, including investments in pollution control systems in order to qualify for ISO 14000 certification.

### ***Demand Drivers***

#### *Regulatory requirements and aging infrastructure*

We believe that stricter regulatory requirements, increased focus on waste recovery, increasing fresh water cost and decreasing water availability, and increasing awareness of corporate social responsibility will serve as major catalysts for public and private sector investment in water and wastewater treatment systems. Massive investments will be required in sewers and wastewater treatment plants to protect people's health and improve the environment.

#### *Increasing urbanization*

India's economic development is bringing about a transformation of its cities, with an increasing number of people migrating to urban areas in search of better prospects. According to the last official estimate by the Census of India, there were a total of 27 cities with more than one million inhabitants in 2001, in which nearly 75 million people lived. By 2005, there were 35 cities with a population of more than one million and almost 500 cities with at least 100,000 inhabitants. This trend is just the beginning as there are still many factors that will continue to fuel the ongoing transformation of India's cities. More than 300 million Indians are now living in an urban environment. Thus, India is still a predominantly rural society, with nearly 800 million people living in rural areas. The growth of India's cities will create greater pressure on the water and wastewater and sewage systems, which, in turn, is expected to accelerate the pace of upgrades, expansions and replacements of such systems.

#### *Industrial growth*

Industries have high water consumption requirements. Industrial activities inevitably create effluent, which must be treated prior to discharge and/or re-use. As the economy continues to grow, and industrial activity, in particular, continues to increase, the demand for industrial effluent treatment systems will grow.

## OUR BUSINESS

### Overview

We are one of the leading service providers of integrated design, engineering, procurement, construction and project management services for renewable energy projects, process and metallurgical plants and municipal services sector projects throughout India, and one of India's leading 250KW wind turbine generator ("WTG") manufacturers. Our engineering, procurement and construction business is focused on providing integrated turnkey solutions for biomass-based power plants, bio-ethanol production plants, process and metallurgy plants (including thermal power plants), water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation. Our WTG business has been focused on developing, manufacturing, erecting and commissioning 250KW WTGs, and is currently developing megawatt-class WTGs through Leitner Shriram Manufacturing Limited ("Leitner Shriram"), an Associate company.

We are headquartered in Chennai (formerly known as Madras), Tamil Nadu, with other offices in Mumbai, New Delhi, Kolkata and Beijing, and WTG and cooling tower factories in Puducherry, Chennai and Umbergaon (Gujarat). Our core services include detailed design and engineering, material procurement and overall project and construction management services. Our businesses are categorized into two segments – engineering, procurement and construction ("EPC") projects and development, sale and maintenance of WTGs. Our EPC business focuses on renewable energy, process and metallurgy and municipal services projects. Our EPC project experience and footprint reach across 16 states in India, and internationally in Zambia and France. We have completed wind energy projects for our WTG business throughout India, particularly south India.

Our renewable energy EPC projects primarily consist of biomass-based power projects, co-generation power projects and bio-ethanol plant projects. We believe that our experience and technical expertise in renewable energy provides us with a platform to take advantage of the growing demand for alternative power and fuel sources in India and abroad.

For our process and metallurgy EPC projects, we are focused on providing turnkey solutions for iron and steel, cement, aluminum, copper and thermal power plants. We have completed and are working on various projects, including the design, engineering and construction of blast furnace auxiliaries, rolling mills, aluminum refining, copper smelting, thermal power plants, cement plants, and coke oven batteries. We have also begun a project involving the design, engineering and construction of a coal gasification (producer gas) plant. We also provide cooling tower and air pollution control solutions for various energy and industrial applications through a joint venture with a leading international partner.

Our municipal services EPC projects principally consist of the design and implementation of turnkey design-build environmental projects for water and wastewater distribution, water and sewage treatment and pipe rehabilitation. We provide advanced pipe rehabilitation solutions utilizing certain technologies that allow for trenchless renovation, rehabilitation and/or repair of water and sewer pipes without the need for excavation, including MSWL using Rib loc™ technology, CIPP lining, GRP lining and pipebursting technologies. We are the licensee in India of CPT's Rib loc™ technology and Perco Engineering Services Ltd's (UK) EXPANDIT™ pipebursting technology. We also work with Angerlehner, Austria on specific projects using their GRP technology.

Our WTG business is focused on providing integrated solutions for our clients in India and abroad, which include the development and manufacture of WTGs, identification of suitable sites for wind farms, technical planning, infrastructure development, installation and commissioning of WTGs, connection to power grids and after-sale operations and maintenance ("O&M") services for WTGs supplied by us.

We usually enter into EPC contracts through a competitive bidding process for our process and metallurgy and municipal services business projects. Contracts for renewable energy projects (e.g, biomass-based power plants) and the sale of WTGs are generally entered into on a negotiated basis. Some notable private sector/multinational clients include Madras Aluminum Company Limited, Vedanta Aluminum Limited, Grasim Industries Limited and JSW Steel Limited, for whom we have completed process and metallurgy and power projects. We have worked on projects for government/public sector clients, such as SAIL, TWAD, Gujarat Water Supply and Sewerage Board, Ahmedabad Urban Development Authority and Bharat Heavy Electrical Limited. We have also exported one WTG to Thailand. Currently, we are executing one gas cleaning project in Zambia for Konkola Copper Mines plc. Our consolidated order book stood as on December 31, 2007 at Rs. 22,791.77 million.

We also have investments in Associate companies engaged in the manufacture of WTGs, renewable power generation and manufacture of metallurgical coke, namely Leitner Shriram Manufacturing Limited, Orient Green Power Limited and Ennore Coke Limited, respectively.

As of December 31, 2007, our Company had 589 full-time employees and 54 long-term consultants. We believe that our management and employee resources, with their accumulated experience and technical capabilities, enable us to successfully implement modern engineering and construction methodologies and strong project management practices. We have received the ISO 9001:2000 certification for the quality management system we use in the design and construction of wind turbine generators (WTGs).

In the years ended March 31, 2004, 2005, 2006 and 2007 and the six months ended September 30, 2007, our consolidated income was Rs. 218.89 million, Rs. 745.74 million, Rs. 1,455.04 million, Rs. 3,005.73 million and Rs. 2,251.21 million, respectively, and our consolidated restated net profit was Rs. (0.62) million, Rs. 15.94 million, Rs. 64.92 million, Rs. 140.63 million and Rs. 104.37 million, respectively. The respective contributions to our consolidated income of our two business segments for the fiscal years 2004, 2005, 2006 and 2007 and the six months ended September 30, 2007 are set forth below:

(Rs. In million)

Segment	Six months ended September 30, 2007	Fiscal year ended March 31,			
		2007	2006	2005	2004
Engineering, Procurement and Construction Contracts					
- Renewable Energy	507.56	502.66	407.65	147.86	63.81
- Process and Metallurgy	597.56	1,176.25	309.11	61.63	154.78
- Municipal Services	87.00	198.47	233.49	260.41	-
Total Engineering and Construction Contracts	1,192.12	1,877.38	950.26	469.90	218.59
Development, sale and maintenance of wind turbine generators	1,032.72	1,079.79	495.08	272.83	-
<b>TOTAL REVENUE</b>	<b>2,224.84</b>	<b>2,957.17</b>	<b>1,445.34</b>	<b>742.74</b>	<b>218.59</b>

### Corporate History and Structure

Our Company was incorporated on June 12, 2000 for the purpose of carrying on the business of engineering, procurement and construction. Pursuant to an order dated July 22, 2005 of the High Court of Madras, Shriram Engineering Construction Company Pvt. Ltd. ("SHRENCO"), which was also engaged in the business of engineering and construction, was merged into the Company with effect from April 1, 2004. SHRENCO was originally incorporated in June 1982 as Shriram Construction Company Private Limited, which focused on civil construction works, and later changed its name to SHRENCO in April 1991.

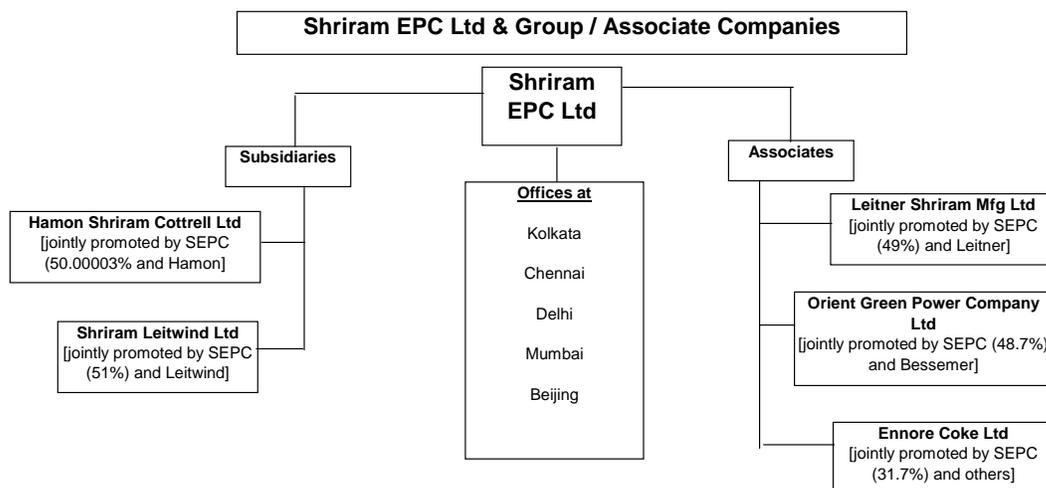
Our Company is the majority owner of Hamon Shriram Cottrell Private Limited ("Hamon Shriram"), which is a joint venture with Hamon Thermal Europe, an affiliate of Hamon & Cie ("Hamon Group"). Hamon Shriram provides turnkey engineering, procurement and construction solutions for cooling towers and air pollution control systems. The Company treats Hamon Shriram as its subsidiary. Hamon Shriram commenced operations on April 1, 2007.

As part of our efforts to expand our business, we generally seek to enter into joint ventures and collaborations with leading international players in the respective fields. On February 3, 2007, we entered into a joint venture agreement with Leitwind BV ("Leitwind") to form Shriram Leitwind Limited ("Shriram Leitwind"). As of December 31, 2007, our Company and Leitwind have contributed capital in the amount of Rs. 68.61 million and Rs. 69.39 million, respectively. Our Company proposes to make the balance of its contribution to the share capital amounting to Rs. 84.39 million out of the Net Proceeds of the Issue. Upon completion of the share allotments, Shriram Leitwind will be owned 51% by the Company and 49% by Leitwind, and we expect Shriram Leitwind to commence operations around April 2008. Shriram Leitwind will market and sell kilowatt-class and megawatt-class WTGs.

In addition, our Company has minority ownership interests in the following entities, each of which the Company treats as an Associate company:

- Leitner Shriram, which is owned 51% by Leitwind and 49% by our Company, is expected to be engaged in the manufacture of megawatt-class WTGs and, beginning on or around April 1, 2008, is also expected to assume the manufacturing operations for our kilowatt-class WTGs. As of December 31, 2007, Leitwind and our Company have each contributed capital in the amount of Rs. 113.23 million and Rs. 59.69 million, respectively. Our Company proposes to make the balance contribution to the share capital amounting to Rs. 190.47 million out of the Net Proceeds of the Issue in the form of equity share capital. We expect Leitner Shriram to commence operations around April 2008;
- Orient Green Power Company Limited (“Orient Green Power”), which is owned 48.72% by each of the Company and Bessemer Venture Partners Trust (“Bessemer”), and 2.56% by certain individuals, is holding company of power generation projects based on renewable sources and other non-fossil fuel sources, such as hydropower. As of September 30, 2007, our Company has contributed capital in the amount of Rs. 0.76 million in Orient Green Power. In November 2007, we entered into an agreement with Bessemer pursuant to which the parties agreed to form Orient Green Power Pte. Ltd., a company organized under the laws of the Republic of Singapore (“OGPL Singapore”), as a new holding company to acquire the entire equity interest in Orient Green Power. Upon capitalisation, the Company, through a wholly-owned subsidiary in Singapore, and Bessemer will own 51% and 49% of the equity interest in OGPL Singapore, respectively. As of December 31, 2007, OGPL Singapore has not been capitalised. The parties have agreed to capitalise OGPL Singapore with US\$19.0 million, which will be funded by the shareholders in proportion to their shareholding in the company. Our Company will be investing Rs. 400.00 million in the equity share capital of OGPL out of the Net Proceeds of the Issue; and
- Ennore Coke Limited (“Ennore Coke”), which is owned 31.7% by the Company as of September 30, 2007, is setting up plants to manufacture metallurgical coke and to engage in power generation. Ennore Coke is listed on the BSE. As of September 30, 2007, our Company has invested Rs. 96.53 million in Ennore Coke.

Our corporate structure is as follows:



For more information, please see the section titled “History and Certain Corporate Matters” beginning on page 96.

## Our Strengths

We believe we have distinct and different competitive strengths in each of our businesses, including the following:

***Ability to execute large and complex projects on a turnkey basis in a timely and cost-effective manner***

We undertake most of our EPC and WTG projects on a turnkey basis, in which we provide customized solutions from conceptualization to engineering and manufacturing to commissioning to meet the specialized needs of our public and private sector clients. We have in the past executed projects on time or prior to the scheduled completion date. There have been no instances where our performance guarantees have been invoked by our clients. Similarly, due to the effectiveness of our cost analysis procedures, we generally have been able to predict the estimated costs of our projects fairly accurately at the time of bidding, which has allowed us to complete our projects within the stipulated budgets. Our demonstrated ability to execute turnkey projects in a timely and cost-effective manner, and to deliver on clients' expectations, is a competitive advantage that factors into our ability to pre-qualify for projects and to maintain strong client relationships.

***Strong strategic alliances and partnerships with leading international companies***

We believe that our ability to identify, develop and forge strategic alliances and partnerships with leading international companies is a significant strength of ours. These alliances and partnerships allow us to exploit technologies and expertise developed by our partners. We believe that such alliances and partnerships allow us to leverage the combination of our partners' technologies with our project management, engineering and construction capabilities as well as our knowledge of the market and customers in order to provide effective solutions for clients.

We have signed joint venture agreements with Leitwind to form the Shriram Leitwind and Leitner Shriram joint ventures to manufacture and market WTGs incorporating technologies developed and owned by Leitwind for sale in India and southeast Asia, and with Hamon Group to form the Hamon Shriram joint venture to provide turnkey engineering, procurement and construction solutions for cooling towers and air pollution control systems in India and the surrounding region. Leitwind is one of the leading developers of cable car systems, ropeways, ski lifts and snow groomers with turnover of €592 million in 2006. Hamon Group is a 100-year old company and a leading specialist in the design, engineering, manufacture, and erection of cooling systems, heat exchangers, air pollution control systems and chimneys with turnover of €354 million in 2006.

We have also signed a memorandum of understanding with Strategic Engineering Private Limited, a company engaged in the manufacture of glass-fibre reinforced plastic (GRP) pipes, pipe fittings and tanks ("Strategic"), pursuant to which the Company and Strategic would form a joint venture to manufacture GRP pipes. We believe that this business would be complementary to our municipal services business (particularly, water management projects) and other infrastructure-related projects that involve the movement of liquids under high pressure. As of December 31, 2007, the joint venture has not been set up.

We have also entered into license agreements with (i) CPT for use of the Ribloc™ technology in India, (ii) Perco for exclusive use of their EXPANDIT™ pipebursting technology in India, (iii) CPT to use their CIPP lining and (iii) Angerlehner to use their GRP lining technology for specific projects.

For certain process and metallurgy projects, we seek to form project-specific alliances with international partners where we believe that the combined resources, technology and expertise of the alliance enhance its ability to pre-qualify for and win the bid for the project. We are currently working with (i) Danieli, Italy for rolling mill contracts for major steel producers in India, (ii) Waterbury, Canada for a stainless steel mill for an integrated steel plant, and (iii) SSIT, China for coal dust injection, (iv) Envirotherm GmbH of Germany on coal gasification, and (v) Beltran, USA for wet electrostatic precipitators.

***Highly qualified and experienced management and employee base with strong project execution skills***

Our management team is well qualified and has significant experience in most aspects of our business. Members of our management have a proven track record, including (i) supply and/or installation of over 230 wind turbine generators, (ii) execution of a variety of projects in process-related areas and integrated steel plants, (iii) execution of biomass-based power plant projects, and (iv) commissioning of one of the largest water treatment plants (275 MLD) in India. Our board of directors brings significant management and business experience to the Company. We believe the strength and quality of our management will be instrumental in implementing and executing our Company's business strategies.

We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. As of December 31, 2007, we employed 589 full-time employees, of which 75.0% were technical personnel (including engineers) and 45.5% were engineers. Approximately 30.8% of our Company's technical employees

have over ten years of experience in EPC project execution. The skill sets of our employees give us the flexibility to adapt to the needs of our clients and the technical requirements of the various projects that we undertake and to implement strong project management practices. We are committed to the development of the expertise and know-how of our employees through technical seminars and training sessions organized by the Group and third parties.

#### ***Operations in diverse and complementary projects***

We provide engineering, procurement and construction services for various types of projects, principally renewable energy, process and metallurgy plants and municipal services. We also develop, manufacture, sell and provide related services for WTGs. We believe that we are well-positioned to capitalize on the attractive growth opportunities in India presented by the confluence of various trends as a result of the growing Indian economy, including the continued increase in the demand for energy, consumption of materials, growth of industrial development and the need to upgrade the existing municipal and private water, wastewater and sewer infrastructure, and the growing appetite for renewable energy projects internationally, particularly in Eastern Europe and southeast Asia. We believe that our comprehensive capabilities, presence in multiple geographic regions and experience in adequately addressing the complex requirements of our projects will allow us to capture additional revenue opportunities by cross-marketing our various businesses to clients where other companies would be required to outsource to other companies or engage subcontractors to provide specialized expertise. For instance, we can offer cooling towers and air pollution control solutions to clients for whom we are undertaking metallurgical plant, cement plant and biomass-based power plant projects, among others. We can also offer coal gasification solutions to our existing and potential clients, particularly process and metallurgy clients, that are interested in using alternative fuels. In addition, the diversity in project types enables us to reduce our dependence on any one industry or nature of project. Furthermore, we have a nationwide presence in India, which enables us to decrease our dependence on project activity in any particular region of India.

#### ***Focus on renewable energy***

We have developed significant knowledge and experience in renewable energy, particularly in biomass-based power generation, wind farm development and the manufacture of 250KW WTGs. We are one of the few companies in India that are active in developing a broad range of renewable energy projects, including biomass, wind energy and bio-ethanol. In conjunction with our associate, Orient Green Power, which focuses on the ownership of power generation based on renewable sources and other non-fossil fuel sources, such as hydropower, we believe that we have a unique perspective on the renewable energy sector from the point of view of an owner, as well as a contractor. This allows us to provide more appropriate and cost-effective solutions to our clients. The availability of a wide range of renewable energy options from a single source will allow us to sell combined project solutions. For example, we can develop and build a bio-ethanol production plant that is powered by a biomass-based power plant built by us. Our renewable energy experience and expertise will also help us to identify and prepare our Company to take advantage of emerging trends in renewable energies. Our Company's reach and product range, combined with the project finance expertise of Orient Green Power, will also allow us to structure better financing options for our clients.

#### ***Strong order book, revenue and profit growth***

Our revenues have grown substantially in recent years. In the years ended March 31, 2004, 2005, 2006 and 2007, our consolidated income was Rs. 218.89 million, Rs. 745.74 million, Rs. 1,455.04 million and Rs. 3,005.73 million, respectively, representing a compound annual growth rate of 138.3% during the period. Over the same period, our restated consolidated net profit was Rs. (0.62) million, Rs. 15.94 million, Rs. 64.92 million and Rs. 140.63 million, while our net margins have grown from 2.14% in fiscal 2005 to 4.68% in fiscal 2007. During the six months ended September 30, 2007, our consolidated income, restated net profit and net margins were Rs. 2,251.21 million, Rs. 104.37 million and 4.64%, respectively.

Our future growth depends substantially on our ability to continue to successfully market our services to existing and new clients. Our consolidated order book as at December 31, 2007 was Rs. 22,791.77 million, as compared with Rs. 13,742.50 million as at March 31, 2007 and Rs. 3,518.18 million as at March 31, 2006.

#### ***Cost competitiveness***

We have a strong in-house design, engineering and project management team which gives us control of the entire process, from conceptualization to completion of a given project. Consequently, we can control costs by

eliminating unnecessary product features and overdesign, procuring the most cost-efficient raw materials and maximizing our labour efficiency.

Lower costs associated with doing business in India, such as tax benefits in terms of human resources, procurement of materials for biomass power plants and water supply projects, and lower costs for human resources allow us to compete with international companies which may have higher costs in this regard. We have been successful in building a team of approximately 268 qualified engineers as at December 31, 2007 to design and manufacture our products, and to help perform our services. In each project, we work to create the most efficient plan to address our clients' needs.

### **Our Strategies**

Our objectives are to continue to generate strong financial returns and create a world-class engineering, procurement and construction company, with a particular focus in renewable energy, and developer and manufacturer of technologically advanced WTGs. We intend to achieve this by implementing the following strategies:

#### ***Continue to expand our operations, especially in the renewable energy and process and metallurgy businesses***

Our objective is to expand and enhance our presence throughout India by capitalizing on our competitive strengths, local experience, familiarity with local working conditions and relationships with clients and strategic partners. We intend to target specific project segments and industries where we believe there is high potential for growth and where we enjoy competitive advantages. For example, we intend to capitalize on our experience in the WTG and biomass-based power plant projects and the collaborations with our strategic partners to benefit from the increasing demand for, and significant investments by public and private sector participants expected in the foreseeable future in, renewable energy projects, both in and outside of India.

We also intend to continue to expand our operations in process and metallurgy plant projects, with particular emphasis on EPC contracts that capitalize on our integrated design, engineering, procurement, construction and project management expertise with the potential for higher margins, including Build Own Operate (BOO), Build Own and Transfer (BOT) and Build Own Operate Transfer (BOOT) projects. For example, we (together with our international collaborator, Envirotherm GmbH) have recently received an EPC contract to design, engineer and construct two [producer gas] plants for an iron ore pelletisation plant in Barbil, Orissa, India. In addition, we believe that there is a high demand in India for our air pollution control and cooling towers solutions due to new plant construction, as well as the need of existing power plants to upgrade their facilities to meet higher standards and emissions requirements. We also intend to enter the natural draft towers business, which is a specialized type of cooling tower, as we further develop and broaden our cooling tower solutions to take advantage of the demand for natural draft towers by power generators.

For municipal services projects, we intend to focus on water and wastewater projects in regions where we have existing strengths, including Karnataka, Gujarat, Rajasthan and Tamil Nadu, and to expand the presence of our pipe rehabilitation business to all major metropolitan cities in India and developed industrial markets, including Kolkata, Hyderabad, Delhi, Mumbai and Chennai. In addition, we have also signed a memorandum of understanding with Strategic in connection with the formation of a joint venture to manufacture GRP pipes. We believe that this business would be complementary to our municipal services business (particularly, water management projects) and other infrastructure-related projects that involve the movement of liquids under high pressure. As of December 31, 2007, the joint venture has not been set up.

#### ***Seek further growth and acquisition opportunities that leverage our project execution and operational skills***

Our senior management has significant experience in most aspects of our business and has helped to transform us into one of India's leading service providers of integrated design, engineering, procurement, construction and project management services for renewable energy, metallurgical and process plants and municipal services. We intend to identify acquisition targets and/or joint venture partners whose resources, capabilities and strategies we believe to be complementary to and are likely to enhance our business operations in India and internationally. We continue to closely monitor the markets in our existing lines of business. By selecting the opportunities for growth and acquisition carefully and leveraging our project execution and operational skills, we expect to continue to expand our business. As of the date of this Red Herring Prospectus, we have not entered into any memoranda of understanding, letters of intent or other agreements relating to any material acquisition that is not already reflected in our financial statements.

***Focus on profitability, performance and project execution***

We believe that we have developed a reputation for undertaking and successfully completing challenging projects. We intend to continue to focus on performance and project execution in order to maximize client satisfaction. We also intend to maximize our operating margins by continuing to control operating and overhead costs through effective planning, procurement and implementation. To facilitate efficient and cost-effective decision-making, we intend to continue to strengthen our internal systems. We also intend to continue to further enhance our strong engineering capabilities to enable us to provide value-added engineering services for technically complex, turnkey and design-build projects.

***Develop and strengthen relationships with our clients and strategic partners***

Our services are substantially dependent on engineering and construction projects undertaken by government and government-related agencies and private industrial companies. Our businesses are also dependent on developing and maintaining strategic alliances with our international partners. We will continue to develop, maintain and strengthen these relationships and alliances. We also intend to continue to establish strategic alliances and share risks with companies whose resources, skills and strategies are complementary to our business and are likely to enhance our business opportunities.

***Focus on international opportunities***

With a view to expanding our WTG product portfolio to exploit the significant demand for high-capacity WTGs in India and in the global market, we have partnered with Leitwind to develop and manufacture MW-class WTGs. As of December 31, 2007, we have exported one 250KW WTG to Thailand. We believe that our WTG products are gaining increasing international acceptability. We intend to focus on growing our export market for WTGs to customers in North America, Europe and southeast Asia by offering high-quality and cost-effective solutions for WTGs

In addition, we believe that there are substantial market opportunities in the United States, Europe and southeast Asia for bio-ethanol production plants due to the increasing demand for alternative energy solutions that is not currently being met. By leveraging lower cost Indian engineering and supplies, we believe that we can capture significant revenues from international opportunities for bio-ethanol production plants.

***Leverage our project execution and operating skills and experience in building and managing captive biomass-based power plants to develop a commercial biomass power generation business through an Associate company***

The demand for power in India to support its growing economy has in recent years exceeded supply. Per capita consumption of power in India, despite significant increases in recent years, continues to lag behind other leading developed and emerging economies. The Government has initiated programs to promote and encourage the development of renewable energy projects by the private sector. We believe these factors make the commercial biomass power generation business an attractive growth opportunity in India and that, by leveraging our project execution, operating and management skills and experience in building and managing captive biomass-based power plants, we can compete successfully as an independent power producer. On August 28, 2007, we entered into a memorandum of understanding with Bessemer to outline Bessemer's investment into Orient Green Power, whose intended business is to invest in and develop power generation assets across India based on renewable sources and other non-fossil fuel sources, such as hydropower. In November 2007, we further agreed with Bessemer to form a holding company in Singapore to acquire the entire equity interest in Orient Green Power. The formation and capitalisation of the Singapore holding company and the acquisition by such holding company of the interest in Orient Green Power have not yet been completed. Upon completion, which is expected by the end of March 2008, the Company will be the indirect beneficial owner of 51% of the equity interest in Orient Green Power.

Orient Green Power has bid for some licenses to generate biomass-based electricity, and has two licenses in Punjab from Punjab Energy Development Agency to generate 20MW of biomass-based electricity, and one license in Madhya Pradesh from Madhya Pradesh Urja Vikas Nigam to generate 10MW of biomass-based electricity. For further information on projects related to these licenses, please see the subsection titled "Our Associate Companies – Orient Green Power" beginning on page 86 of this Red Herring Prospectus. In addition, certain third-party entities own a total of six licenses to generate 36MW of biomass-based electricity and 15MW of hydropower-based electricity. As of December 31, 2007, such entities have commenced construction of six

power plants in three states in India. Orient Green Power expects to acquire the majority of, or entire interest in, each of these projects. We intend to use a portion of the proceeds of the Issue to invest in Orient Green Power, which will use such amounts to fund the acquisitions of these six projects. Each power plant will be owned by a separate subsidiary or special purpose vehicle of Orient Green Power. For further information, please see the section titled “Objects of the Issue” starting on page 34.

### ***Continue to focus on health, safety and environmental standards***

We intend to continue to focus on our health, safety and environmental management and quality management standards as we believe that these elements of performance measurement are important competition differentiators and key criteria for prequalification of contracts by potential clients. The health and well being of our employees are a high priority for us. We seek to ensure that our employees work in safe conditions and that all necessary precautions are taken to prevent accidents that could lead to loss of life, serious injury or loss of or damage to property. We will continue to strengthen the training programs for our personnel in regard to health, safety and environmental measures.

### **Business Segments**

Our businesses can be divided into two segments:

- Engineering, procurement and construction projects, which include renewable energy projects (e.g., biomass-based power plants and bio-ethanol plants), metallurgical and process plant projects, and municipal services projects (e.g., water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation); and
- Development, sale and maintenance of WTGs.

## **I. Engineering, Procurement and Construction Projects**

### 1. Renewable energy projects

#### *Introduction*

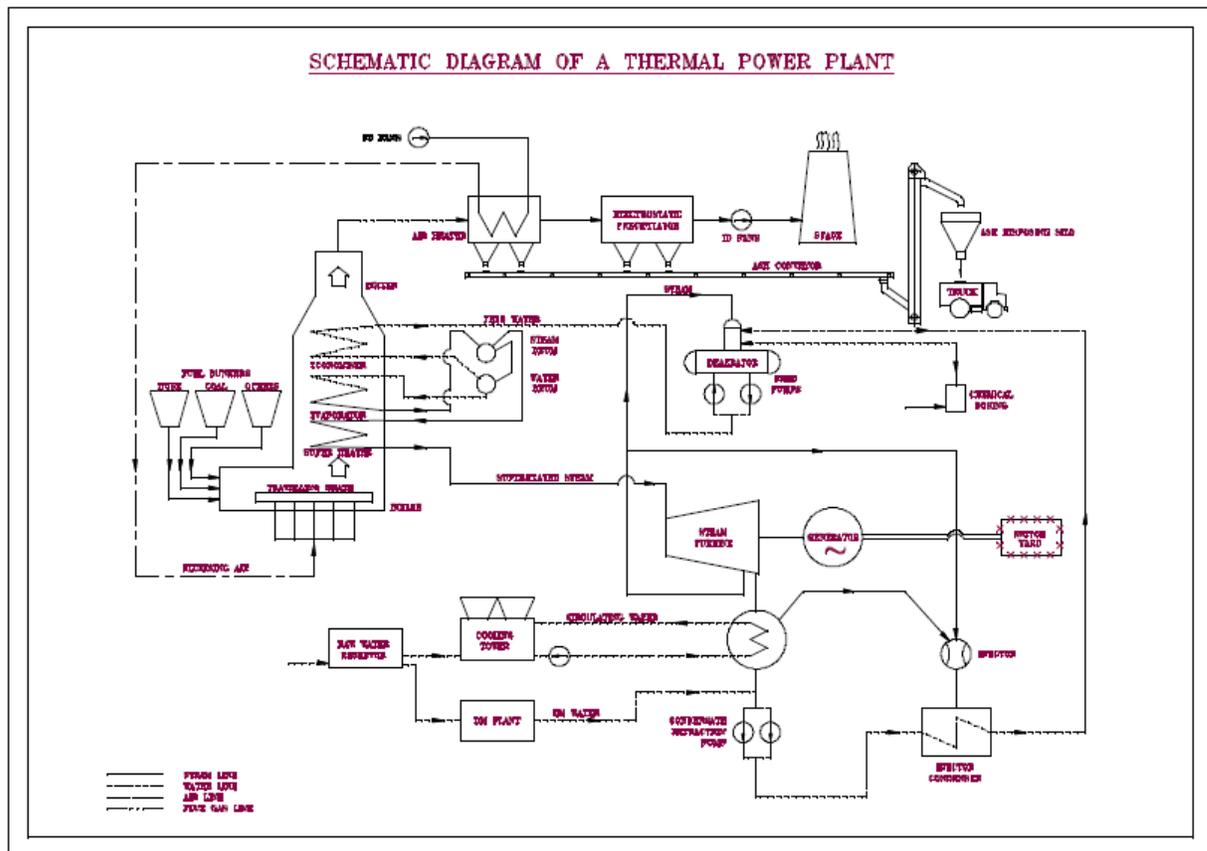
Our renewable energy projects are principally comprised of biomass power plant and co-generation power plant projects, and bio-ethanol production plant projects undertaken by us. In addition, through our investment in Orient Green Power, an Associate company, we expect to engage in the commercial power generation business based on renewable sources and other non-fossil fuel sources, such as hydropower, starting around April 2008.

#### ***Biomass Power Plants***

##### *Overview*

Our biomass power plants business is engaged in the design, engineering and construction of thermal biomass-based power plants. We began our operations in the biomass power plants business in 2001 with the execution of the biomass power plant project for Shalivahana Constructions Limited near Hyderabad. This project involved the design, engineering and construction of a 6.0MW biomass power plant that uses rice husk and woody biomass. As we continue to build and grow our biomass power plant business, the capacities of the biomass power plants that we are capable of building are increasing as well. At present, we are developing and constructing a 30MW rice husk-based power plant for Lakshmi Energy and Foods Limited in Chandigarh. The first 15MW phase of the project is expected to be commissioned before March 2008. The second 15MW phase of the project is expected to be commissioned about three to four months after the completion of the first phase.

The following is a schematic diagram outlining the general setup of a biomass-based power plant.



Raw material (*i.e.*, biomass) is collected from farmers and transported to the power plant, where the material is processed and readied for burning. The biomass is then burned in a boiler or other suitable equipment to generate steam. The steam is used to generate the electricity, which can be used by the client's other facilities and/or sold to the power grid.

We have successfully executed a number of biomass power plant projects in various states in India. The following table provides a brief summary of the some of the biomass power plant projects that we have undertaken and completed as of December 31, 2007.

Sl.No.	Name of the Project / Client Name	Location	Type of Biomass	Capacity (MW)	Contract Value (Rs. in million)	Completion Date
1.	Shriram Investments Ltd.	Tamil Nadu	Coconut stem, wood chips	7.5	333.50	2007
2.	Shalivahana Constructions Limited	Andhra Pradesh	Rice husk, juliflora	6.0	188.30	2002

As of December 31, 2007, we are executing a number of biomass power plant projects. Our order book as of December 31, 2007 for biomass power plant projects is Rs. 2,112.69 million. The following table provides a brief summary of the biomass power plant projects that we are currently executing.

Sl.No.	Name of the Project / Client Name	Location	Type of Biomass	Capacity (MW)	Contract Value (Rs. in million)	Balance value of work to be completed (Rs. in million)	Expected Completion Date
1.	Lakshmi Energy	Punjab	Rick husk	30	825.30	506.40	March 2008 for first phase
2.	ETA Power	Tamil Nadu	Juliflora,	10	381.00	201.68	June 2008

			wood chips				
3.	Arora Infrastructure	Chattisgarh	Rice husk, woody biomass, coal	10	242.50	215.47	June 2008
4.	Mahavir Energy	Chattisgarh	Rice husk, washery rejects	12	340.00	199.02	May 2008
5.	SCUF	Tamil Nadu	Coconut stem, wood chips	7.5	313.7	9.10	February 2008
6.	Southern Powertech	Tamil Nadu	Sugar cane trash, woody biomass	7.5	327.00	327.00	December 2008
7.	Varam Bio Energy	Maharashtra	Rice husk, woody biomass	10	400.00	311.01	April 2008

### *Services*

We have the necessary expertise to design and build biomass power plants to handle a variety of fuel inputs, including rice husk, bagasse, cotton stalk, maize stalk, wood chips, coconut shells, ground nut shells, mustard husks and other agricultural waste. It is generally advisable to build a biomass power plant with some fuel flexibility to handle multiple fuel sources because of the potential for one of the primary fuel sources to become unavailable due to seasonality or another reason. Depending on the type or types of biomass that will be used in a particular power plant, which depends on the raw materials available in the area, we must determine the appropriate technology to used for biomass combustion, such as fixed bed (typically grate fired), fluidized bed combustion and dust combustion.

For biomass power plant projects, we generally enter into EPC contracts on cost plus basis, which will typically set out our expected scope of services. The services that we offer in connection with biomass power plant projects include:

- project conception, including assistance in land identification, feasibility studies for fuel, water and power grid availability, obtaining licenses and governmental approvals and financing options;
- basic and detailed engineering, including assessing technology options depending on the local fuel availability;
- project management and quality control and assurance; and
- supply, erection and commissioning.

For example, in the project executed for Shalivahana Constructions Limited, we assisted the client in conducting a feasibility study to help determine whether a particular location was suitable for a biomass power plant, including biomass fuel availability, water availability, distance to substations and power purchase policies of the relevant state government. In terms of raw material availability, we estimate that a typical 7.5MW biomass power plant will require at least 60,000 tons per annum. We analyze the cropping pattern in the area and compute waste generation. Seasonality effects must also be taken into account. We also engage reputed consultants to prepare detailed project reports based on the data and information collected and assist prospective clients with financing options.

Depending on the nature of biomass fuel available, we select the most suitable boiler available from reputed manufacturers in India and procure other equipment, such as steam turbines, generators, transformers and electrical systems. We then carry out civil works, erect all the equipment and commission the power plant. Once the power plant is commissioned, we conduct performance tests.

### *Principal components and equipment*

The most important equipment and components that comprise biomass power plant projects are boilers, turbines, generators, transformers, pumps, motors, cooling towers and water treatment plants. We have not

entered into any long-term supply agreements for such components or equipment. We have in the past been able to secure an adequate supply of principal inputs.

#### *Employees*

As of December 31, 2007, we have a total of 97 full-time employees dedicated to our biomass power plant business, including 81 engineers, nine technicians and seven non-technical employees.

#### *Financial Overview*

In the years ended March 31, 2005, 2006 and 2007 and the six months ended September 30, 2007, the consolidated revenue generated from biomass power plant projects was Rs. 147.86 million, Rs. 407.65 million, Rs. 502.66 million and Rs. 507.56 million, respectively. For fiscal 2007, our biomass power plants business generated 26.8% of our EPC contracts revenue and 16.7% of our total consolidated income, respectively. For the six months ended September 30, 2007, our biomass power plants business generated 42.6% of our EPC contracts revenue and 22.81% of our total consolidated income, respectively.

#### *Competition*

We face competition from other engineering, procurement and construction companies in and outside India. Some of our principal competitors are Thermax, Cethar Vessels and Areva T&D.

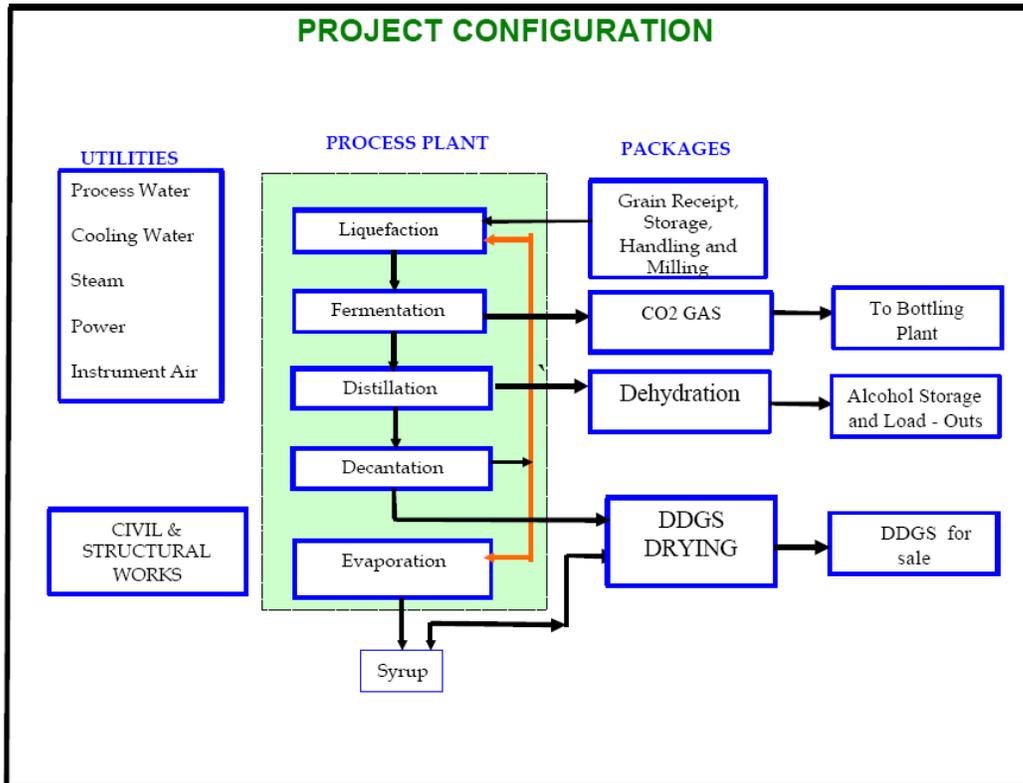
#### *Bio-ethanol*

One of our business strategies is to become a leader in designing and building large capacity (i.e., 100 kiloliters per day (KLPD)) bio-ethanol production plants in India and in other countries, especially in the Europe and southeast Asia, to capitalize on the growing global market for bio-ethanol.

Ethanol is a clean, high-octane, high-performance automotive fuel commonly blended in gasoline to extend supplies and reduce harmful emissions. We believe that prospective global demand for ethanol outstrips current supply. Bio-ethanol can be made from various forms of biomass, including sugarcane, wheat, corn/maize and sugar beets. Bio-ethanol is produced by extracting, fermenting and distilling the sugars trapped in these biomass sources.

There are three basic steps in converting biomass to ethanol: (1) converting biomass to a fermentation feedstock (some form of fermentable sugar); (2) fermenting biomass intermediates using biocatalysts (microorganisms including yeast and bacteria) to produce ethanol; and (3) processing the fermentation product, which yields fuel-grade ethanol and by-products (such as CO<sub>2</sub>). The following diagram shows the project configuration of a typical bio-ethanol production plant.

## BIO ETHANOL PLANT PROJECT CONFIGURATION



As of December 31, 2007, we have entered into one LSTK contract to design, engineer and build a 280 KLPD bio-ethanol plant in the Czech Republic for Newco Prague s.r.o. The bio-ethanol technology to be used in the plant has been sourced by us from a leading European player in the international ethanol market, pursuant to a project specific arrangement. The value of the contract is €69 million (approximately Rs. 4,000 million). We have begun planning and development activities on this project and expect to commence construction of the bio-ethanol plant in March 2008 pending receipt of requisite government approvals and finalization of client's financing.

### *Services*

We believe that the combination of our engineering talent base, ability to access a lower-cost manufacturing base in India, project management skills and access to the expertise and technology of our international partners will create a solid base from which to grow the bio-ethanol plant business.

For bio-ethanol plant projects, we generally enter into EPC contracts on a LSTK basis, which will typically set out our expected scope of services. The services that we offer in connection with bio-ethanol plant projects in partnership with our technology suppliers include:

- basic and detailed engineering, including assessing technology options depending on the local fuel availability;
- project management and quality control and assurance; and
- supply, erection, commissioning and performance testing.

### *Principal components*

The most important components for bio-ethanol plant projects are fermentation tanks, distillation columns, boilers, pumps, valves and centrifuges. We have not entered into any long-term supply agreements for such raw materials or equipment. We have in the past been able to secure an adequate supply of principal inputs.

### *Sales and marketing*

We enter into contracts for bio-ethanol plant projects principally through a competitive bidding process. We have a centralized tender department that is responsible for reviewing, identifying and evaluating potential bio-ethanol plant projects that may be advertised in newspapers and websites. Prior to submitting a bid, the tendering department must evaluate various factors, including the type and degree of difficulty of the project, the client's financial strength, the current and projected workload, the pre-qualification eligibility, the likelihood of additional work, the project's cost and profitability estimates and our competitive advantage relative to other likely bidders. Accurate cost estimates are essential for successful execution of projects and maintaining profit margins. The tendering department is responsible for analyzing the projected costs for key materials and components, services and equipment.

### *Employees*

As of December 31, 2007, we had a total of ten full-time employees dedicated to our bio-ethanol business, including five engineers and five technicians.

### *Financial Overview*

We have not received any revenues from bio-ethanol plant projects as of September 30, 2007.

### *Competition*

We face competition in the bio-ethanol business from companies operating in and outside India. Some of our major competitors include Lurgi AG (Germany), Alfa Laval (India), Vogel Busch, Delta-T Corporation (United States), Fagen Inc. (United States) and Praj Industries Limited (India).

## 2. Process and Metallurgy Projects

### A. Process and Metallurgy Plants

#### *Introduction*

We provide integrated turnkey EPC solutions for process and metallurgy plants, such as iron and steel, copper, aluminum, cement, coal gasification, mining, utilities, power, paper and pulp and material handling plants.

We have successfully executed a number of process and metallurgy plant projects for a variety of energy and industrial plants, which include the designing and building of material conveying systems, aluminum pot lines, and captive thermal power plants. The following table provides a brief summary of the notable process and metallurgy plant projects that we have undertaken and completed as of December 31, 2007.

Sl.No.	Name of the Project / Client Name	Location	Description of the Project	Contract Value (Rs. in million)	Completion Date
1.	Grasim Industries	Jodhpur	7.5MW pet coke-based power plant	321.84	March 2007
2.	Anand Transport	Chennai	Iron Ore Conveyor	45.0	2005
3.	MALCO	Mettur	Aluminum Pot Line	90.5	2004

As of December 31, 2007, we are executing a number of process and metallurgy plant projects. Our order book as of December 31, 2007 for process and metallurgy plant projects (including cooling towers and air pollution control systems projects) is Rs. 13,037.80 million. The following table provides a brief summary of some of the notable process and metallurgy plant projects that we are currently executing.

Sl.No.	Name of the Project / Client Name	Location	Description of the Project	Contract Value (Rs. in million)	Balance value of work to be completed (Rs. in million)	Expected date of completion
1.	OPG Energy	Gunmidipoondi, TN	77MW coal fired thermal power plant	2,430.00	2,430.00	October 2008
2.	Ennore	Halidia	100,000 TPA	550.00	341.14	December 2008

	Coke Ltd.		coke oven battery			
3.	Konkola Copper Mines	Zambia	Gas cleaning plant for copper smelter plant	325.00	7.76	February 2008
4.	Sree Jayajothi Cement	Kurnool, Andhra Pradesh	1.5 TPD grass roots cement plant	5,743.90	5,718..90	March 2009
5.	Steel Authority of India Limited ("SAIL")	Durgapur	Coal Dust Injection System	371.40	66.59	March 2008
6.	SAIL	Bokaro	Coal Dust Injection System	460.00	320.88	July 2008
7.	SAIL	Bokaro	Air turbo compressor & Oxygen turbo compressor system	311.50	250.69	June 2008
8.	SAIL	Bokaro	ESP system	736.20	736.20	September 2010
9.	SAIL	Burnpur	Ammonium plant	314.04	314.04	January 2009
10.	SAIL	Burnpur	Napthalene plant	197.78	197.78	January 2009
11.	SAIL	IISCO-Burnpur	Wire rod & bar mill	911.60	911.60	February 2010
12.	SAIL	Salem	20 HI Sendzimir mill	168.48	168.48	October 2009
13.	Jindal Steel and Power Ltd.	Barbill, Orissa	Two producer gas plants (total capacity of 125 giga calories)	445.60	445.60	March 2009

With respect to the producer gas plant project described above, we have entered into an agreement with Envirotherm GmbH of Germany to use their gasification technology based on circulating fluid bed gasifiers. The two producer gas plants will have total capacity of 125 giga calories and will be designed to operate on Indian-sourced coal to convert such coal into combustible gas. The advanced technology that we are incorporating into these plants allows for a greater volume of gas production than is available from most other plants in India currently. The combustible gas produced from such plants has the potential to replace petroleum-based feed stocks (e.g., naphtha and furnace oil). Additionally, the plants will generate 6MW of electricity from waste heat.]

The coal gasification plant project described above is the first such project for us. We believe that there will be increasing market demand for coal gasification solutions for businesses contemplating alternatives to petroleum-based fuels for heating as well as chemical synthesis applications. Additionally, using combustible gas from coal produces lower emissions than using petroleum-based fuels. Initially, the primary potential industrial applications that we are targeting for coal gasification solutions are steel industries (e.g., iron ore pelletisation and direct reduced iron plants), rolling mills, power plants and any other large heating applications.

#### *Services*

For process and metallurgy projects, we generally enter into LSTK contracts, which will typically set out our expected scope of services. The scope of services that we offer in connection with process and metallurgy projects include: (i) basic and detailed engineering; (ii) project planning and management; (iii) equipment procurement; (iv) manufacture of components; (v) site construction and management; (vi) erection and commissioning; and (vii) performance testing.

We generally bid for projects as part of a larger project-specific consortium with international players. We have worked or are working with companies, such as Danielli, SSIT China, CERI, WaterburyCanada, Swemco, Beltran and Envirotherm.

#### *Principal raw materials*

The most important raw materials and equipment for process and metallurgy plant projects depends on the type of project that we are undertaking. In general, steel, electric motors, pipes and cement are required for most

such projects. We have not entered into any long-term supply agreements for such raw materials or equipment. We have in the past been able to secure an adequate supply of principal inputs.

#### *Intellectual Property*

We have developed extensive technical knowledge relating to coke oven batteries, which we believe allows us to build more productive and efficient coke oven batteries. Our know-how is a significant asset, which cannot be protected by intellectual property rights, such as patents. We must maintain internal controls and systems to maintain the confidentiality of our technical knowledge, including through confidentiality agreements with our employees. We also require our suppliers to enter into non-disclosure agreements to limit access to and distribution of our proprietary and confidential information.

#### *Employees*

As of December 31, 2007, our Company had a total of 140 full-time employees dedicated to our process and metallurgy plant business, including 52 engineers, 56 technicians and 32 non-technician employees. As of such date, Hamon Shriram had 81 full-time employees, including 30 engineers, 37 technicians and 14 non-technician employees.

#### *Financial Overview*

In the years ended March 31, 2005, 2006 and 2007 and the six months ended September 30, 2007, the consolidated revenue generated from process and metallurgy projects (including air pollution control systems and cooling towers projects, which were undertaken during the period by our Company prior to the formation of the Hamon Shriram joint venture in April 2007) was Rs. 61.63 million, Rs. 309.11 million Rs. 1,176.25 million and Rs. 597.56 million, respectively. For fiscal 2007, our process and metallurgy business generated 62.7% and 39.1% of our EPC contracts revenue and our total consolidated income, respectively. For the six months ended September 30, 2007, our process and metallurgy business generated 50.1% and 26.5% of our EPC contracts revenue and our total consolidated income, respectively.

#### *Competition*

We face competition from other domestic and international engineering, procurement and construction companies, both small and large. Some of our principal competitors in the process and metallurgy plant sector are Larsen & Toubro, McNally Bharat, Nicco, Mecon and Simplex. We also face competition in this sector from Chinese companies.

#### **B. Cooling Towers and Air Pollution Control Systems**

The business of Shriram Tower Tech (“STT”) was amalgamated into the Company in 2001. STT had been in the cooling towers business since 1991. We continued the business on our own until 2005.

In 2005, we entered into a joint operation agreement with Hamon Group, pursuant to which we started providing cooling tower solutions based in part on Hamon Group technology. As of April 1, 2007, we converted the joint operations structure into a joint venture with Hamon Group under a joint venture agreement. Pursuant to such agreement, Hamon Shriram was formed as a joint venture with our Company as the majority owner, and began providing air pollution control solutions using technology owned by Hamon-Research Cottrell, Inc., a pioneering company in the design and development of air pollution control systems and other process equipment, including modern wet and dry type electrostatic precipitators. Under the joint venture agreement with Hamon Group, the duration of the Hamon Shriram joint venture is seven years beginning from January 1, 2007 with automatic renewal periods unless one of the parties to the joint venture notifies the other of its intention to terminate the joint venture agreement at least six months prior to the renewal date.

Hamon Shriram’s services include the provision of turnkey engineering, fabrication and construction solutions for cooling towers and air pollution control systems. Hamon Shriram focuses on the energy (including thermal and nuclear) and general industry sectors (including refineries and petrochemical, chemical, metallurgy and pharmaceutical plants). The cooling tower solutions provided by us through Hamon Shriram can be used in acid cooling, ammonia stripping and HVAC applications in India and the surrounding regions. The air pollution control products offered by Hamon Shriram include electrostatic precipitators, bag filters (pulse jet and reverse air), wet and dry scrubbers and flue gas desulfurization.

We have successfully executed several cooling tower projects for a variety of energy and industrial plants on our own prior to and through Hamon Shriram. The following table provides a brief summary of the cooling tower projects that we have undertaken and completed as of December 31, 2007

Sl.No.	Name of the Project / Client Name	Location	Description of the Project	Scope	Completion Date
1.	BHEL	Dhuvaran, Gujarat	Cooling tower	Design, engineer, supply and construct	March 2007
2.	Goa Energy	Goa	Cooling tower	Design, engineer, supply and construct	February 2007
3.	Vedanta Alumina Ltd	Lanjigarh, Orissa	Cooling tower	Design, engineer, supply and construct	June 2007
4.	Finolex Industries Ltd	Ratnagiri, Maharashtra	Cooling tower	Design, engineer, supply and construct	May 2007
5.	Indo-Rama Synthetics Ltd	Nagpur	Cooling tower	Design, engineer, supply and construct	June 2005

As of December 31, 2007, we are executing several cooling tower and air pollution control systems projects. Our order book as of December 31, 2007 for cooling tower and air pollution control systems projects is Rs. 705.42 million. The following table provides a brief summary of some of the cooling tower and air pollution control systems projects that we are currently executing.

Sl.No.	Name of the Project / Client Name	Location	Description of the Project	Scope	Expected Completion Date
1.	BHEL	Bina, MP	Cooling tower	Design, engineer, supply and construct	December 2008
2.	Mahavir Energy	Raigarh, Chattisgarh	Electrostatic precipitator	Design, Engineer, Supply & Erection Supervision	March 2008
3.	ETA Power	Virudunagar, Tamilnadu	Electrostatic precipitator	Design, Engineer, Supply & Erection Supervision	March 2008
4.	Adani Power	Ahmedabad, Gujarat	Cooling tower	Design, engineer, supply and construct	June 2008

### *Services*

For cooling towers and air pollution control systems projects, we generally enter into engineering and supply contracts on a turnkey basis, which will typically set out our expected scope of services. The scope of services that we offer in connection with cooling towers and air pollution control systems projects include: (i) basic and detailed engineering; (ii) project planning and management; (iii) equipment procurement; (iv) manufacture of components; (v) site construction and management; (vi) erection and commissioning; and (vii) performance testing.

In addition, Hamon Shriram provides field services, such as inspection, revamping, upgrading and rebuilding, seminars and workshops and technical services, such as fluid dynamics and gas flow modeling.

### *Principal raw materials*

The most important raw materials required for cooling towers and air pollution controls systems projects depend on the type of project that we are undertaking. In general, plastics, fiberglass, sheetmetal, rectifiers, insulators, fans, gearboxes and electric motors are required for most such projects. We have not entered into any long-term supply agreements for such raw materials. We have in the past been able to secure an adequate supply of principal inputs.

Fiberglass fan stacks, small and mid-sized fiberglass cooling towers, timber treatment, thermo forming and steel fabrication in manufacturing facility in Umbergaon, Gujarat.

### *Employees*

As of December 31, 2007, Hamon Shriram had 81 full-time employees, including 30 engineers and 37 technicians.

#### *Financial Overview*

Prior to fiscal 2008, cooling towers and air pollution control systems projects were undertaken by our Company in collaboration with Hamon Group. As of April 1, 2007, new cooling towers and air pollution control systems projects are being undertaken by Hamon Shriram. For the six months ended September 30, 2007, our cooling towers and air pollution control systems projects generated Rs. 170.12 million, or 14.3% and 7.6% of our EPC contracts revenue and our total consolidated income, respectively

#### *Competition*

In the cooling towers sector, our principal competitors include Paharpur Cooling Towers, Gammon India and GEA India. For air pollution control systems, our main competitors are Alstom, Thermax and BHEL.

### 3. Municipal Services Projects

#### *Introduction*

Our municipal services projects principally comprise turnkey design-build environmental projects with particular focuses in water and wastewater treatment and management, water distribution systems and sewer and pipe rehabilitation.

Our comprehensive range of water and wastewater treatment system solutions includes:

- treatment plants for municipal water, industrial water and wastewater systems, municipal sewer networks and sewage treatment plants for municipalities, compact sewage treatment plants for commercial establishments; and
- transmission mains, distribution networks and reservoirs.

Our sewer and pipe rehabilitation services include advanced pipe rehabilitation solutions for the public and private sectors. We provide renovation, replacement and repair services for pipelines for water, storm/drain, industrial process and gas applications, and sewer pipe networks and systems. Through licensing arrangements with leading international companies in pipe rehabilitation, we offer the widest range of the latest no-dig / trenchless technologies available in the marketplace. We are the provider in India of the Rib loc™ lining technology, and we also license the MSWL, CIPP lining, GRP Lining and pipebursting technologies, which allow for the rehabilitation of underground sewer and water pipes without the need to excavate to provide lining to the affected pipeline. Our liners are designed in accordance with international standards for a minimum life of 50 years. The liners are designed to resist all super-imposed loads such as soil, live loads and hydrostatic loads and are designed as a standalone structural liner. We have also developed high-capacity custom-built sewer desilting and cleaning equipment specifically designed for the Indian conditions, which gives us a significant competitive advantage over our competitors.

We began undertaking municipal services projects in 1990 through SHRENCO. Pursuant to an order of the High Court of Madras in July 2005, SHRENCO was merged into the Company with effect from April 1, 2004. Accordingly, the results of the municipal services business have been consolidated with our Company's financial statements since fiscal 2005. Since the merger of SHRENCO into the Company, we have successfully executed a number of water and wastewater projects, including some of the largest such projects in India. For example, in 2005 we completed the development and construction of a 275 MLD water treatment plant for the purpose of supplying water to Western Ahmedabad. This plant is one of the largest water treatment plants in India utilizing advanced clarification technologies. The following table provides a brief summary of the notable water and wastewater projects that we (including through SHRENCO) have undertaken and completed as of December 31, 2007.

Sl.No.	Name of the Project / Client Name	Location	Description of the Project	Contract Value (Rs. in million)	Completion Date
1.	Gujarat Water	Jesingpur,	Design, supply and installation of water	192.40	2006

Sl.No.	Name of the Project / Client Name	Location	Description of the Project	Contract Value (Rs. in million)	Completion Date
	Supply and Sewerage Board	Narapur and Dolvan, Surat	intake systems, water treatment plants and protected water distribution systems for rural water supply		
2.	BHEL	Nesapakkam, Chennai	Civil works for 40 MLD sewage treatment plant	74.8	2006
3.	Ahmedabad Urban Development Authority	Ahmedabad	275 MLD water treatment plant	197.5	2005
4.	Naval Academy (NAVAC)	Ezhimala, Kerala	2.3 MLD sewage treatment plant	30.66	2007

In addition, some of the notable pipe rehabilitation projects that we have completed as of December 31, 2007, include desilting of trunk sewers and rehabilitating 600mm and 900mm sewer lines in Delhi.

We are executing a number of water and wastewater and pipe rehabilitation projects. Our order book as of December 31, 2007 for municipal services projects is Rs. 2,086.21 million. The following table provides a brief summary of some of the notable municipal services projects that we are currently executing.

Sl.No.	Name of the Project / Client Name	Location	Description of the Project / Technology used	Contract Value (Rs. in million)	Balance value of work to be completed (Rs. in million)	Expected Completion Date
1.	Gujarat Water Supply and Sewerage Board	Borsad Degadia, Surat	Design, supply and installation of water treatment plant and protected water distribution system for rural water supply	221.3	57.23	March 2008
2.	BHEL	Hyderabad, Kolkata and Delhi	Effluent treatment plants	72.14	27.82	March 2008
3.	Gujarat Water Supply and Sewerage Board	Rajula, Amreli District, Gujarat	Design, supply and installation of water treatment plant and protected water distribution system	95.2	82.73	April 2008
4.	Karnataka Urban Water Infrastructure Development Finance Corporation	Jeppinamoguru, Mangalore	Construction of underground drainage system and wet well, and rehabilitation of existing underground drainage system and wet well	270.0	250.90	August 2008
5.	Tamilnadu Water Supply and Drainage Board ("TWAD")	Kuzhithuraiyar	Water Treatment Plant	117.52	117.52	August 2008
6.	TWAD	Tuticorin	Underground Sewerage Scheme	162.05	162.05	April 2009

### Services

For water and wastewater projects, we generally enter into LSTK/item-rate contracts, which will typically set out our expected scope of services. The services that we offer in connection with water and wastewater projects include: (i) project planning and management; (ii) basic and detailed engineering; (iii) equipment procurement; (iv) civil works; (v) construction and installation; (vi) erection and commissioning services; and (viii) operation and maintenance services.

For pipe rehabilitation projects, we generally enter into EPC contracts on a fixed-price item-rate basis. The specific technology used in a particular project depends on our scope of services and the requirements of the project. If rehabilitation is required, we determine the liner that is most suitable for the project to improve the pipe's strength and hydraulic performance. The technologies used for rehabilitation include MSWL using Rib loc™ technology, CIPP lining and GRP lining (for specific projects). If replacement is required, we will install a new pipe either on or off the existing pipe by pipebursting or by microtunneling methods. If we are mandated to repair the pipe, we must first conduct a condition assessment survey to determine the extent of the damage and the level of repairs required.

#### *Principal raw materials and components*

The most important raw materials for water and wastewater projects depend on the type of project that we are undertaking. In general steel, cement, pipes, valves, pumps and motors are required for most such projects. We have not entered into any long-term supply agreements for the procurement of such items. We have in the past been able to secure an adequate supply of principal inputs.

In the pipe rehabilitation business, the most important components are the liner materials, which are sourced from the technology licensors, cement and steel.

#### *Intellectual property*

We have entered into a series of license agreements with (i) CPT to use their Rib loc™ technology, (ii) Perco to use the EXPANDIT™ pipebursting technology, and (iii) CPT to use their CIPP lining. Under the license agreements with CPT and Perco, we are granted the right to use such technologies for pipe rehabilitation projects in India.

We own a fleet of specialized equipment and machinery for the pipe rehabilitation business. This includes custom-designed, custom-built and high-capacity super suction equipment and associated pay load carriers for de-silting of large-size trunk sewers. We designed and developed this equipment and machinery in-house for our specific requirements. Thus, we believe we have a competitive advantage because of our technologically advanced pipe rehabilitation equipment. We also have robotic CCTV survey systems for condition assessment of underground pipelines.

#### *Employees*

As of December 31, 2007, the Company had a total of 64 full-time employees dedicated to our municipal services business, including 12 engineers, 34 technicians and 18 non-technical employees.

#### *Financial Overview*

In the years ended March 31, 2005, 2006 and 2007 and the six months ended September 30, 2007, the consolidated revenue generated from municipal services projects was Rs. 260.41 million, Rs. 233.49 million Rs. 198.47 million and Rs. 87.00 million, respectively. For fiscal 2007, our municipal services business generated 10.6% and 6.6% of our EPC contract revenue and our total consolidated income, respectively. For the six months ended September 30, 2007, our municipal services business generated 7.3% and 3.9% of our EPC contracts revenue and our total consolidated income, respectively.

#### *Competition*

We face competition from other small and large engineering, procurement and construction companies for municipal services projects. Some of our competitors in the water and wastewater sectors are Larsen & Toubro, Vatech, Enviro Control, Geomiller, Degremont, IVRCL, Batliboi, Ramky and Gammon India. In the pipe rehabilitation sector, we face competition from various players, including Worm India Ltd., Michigan, Pfeiffer GmbH, Per Aersleff and Insituform.

## **II. Development, Sale and Maintenance of WTGs**

#### *Overview*

In our wind energy business, we focus on providing integrated solutions for our clients in India and abroad, which include the development and manufacture of WTGs, identification of suitable sites for wind farms,

technical planning, infrastructure development, installation and commissioning of WTGs, connection to power grids and after-sale O&M services for WTGs supplied by us.

To leverage on our strengths and expertise in manufacturing biomass-based power plants, we began marketing WTGs manufactured by third-party WTG manufacturers in 2004. In September 2006, we received approval and certification of Deutsches Wind Energie-Institut GmbH for the design of our 250KW-class WTG, after which we started manufacturing and selling our own 250KW WTGs. In April 2007, we received ISO9001:2000 certification from DAS Certification Ltd. for the manufacture, supply, installation, commissioning, maintenance of wind turbines and development of wind turbines. Certain members of our senior management in this division have been active in the wind energy industry since 1993. As of December 31, 2007, we have supplied and/or installed more than 210 250KW WTGs in various prime wind sites in India.

With a view to pursuing growth opportunities for WTGs in India and in the global market, we have taken initiatives to broaden our WTG product portfolio by focusing on the manufacture of higher capacity MW-class machines. We have entered into two joint ventures with Leitwind, a Netherlands company that has developed certain proprietary technology used in WTGs, to broaden our WTG product range. Leitwind is a leader in ropeway systems and has developed permanent magnet-based drive technology, which is the key component used in WTGs.

Leitner Shriram, which is owned 51% by Leitwind and 49% by the Company, was formed on January 10, 2007 with the purpose of manufacturing MW-class wind turbines. We expect Leitner Shriram to commence operations around April 2008 and to begin manufacturing 1.35MW WTGs in 2008. On or about April 1, 2008, we also expect Leitner Shriram to take over the manufacture of our Company's 250KW WTGs. As of December 31, 2007, Leitwind and our Company have contributed Rs. 113.23 million and Rs. 68.61 million, respectively. Our Company proposes to make the balance contribution to the share capital amounting to Rs. 190.47 million out of the Net Proceeds of the Issue in the form of equity share capital.

On February 3, 2007, we entered into a joint venture agreement with Leitwind to form Shriram Leitwind. As of December 31, 2007, our Company and Leitwind have contributed a sum of Rs. 68.61 million and Rs. 69.39 million, respectively. Our Company proposes to make the balance of its contribution to the share capital amounting to Rs. 84.39 million out of the Net Proceeds of the Issue. Upon completion of the share allotments, Shriram Leitwind will be owned 51% by the Company and 49% by Leitwind, and we expect Shriram Leitwind to commence operations around April 2008. Upon commencement of operations, Shriram Leitwind will market and sell megawatt-class WTGs manufactured by Leitner Shriram. On or around April 1, 2008, we expect Shriram Leitwind to also market and sell our kilowatt-class WTGs. We believe that the expansion of our product portfolio to include MW-class WTGs will be a major growth driver for our wind energy business.

Our MW-class machines are differentiated from those of other WTG manufacturers in India and abroad because they are gearless and incorporate Leitner Group's proprietary permanent magnet technology. Using gearless technology will allow us to reduce dependence on gearbox suppliers, which have historically been unable to keep up with the demand for gearboxes. Permanent magnet technology is more efficient in converting available wind into electricity. The WTG is fully variable speed and variable pitch and produces power with unity power factor with no parasitic power consumption for start-up. Furthermore, our WTGs will have lower ongoing maintenance requirements due to the absence of the use of gearboxes.

As of December 31, 2007, we have supplied and/or installed over 210 WTGs and developed four wind farm projects for clients in India, particularly in Tamil Nadu. We have also executed our first export order to supply a 250KW WTG to a client in Thailand in fiscal 2007.

As of December 31, 2007, we have outstanding orders to supply over 201 250KW WTGs with an order book value of Rs. 1,758.47 million. As part of our strategy to focus on manufacturing and selling higher capacity MW-class machines, we have completed the installation of one 1.35MW WTG demonstration model in Tamil Nadu in September 2007 and expect to complete the installation of another demonstration 1.35MW WTG in Karnataka, India in February 2008. The following table provides a brief summary of the current wind energy projects in our order book as of December 31, 2007.

Sl. No	Name of the Project / Client Name	Location	Number of machines to be installed	Capacity of each machine	Contract Value (Rs. in million)	Balance value of work to be completed (Rs. in million)	Expected Completion Date
1.	Theolia	Karnataka/ Maharashtra	100	250KW	1,130.00	1,130.00	June 2008
2.	Dodanavar	Tamil Nadu/ Karnataka	30	250KW	390.00	19.50	March 2008
3.	Fairdeal	Tamil Nadu/ Karnataka	30	250KW	336.00	129.15	March 2008
4.	Others	Tamil Nadu	41	250 KW	500.85	479.82	By April 2008
TOTAL			201		2,356.85	1,758.47	

### *Services*

We provide integrated solutions for our WTG customers, including government, commercial and industrial customers. In addition to manufacturing and installing WTGs, we assist clients with all aspects of wind farm development, including site identification and acquisition, obtaining required government approvals, licenses and clearances, erection, commissioning and connection to the power grid. We also provide operation and maintenance services for WTGs supplied by us.

For wind energy projects, we generally enter into LSTK contracts, which will typically set out our expected scope of services. The services that we offer in connection with wind energy projects include:

- wind farm planning and development, including site identification and purchasing of land, micrositing and obtaining required governmental approvals, licenses and clearances;
- manufacture of WTGs;
- development of infrastructure, including roads, substations and transmission lines;
- project management and quality control and assurance; and
- installation and commissioning.

Our customers generally require us to identify suitable land for wind farm development and purchase such land for such use. This generally involves negotiations with landowners, including public and private sector entities or persons, and obtaining the requisite government approvals to purchase and develop such land for wind power projects. Our customers are required to pay us on a “cost plus” basis for land that we purchase on their behalf.

We provide operation and maintenance services on the WTGs after installation and commissioning. We may engage independent third party service providers to handle operation and maintenance functions at certain project sites.

### *Procurement and Fabrication*

#### *250KW machines*

The principal components required for the manufacture of 250KW WTGs are gear boxes, generators, towers, rotor blades, bearings, castings and controllers. Our main WTG manufacturing facilities are located in Chennai and Puducherry, where we manufacture nacelles and rotor blades and have the capacity to build more than 450 rotor blades for 250KW WTGs per year. For those components that we do not manufacture ourselves, such as gear boxes, we have established supply sources with reputed suppliers. Over 90% of the components required for our 250KW WTGs are sourced in India. Though we do not enter into long-term supply agreements with suppliers of bearings, gearboxes and generators, we place orders with our suppliers in advance (e.g., five to six months for bearings and one to two months for other components) to ensure timely supply. Additionally, we have in the past placed orders up to 18 months prior to expected delivery (and prior to receipt of firm orders for WTGs) in order to secure favourable pricing terms. We have in the past been able to source an adequate supply of the principal inputs for our WTGs.

#### *MW-class machines*

Other than bearings and magnets, all other components for our megawatt-class WTGs are expected to be manufactured in India. We expect Leitner Shriram, one of our joint ventures with Leitwind, to commence the manufacture of generators, nacelles and hubs in our facility near Chennai around April 2008.

#### *Sales and marketing*

Our 250KW WTGs are principally sold by us through our sales and marketing teams in Chennai and Pune. Our sales and marketing teams focus on identifying small and medium-sized customers looking for investment opportunity with tax advantages or small manufacturers with limited power requirements.

We expect Shriram Leitwind, one of our joint ventures with Leitwind, to commence significant marketing and sales activities for our MW-class WTGs around April 2008. Around April 2008, we expect Shriram Leitwind to begin marketing and selling our KW-class WTGs. Shriram Leitwind will be based in Chennai.

#### *Product Warranties*

We provide our WTG customers a power curve warranty on the number of units of electricity that will be generated by the WTG at different wind speeds. These warranties generally cover the one-year period after commissioning.

#### *Research and Development*

We place great emphasis on continued research and development for WTGs. We aim to focus on upgrading and increasing the cost-efficiency of our existing 250KW WTG models. Our partner in the WTG business, Leitwind, has a research and development team based in Italy that is currently developing prototypes of higher-capacity WTGs, such as 1.5MW, 2.0MW and 3.0MW models. Following the expected commencement of Shriram Leitwind's business around April 2008, we expect that the research and development efforts for our kilowatt-class and megawatt-class WTGs will continue to be performed by Shriram Leitner in Chennai and Leitwind in Italy.

#### *Intellectual Property*

Through our joint venture agreement and a technical assistance agreement with Leitwind, Leitwind has agreed to provide Leitner Shriram with access to, and allow Leitner Shriram to manufacture and sell WTGs using certain proprietary technology owned by Leitwind within India and southeast Asia.

In addition to the above, we possess extensive technical knowledge about our 250KW WTGs. Our know-how is a significant asset, which cannot be protected by intellectual property rights, such as patents. We must maintain internal controls and systems to maintain the confidentiality of our technical knowledge, including through confidentiality agreements with our employees. We also require our suppliers to enter into non-disclosure agreements to limit access to and distribution of our proprietary and confidential information.

#### *Employees*

As of December 31, 2007, we have a total of 69 full-time employees dedicated to our wind energy business, including 35 engineers and 23 technicians.

#### *Financial Overview*

In the years ended March 31, 2005, 2006 and 2007 and the six months ended September 30, 2007, the revenue generated from the development, sale and maintenance of wind turbine generators was Rs. 272.83 million, Rs. 495.08 million, Rs. 1,079.79 million and Rs. 1,032.72 million, respectively. For fiscal 2007 and the six months ended September 30, 2007, our wind turbine generator business generated 35.9% and 45.9% of our total consolidated income, respectively.

#### *Competition*

We face intense competition in the wind energy business from a small group of manufacturers in and outside India. Our principal competitors are Vestas Wind Systems (Denmark), Siemens Wind Energy (Denmark), G.E. Energy (U.S.), Gamesa (Spain), Enercon (Germany), Suzlon Energy (India), Nordex (Germany), Ecotecnia (Spain) and REPower Systems (Germany).

## **Our Operations**

### ***Contract Management***

Our contracts expose us to significant construction and cash flow risks. To mitigate these risks, we have developed a risk management system that includes the screening of potential projects during the bidding stage. This involves an analysis of the quality of the client, the contract value, the nature of the competition for the project and the opportunities for efficient project management, among other factors. We believe that our past ability to manage these risks has been a key factor in our ability to provide attractive solutions for our clients and achieve our levels of financial and business performance.

We typically enter into four basic types of engineering, procurement and construction contracts for our biomass-based power plants, process and metallurgy and municipal services projects. Most of our EPC projects are LSTK contracts. For WTG projects, we generally enter into an engineering, procurement and construction contract with the client first, followed by specific purchase orders for the manufacture of WTGs.

- *EPC contracts with cost escalation:* Most longer term EPC contracts typically have cost escalation clauses built into them, whereby any variation in the prices of key raw materials (*e.g.*, steel and cement) are reimbursed to us by the client.
- *Item-rate contracts with cost escalation:* The bidding for such projects is based on the price per unit of each of the BOQ items. Therefore, any escalation in the quantity of the BOQ items between those tendered and the actual will be compensated to us at rates that have been bid at the tender stage. The contract also provides for escalations in specified (per unit) raw material costs, such as steel, cement and pipes. As a result, the actual contract amount billable to the client could be altered as the order is executed.
- *Item-rate contracts without cost escalation:* The bidding for such projects is based on the price per unit of each of the BOQ items. Quantity escalation is generally covered, but cost escalation is not. Therefore, any escalation in the quantity of the BOQ items between those tendered and the actual will be compensated to us at rates that have been bid at the tender stage. As a result, the actual contract amount billable to the client could be altered as the order is executed.
- *Lump Sum Turnkey Contracts (“LSTK”):* LSTK projects are those projects where the contract value payable to the contractor is fixed irrespective of any changes in the BOQ items. Unlike item-rate contracts, where any variation in the BOQ quantities is reimbursed by the client at the price bid in the tender, in an LSTK project the onus is on the contractor to ensure that costs do not exceed the lump sum amount payable to it and that the operating margins on the work executed are not adversely affected. In an LSTK, any cost overruns on key raw materials are borne by the contractor. While LSTK projects entail business and financial risks, notably requiring the contractor to absorb some of the cost overruns, these contracts enable the contractor to efficiently determine the engineering, procurement and construction sequence for a project and deploy resources more efficiently -- and potentially capture these efficiencies in the form of improved margins.

We typically provide warranties on our EPC contracts of 12 months from date of commissioning or 18 months from date of last shipment of materials, whichever is earlier, which is consistent with industry practice. In certain instances, we may provide warranties on our EPC contracts of up to 60 months. For our WTG customers, we provide a power curve warranty on the number of units of electricity that will be generated by the WTG at different wind speeds. These warranties generally cover the one-year period following commissioning. Most of our warranties are covered by corresponding warranties by the vendors of our raw materials and goods. We have not experienced significant claims by clients on warranties on any of our projects.

### **Prequalification, Project Tenders and Marketing**

In selecting contractors for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria, including experience, technological capacity and performance, reputation for quality, safety record, financial strength and bonding capacity and size of previous contracts in similar projects, although price competitiveness of the bid is, however, a significant selection criteria. Pre-qualification is key to our winning major projects and we continue to develop on our pre-qualification status through improved project execution and cooperative partnerships with leaders in the field. We cannot predict with any degree of certainty

the frequency, timing or location of new contract awards. Our marketing and contracts teams are in charge of our marketing and commercial activities. Until the final selection, negotiations can continue with the client on a variety of matters pertaining to the specific project, such as construction schedule and financial and other contractual terms and conditions.

Because of the high cost and management resources required in preparing a bid on a contract, whether turnkey or for a specified scope of engagement, we only bid on selected projects. We have a tender department that is responsible for reviewing, identifying and evaluating potential projects that our prospective clients have scheduled in advance or that may be advertised in newspapers and websites. Each potential project is carefully analyzed and, prior to bidding, we estimate the costs and analyze the financial and legal aspects of the project. In evaluating bid opportunities, we consider such factors as the client's reputation and financial strength, the geographic location and the difficulty of the work, our current and projected workload, the likelihood of additional work, the project's cost and profitability estimates and our competitive advantage relative to other likely bidders.

We cannot predict with any degree of certainty the frequency, timing or location of new contract awards. We act as the principal contractor on a majority of the engineering construction projects that we undertake. On our projects, we typically perform most of the engineering and project management work with our own resources and typically subcontract only activities such as construction work and fabrication, which enables us to deploy our resources more effectively.

Our tendering committee in Chennai must approve all significant new tenders and contracts before submitting the final bid.

### **Our Associate Companies**

As of the date of this Red Herring Prospectus, we have three Associate companies, namely Leitner Shriram, Orient Green Power and Ennore Coke. For further information on Leitner Shriram, please see the section titled "Our Business – Development, Sale and Maintenance of WTGs" beginning on page 81.

#### ***Orient Green Power***

As of the date of this Red Herring Prospectus, our Company has a 48.7% interest in Orient Green Power, which is principally engaged in investing in and developing commercial power generation assets based on biomass and other renewable energy technologies. Orient Green Power was formed on December 6 2006. As of September 30, 2007, we have invested Rs. 0.76 million into Orient Green Power. On August 28, 2007, we entered into a memorandum of understanding with Bessemer Venture Partners Trust to outline Bessemer's investment into Orient Green Power in an amount equal to Rs. 0.76 million. In November 2007, we entered into an agreement with Bessemer pursuant to which the parties agreed to form OGPL Singapore as a new holding company to acquire the [entire] equity interest in Orient Green Power. The formation and capitalisation of the OGPL Singapore and the acquisition by such company of the interest in Orient Green Power have not yet been completed as of December 31, 2007. Upon completion, which is expected by the end of March 2008, the Company will be the beneficial owner of 51% of the equity interest in Orient Green Power. The parties have agreed to capitalise OGPL Singapore with US\$19.0 million, which will be funded by the shareholders in proportion to their shareholding in the company.

The business plan is for Orient Green Power to act as a holding company of operating subsidiaries that each own and operate power plants. With the demand for power in India expected to continue to grow and the increasing incentive to seek out renewable energies, we believe that the power generation business in India presents an attractive growth opportunity. By leveraging our project execution and operating skills in building biomass-based power plants, we believe that Orient Green Power can compete successfully in this business. As of the date of this Red Herring Prospectus, though development activities have commenced, Orient Green Power has not made any investments in any operating subsidiaries.

Orient Green Power has bid for licenses to generate biomass-based electricity, and has [received notice] that it will be awarded two licenses in Punjab to generate 20MW of biomass-based electricity, and one license in Madhya Pradesh to generate 10MW of biomass-based electricity. Orient Green Power has not finalized any plans to exploit such licenses to date. In addition, certain third-party entities own a total of six licenses to generate 36MW of biomass-based electricity and 15MW of hydropower-based electricity. As of December 31, 2007, such entities have commenced construction of six power plants in three states in India as summarized in the following table. Orient Green Power expects to acquire the majority of, or entire interest in, each of these

projects. We intend to use a portion of the proceeds of the Issue to invest in Orient Green Power, which will use such amounts to fund the acquisitions of these six projects. Each power plant will be owned by a separate subsidiary or special purpose vehicle of Orient Green Power. For further information, please see the section titled “Objects of the Issue” starting on page 34. The table below sets forth the nine power plant projects into which Orient Green Power intends to invest.

Sl.No.	Location	Type of Fuel	Capacity (MW)	Estimated project costs (Rs. in million)	Expected completion date
1.	Dindigul, Tamil Nadu	Biomass	7.5	380.32	Completed
2.	Pattukottai, Tamil Nadu	Biomass	7.5	379.96	March 2008
3.	Vandavasi, Tamil Nadu	Biomass	7.5	370.54	January 2009
4.	Pollachi, Tamil Nadu	Biomass	7.5	385.34	April 2009
5.	Hyderabad, Andhra Pradesh	Poultry litter/biomass	6	371.83	April 2009
6.	Orissa	Minihydroelectric	15	839.76	October 2009
7.	Patiala, Punjab	Biomass	10	535.10	July 2009
8.	Amritsar, Punjab	Biomass	10	539.40	September 2009
9.	Narsinghpur, Madhya Pradesh	Biomass	10	523.80	July 2009

The plant in Dindigul was completed and commissioned in November 2007. We expect the plant in Pattukottai, Tamil Nadu to be commissioned by March 2008.

Pursuant to the Kyoto Protocol, to which India is a signatory country, signatory countries have committed to reduce global greenhouse gas emissions. To meet the binding commitment to reduce greenhouse gas emissions, the signatory countries can have an option to reduce part of their emissions domestically, or purchase emission reductions from developing countries through the carbon finance market. Effectively, emission reductions purchased under carbon finance can be used against the greenhouse gas reduction obligations under the Kyoto Protocol or for other regulated or voluntary greenhouse gas emission reduction regimes. Orient Green Power’s operations are expected to produce levels of greenhouse gas emissions that are lower than the standards provided under the Kyoto Protocol. As a result, Orient Green Power expects to be able to sell CERs to purchasers of such credits for their emission reduction obligations. Each of the operating subsidiaries/special purpose vehicles of Orient Green Power will enter into agreements with third parties pursuant to which Orient Green Power will transfer to the purchasers a certain level of CERs per annum at a set price per credit during the term of the agreement.

As Orient Green Power has yet to make its anticipated investments in power plant projects or commenced operations, it has not yet generated any operating income or revenue from selling CERs. Similarly, we have yet to receive any investment income from our investment in Orient Green Power.

#### ***Ennore Coke***

As of September 30, 2007, our Company held a 31.7% minority interest in Ennore Coke, which will, upon completion of the construction of its manufacturing plant, be principally engaged in the manufacture of coke, a derivative of metallurgical coking coal, which is used in the conversion of metallurgical ores into metal in the smelting process. Ennore Coke will also operate a thermal power plant, which converts the heat produced by the coke manufacturing process into electricity. The electricity will be used to operate the coke manufacturing facilities while any surplus electricity will be sold to the local power grid. Ennore Coke is listed on the BSE.

Since its incorporation in 1985 through September 30, 2005, Ennore Coke was engaged in the business of producing yarn, cloth and fibre and leasing of movable and immovable properties. Our Company acquired its interest in Ennore Coke in December 2005, after which Ennore Coke discontinued its prior businesses to engage in the trading of coal and coke. Ennore Coke expects to commence the manufacture of coke and production of electricity around January 2008.

In the years ended March 31, 2006 and 2007, the net profit after tax of Ennore Coke was Rs. 380,331 and Rs. 19,172, respectively.

#### **Information Systems**

Our resources, personnel, equipment and financial operations are efficiently and optimally utilized through the use of sophisticated Management Information Systems and tools. These systems provide our management with

reliable and up to date information of various control parameters. Management Information Systems reports provide updates on progress, billing and costing of ongoing projects for seamless flow of data towards achieving optimal utilization of resources.

We use sophisticated software for project management, document management, database, payroll beside the various engineering software packages that we use for design and engineering.

### Our Employees

As of December 31, 2007, we employed 589 full-time employees, of which 45.5% were engineers. We believe that a well-trained, motivated and satisfied employee base is key to our competitive advantage. Our success depends to a large extent on our ability to recruit, train and retain high quality professionals. Accordingly, we place special emphasis on the human resources function throughout the Group. We are committed to the development of the expertise and know-how of our employees. Our personnel policies are aimed towards recruiting the talent that we need, to facilitate the integration of our employees into the company and to encourage the development of their skills in order to support our performance and growth in our operations.

The following table sets forth certain information in respect of our full-time employees (including our subsidiaries and joint ventures) broken down by business segment as of December 31, 2007:

Business segment	Number of Full-Time Employees
Engineering, Procurement and Construction	
• Renewable Energy	97
• Process and Metallurgy	221
• Municipal Services	64
Total EPC employees	382
Development, sale and maintenance of WTGs	69
Others <sup>(1)</sup>	138
<b>Total</b>	<b>589</b>

(1) Includes general employees of our Company and employees of our Associate companies, Orient Green Power and Ennore Coke.

None of our employees are in recognized unions. We have not lost a day to industrial action in our history. As such, we consider our relations with our employees to be good. We have developed a structured incentive program, including a performance-linked variable pay structure for certain levels of employees, and] we dedicate significant resources to training programs. We enter into contracts with independent contractors to complete specified assignments.

We also engage consultants that provide the Company with various engineering services and commercial services. As of December 31, 2007, we have engaged 54 consultants.

### Insurance

Our operations are subject to hazards inherent in the engineering, procurement and construction industry, including accidents, equipment failure, exposure to dangerous materials, such as solvents, and risks related to machinery noise and manual handling activities, fire, earthquake, flood and other force majeure events, acts of terrorism and hazards that may cause injury and loss of life, severe damage to and destruction of property, equipment and environmental damage. We may also be subject to claims resulting from defects arising from EPC services provided by us and WTGs manufactured and sold by us within the warranty periods extended by us, which range from 12 to 60 months from the date of commissioning.

We have obtained and maintain appropriate and specialized insurance for all construction risks, third party liabilities for each project for the duration of the project and the defect liability period and generally maintain comprehensive insurance coverage for our assets and operations at levels that we believe to be appropriate. We maintain insurance policies mostly through leading Indian insurers, including Cholamandalam MS General Insurance Co. Ltd. IFFCO-Tokyo General Insurance Co. Ltd. and Bajaj Allianz General Insurance Co.

Loss or damage to our materials, property and/or materials used in a project, including contract works, whether permanent or temporary, and materials or equipment whether supplied by us or supplied to us by the client, are

generally covered by our “contractors’ all risks” insurance policy. For our wind turbine generator business, which involves manufacturing operations, we carry business interruption and consequential loss policies. We have also obtained automobile policies, marine insurance, workmen compensation policies as well as hospitalization and group personnel accident policies for our permanent employees.

Our total coverage under all insurance policies as of December 31, 2007 was Rs. 10,868.18 million.

### Guarantees

We are often required to provide financial and performance guarantees guaranteeing our performance and financial obligations in relation to a project. The amount of guarantee facilities available to us depends upon our financial condition and the availability of adequate security for the banks and financial institutions that provide us with such facilities. There have been zero instances where our performance guarantees have been invoked by our clients.

### Health, Safety and Environment

We are committed to complying with applicable health, safety and environmental regulations and other requirements in our operations. To help ensure effective implementation of our practices, at the beginning of every project we seek to identify all potential material hazards, evaluate all material risks and institute, implement and monitor appropriate controls. For process and metallurgy projects, we adhere to the applicable health, safety and environmental regulations and requirements set by our clients.

We believe that accidents and occupational health hazards can be significantly reduced through the systematic analysis and control of risks and by providing appropriate training to management, employees and subcontractors. We work proactively towards minimizing or eliminating the impact of hazards to people and the environment.

### Equipment

We believe that our strategic investment in equipment assets is an advantage that enables us to rapidly mobilize our equipment to project sites as needs arise. We do not execute all aspects of the civil and construction works of our projects. However, we maintain a fleet of sophisticated and other construction equipment assets, including concrete mixers, concrete vibrators, concrete weigh batching machines and erection equipment, which allows us to handle critical projects as well as to serve as a support for our sub contractors. Having such an asset base is in our view an important advantage in serving the technically challenging and diverse nature of the projects in which we are engaged.

In addition, for our pipe rehabilitation business, we own a fleet of specialized equipment and machinery. This includes custom-designed, custom-built and high-capacity (40 tons per hour of silt) super suction equipment and associated pay load carriers for de-silting of large-size trunk sewers. We designed and developed this equipment and machinery in-house for our specific requirements. Thus, we believe we have a competitive advantage because of our technologically advanced sewer rehabilitation equipment. We also have robotic CCTV survey systems for condition assessment of underground pipelines.

### Properties

Set forth below are the details of the properties in which our offices and factories are located.

Sl. No.	Location	Address	Property rights / Area (sq.ft.)	Purpose
1.	Chennai	31/A12 Sideo Industrial Estate, Ambattur, Chennai 600 098	Freehold 43,160 sq.ft.	250KW wind turbine blade factory
2.	Chennai	No 5, T.V.Street – Off Spur Tank Road, Chetpet, Chennai 600031	Leasehold 4,000 sq.ft.	Corporate Office
3.	Chennai	No 9, Vanagaram Road, Ayanambakkam, Chennai 600095	Leasehold 97,807 sq.ft.	Head Office – all engineering divisions
4.	Puduchery	RS no 4/4,Thirubhuvanai, Rsno 95/3, Sanyasikuppam Village, Mannadipet Commune, Puducherry 605107	Leasehold 37,054 sq.ft.	Assembly unit for 250KW WTGs

Sl. No.	Location	Address	Property rights / Area (sq.ft.)	Purpose
5.	Kolkata	104/1A, Sarat Bose Road, Kolkata 700026	Leasehold 4,300 sq.ft.	Process and metallurgy division office
6.	New Delhi	7 Local Shopping Centre, Sector C, PKT 6 & 7, Vasant Kunj, New Delhi 110 070	Leasehold	Branch office
7.	Mumbai	48-50, Third Floor, Surve Industrial Premises, Sonawala Cross Road, No.1, Goregaon East, Mumbai 400063	Freehold 2,235 sq.ft.	Hamon Shriram Cottrell office
8.	Chennai	25, Flower Street, 3 <sup>rd</sup> Floor, Kilpauk, Chennai -600086	Leasehold 2,700 sq.ft.	Leitner Shriram office
9.	Umbergaon, Gujarat	Plot 83 and 84/p, GIDC, Umbergaon, Gujarat	Owned 100,000 sq.ft.	Hamon Shriram Factory

In addition to the above listed property, we lease various properties at our project sites and for our employees to use for residential purposes.

### **Our Intellectual Property**

We rely on a combination of copyrights, trade secret laws, contractual provisions, including confidentiality agreements, and various other methods to protect our intellectual property and proprietary information and technology.

On 25 July 2007, we filed for the registration of our Company's logo in class 37 and class 4 bearing application numbers 584549 and 584550, respectively. Also on 25 July 2007, we filed for the registration of the service mark "SHRIRAM EPC LIMITED" in class 37 and class 42 bearing application numbers 584547 and 584548. Our applications are pending approval.

### **Litigation**

Except as disclosed in this Red Herring Prospectus, as of the date hereof, we are not a party to any proceeding that, if finally determined against us, would result in a material adverse effect on our business and operating results. See the section "Outstanding Litigation and Material Developments" beginning on page 225 for a summary of litigation to which we are a party.

## REGULATIONS AND POLICIES

*The following description is a summary of the relevant regulations and policies as prescribed by the Government of India, Government of Tamil Nadu, and the respective byelaws framed by the local bodies incorporated under the laws in the State of Tamil Nadu. The information detailed in this chapter has been obtained from the various legislations, and the byelaws of the respective local authorities that are available in the public domain. The regulations and policies set below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional advices*

### **Legislation governing Renewable Energy**

India is perhaps the only country in the world to have an exclusive Ministry for Non-Conventional Energy Sources (“MNES”). In 1980, CASE (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 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.

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” (“MNES Guidelines”) in July 1995 for the benefit of State Electricity Boards, 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, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNES Guidelines seek to create awareness in various stakeholders about planned development and implementation of wind power projects. In the 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, inter alia looking into technology development, testing and certification. In addition, it has also been playing vital role in the wind resource assessment programme of the country.

### ***Wind***

#### *Manufacture of wind turbine generators and setting up of wind farms*

We are required to obtain all generic approvals for setting up a manufacturing facility in India like any other manufacturing facility in India. In addition, renewable energy generated product manufacturers are required to be registered with MNES as an approved manufacturer of WTG. The MNES Guidelines set out the conditions that are required to be met for establishing wind farms and 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. Further, it is also stipulated that the manufacturing facilities should obtain third party certification from DNV or Lloyds in relation to either product inspection or the ISO 9000 series of standards for internal quality control in manufacture (normally ISO 9001 or 9002) and for field installations. In addition, manufacturers and developers are also required to provide their technical capability and infrastructure. For testing and certification, C-WET has evolved a Type Approval Provisional Scheme 2000 (TAPS - 2000) for India, which is in line with International Certification Schemes for wind turbines. In May 1999, MNES removed the requirement of certification by foreign agency and allowed the manufacturers to offer WTG on self-certification basis. Under the self-certification scheme, the manufacturer is required to certify on its own about the quality and performance of WTG supplied by it. This self-certification scheme has been extended from time to time and the current scheme is effective till September 2005.

### ***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, it 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 (Conservation) Act, 1980 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 site,
- 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 coasts 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.

### **Labour Legislation**

As part of our business, we are required to comply from time to time with the laws, rules and regulations in relation to hiring and employment of labour.

Labour legislation in India classifies persons into ‘employees’ and ‘workmen’ based on factors which *inter alia* include nature of work and remuneration. While workmen are typically entitled to various statutory benefits including gratuity, bonus, retirement benefits and insurance protection, employees are governed by the terms of the contracts governing them.

A brief description of certain legislations which are applicable to our operations and our workmen, is set forth below:

#### ***Factories Act, 1948***

The Factories Act, 1948, as amended (the “Factories Act”), defines a ‘factory’ to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the ‘occupier’ of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers’ health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment with a fine.

#### ***Minimum Wages Act, 1948***

The legislation provides a framework for State governments to stipulate the minimum wages applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-

inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to Rs. 500 or both.

#### ***Payment of Bonus Act, 1965***

Pursuant to the Payment of Bonus Act, 1965, as amended (the “Bonus Act”), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus. Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment or a fine, against persons in charge of, and responsible to the company for the conduct of the business of the company at the time of contravention.

#### ***Employees State Insurance Act, 1948***

The Employees State Insurance Act, 1948, as amended (the “ESI Act”) provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Other legislations applicable to the employment of labour by us in the course of our operations, includes:

#### ***Contract Labour (Regulation and Abolition) Act, 1970***

The Contract Labour (Regulation and Abolition) Act, 1970, as amended (the “CLRA”), requires establishments that employ, or have employed on any day in the previous 12 months, 20 or more workmen as contract labour to be registered and prescribes certain obligations with respect to the welfare and health of contract labour. The CLRA requires the principal employer of an establishment to which it applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labour cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a licence and not to undertake or execute any work through contract labour except under and in accordance with the licence issued. To ensure the welfare and health of the contract labour, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

#### ***The Buildings and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996***

The Buildings and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996, as amended (the “Construction Workers Act”), provides for regulation of employment and conditions of service of building and other construction workers including safety, health and welfare measures in every establishment which employs or employed during the preceding year, 10 or more workers. However, it does not apply in respect of residential houses constructed for one’s own purpose at a cost of less than Rs. 1.0 million and in respect of other activities to which the provisions of the Factories Act and the Mines Act, 1952, as amended apply. Each establishment to which the Construction Workers Act applies must be registered within a period of 60 days from the commencement of work. Further, every employer must give notice of commencement of building or other construction work 30 days in advance. Comprehensive health and safety measures for construction workers have been provided through the Building and Other Construction Workers (Regulation of Service and Conditions of Service) Central Rules, 1998. The Construction Workers Act provides for constitution of safety committees in every establishment employing 500 or more workers with equal representation from workers and employers in addition to appointment of safety officers qualified in the field. Any violation of the provisions for safety measures is punishable with imprisonment or a fine or both. Continuing contraventions attract an additional fine of Rs. 100 per day. The Construction Workers Act also provides for penalties for failure to give notice of commencement of building or other construction work and obstruction of inspection, enquiry, etc.

#### ***Employees Provident Fund and Miscellaneous Provisions Act, 1952***

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended (the “EPF Act”) provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

### **Legislation governing the Generation and Transmission of Electricity**

Electricity, being an entry in the Concurrent List (Entry 38, List III) of the Seventh Schedule to the Constitution of India, is governed by the laws of both the Government of India and the state governments. The central legislation governing the sector is the Electricity Act, 2003, as amended (“Electricity Act”), a comprehensive legislation governing various aspects of the power sector including transmission, supply and use of electricity and central and state electricity regulatory commissions).

#### ***Authorities under the Electricity Act***

The Central Electricity Authority (“CEA”) is constituted under the Electricity Act and shall consist of the members appointed by the Government of India to perform the functions and duties prescribed by the Government of India. Among other functions, the CEA is to , *inter alia*, (a) specify technical standards for construction of electrical plants, electric lines and connectivity to the grid; (b) specify grid standards for operation and maintenance of transmission lines; (c) specify the conditions for installation of meters for transmission and supply of electricity; (d) advise the Government of India on matters relating to National Electricity Policy; and (e) advise the appropriate government and commission on all technical matters relating to generation, transmission and distribution of electricity. The Electricity Act also provides for a Central Electricity Regulatory Commission (“CERC”) and a State Electricity Regulatory Commission (“SERC”) for each state. Among other functions, the CERC is responsible for: (a) regulation of inter-state transmission of electricity; (b) determination of tariff for inter-state transmission of electricity; (c) issuing of licenses to function as transmission licensee with respect to inter-state operations; (d) specifying and enforcing standards with respect to quality, continuity and reliability of service by licensee etc. SERCs perform the similar functions at the state level. The Electricity Act also provides for the establishment of a Joint Commission by an agreement between two or more state governments or by the central government in respect of union territory and one or more state governments. The Joint Commission shall determine tariff in respect of the participating states or union territories separately and independently.

The Electricity Act also provides for the establishment of an Appellate Tribunal for Electricity that shall hear appeals against the order of the adjudicating officer or the appropriate commission under the Electricity Act.

#### ***License for transmission, distribution and trading in electricity***

The Electricity Act mandates that a license must be issued in favour of the person before the person undertakes any transmission, distribution or trading in electricity in any area, unless the said person is exempt by the appropriate government in accordance with the provisions of the Electricity Act. However, persons engaged in the business of transmission or supply of electricity under the provisions of the laws repealed by the Electricity Act shall be deemed to be licensees under the Electricity Act for such period as stipulated in the license and the provisions of the repealed laws shall apply for a period of one year from the date of commencement of the Electricity Act or such earlier period as maybe specified, at the request of the licensee, by the appropriate commission and thereafter, the Electricity Act shall apply to such business.

A license remains valid for a period of 25 years unless such license is revoked. The relevant regulatory commission may, if public interest so requires, at any time alter the terms and conditions of the license or revoke the license as it thinks fit in accordance with the procedure prescribed in the Electricity Act. The Electricity Act also prescribes a detailed procedure for the sale of the utilities of the licensee in the event the relevant regulatory commission revokes the license. Further, the Electricity Act empowers the relevant regulatory commission to issue directions to licensees if necessary or expedient to maintain an efficient supply, secure equitable distribution of electricity and promote competition.

#### ***Transmission of Electricity***

Under the Electricity Act, the appropriate electricity regulatory commissions authorize persons to transmit electricity as a transmission licensee. The license is accompanied by certain prescribed grid standards and every

transmission licensee under the Electricity Act is required to comply with such technical standards of operation and maintenance of transmission lines.

#### *Obligations of Transmission Licensee*

The Electricity Act requires every transmission licensee to comply with the technical standards of operation and maintenance of transmission lines, in accordance with the Grid Standards, as specified by the CEA. The duties of a transmission licensee under the Electricity Act include among others: (a) to build, maintain and operate an efficient and economic inter/intra state transmission system; and (b) to provide non-discriminatory open access to its transmission system for use by any licensee or generating company on payment of transmission charges and to any consumer on payment of transmission charges and a surcharge thereon in accordance with the Electricity Act. The Electricity Act states that a transmission licensee may with prior intimation to the appropriate electricity regulatory commission, as the case may be, engage in any business of optimum utilisation of its assets provided that a proportion of the revenues derived from such business be utilised for reducing its charges for transmission and wheeling.

#### **Environmental Legislation**

We are required under applicable law to ensure that our operations are compliant with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974, as amended (“Water Pollution Act”), the Air (Prevention and Control of Pollution) Act, 1981, as amended (“Air Pollution Act”) and the Environment Protection Act, 1986, as amended (“Environment Act”) The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a Central Pollution Control Board and State Pollution Control Boards. The functions of the Central Board include coordination of activities of the State Boards, collecting data relating to water pollution and the measures for the prevention and control of water pollution and prescription of standards for streams or wells. The State Pollution Control Boards are responsible for the planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. This legislation prohibits any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the State Pollution Control Board.

The Central and State Pollution Control Boards constituted under the Water Pollution Act are to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. It is mandated under this Act that no person can, without the previous consent of the State Board, establish or operate any industrial plant in an air pollution control area. The Environment Act has been enacted for the protection and improvement of the environment. The Act empowers the central government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The central government may make rules for regulating environmental pollution.

#### ***Public Liability Insurance Act, 1991***

This enactment imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. The Government in by way of notification has enumerated a list of ‘hazardous substances’ covered by the legislation. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The Rules made under the Act mandate that the employer has to contribute towards the Environment Relief Fund, a sum equal to the premium paid on the insurance policies. This amount is payable to the insurer.

#### **Intellectual Property Legislation**

Our business requires that we offer a broad range of innovative products and services. We expend considerable time and effort on developing these innovative products and technologies and rely upon various forms of intellectual property legislation to protect our technology. For details of the intellectual property we seek to protect, refer to “Our Business – Intellectual Property” on page 90.

## HISTORY AND CERTAIN CORPORATE MATTERS

### Our History

Our Company was incorporated on June 12, 2000 for the purpose of carrying on the business of engineering, procurement and construction. Pursuant to the provisions of Section 391 to 394 of the Companies Act and pursuant to an order of the High Court of Madras dated July 22, 2005, Shriram Engineering Construction Company Limited was merged with our Company with effect from April 1, 2004, since both companies were in the same line of business, namely, construction engineering. Shriram Engineering Construction Company Private Limited was originally incorporated as Shriram Construction Company Private Limited on June 3, 1982. The name of the company was subsequently changed to Shriram Engineering Construction Company Private Limited on April 24, 1991.

On February 1, 1993, an agreement was entered into between Shriram Engineering Construction Company Limited and Hytech Cooling Towers Private Limited, whereby Hytech Cooling Towers Private Limited granted an exclusive license of the technical know-how relating to the manufacture of complete range of cooling towers with a right to use its trade name to Shriram Engineering Construction Company Limited. In September 1995, Shriram Engineering Construction Company Limited transferred the said Hytech Cooling Tower division to Shriram Cooling Towers Limited. Shriram Cooling Tower Limited's name was subsequently changed to Shriram Tower Tech Limited on November 22, 1995. Our Company, on January 12, 2004 (as amended on March 8, 2004), entered into a Business Transfer Agreement with Shriram Tower Tech Limited for the purchase of its entire cooling towers business along with the technical know-how, the technical people and the infrastructure facilities of Shriram Tower Tech Limited.

In December 2004, our Company entered into a joint operation agreement with Hamon Thermopack Engineers Private Limited, a subsidiary of Hamon Thermal Europe SA and Hamon (Nederland) B.V. (collectively referred to as the "**Hamon Group**"), in order to carry out projects regarding cooling tower solutions. On February 5, 2007, a Joint Venture, Share Transfer and Shareholders Agreement (along with a Supplementary agreement of the same date) was entered into between Hamon Thermal Europe SA, Hamon Thermopack Engineers Private Limited and our Company. Under the said Joint Venture, Share Transfer and Shareholders Agreement, Hamon Thermopack Engineers Private Limited issued shares to our Company representing 50.01% of the share capital of Hamon Thermopack Engineers Private Limited. Further, a license agreement was entered into between Hamon Shriram Cottrell Private Limited and Hamon Research-Cottrell, Inc. on March 26, 2007, for grant of an exclusive license to design, manufacture and sell certain air pollution control products and systems Hamon Research-Cottrell, Inc.

The renewable energy business of our Company comprises wind energy projects, biomass based power projects, cogeneration power projects and bio-ethanol plant projects. For further details see "Our Business – Renewable Energy Business" on page 70. Our Company began its operations in the biomass power plants business in December 2000 with the execution of the first biomass power plant project in Andhra Pradesh. Our biomass power plants business is engaged in the design, engineering and construction of thermal biomass-based power plants. Further, our Company entered into a memorandum of understanding on August 28, 2007 with Bessemer Venture Partners Trust ("BVP") for power generation through renewable sources.

Our Company commenced the business, erection, testing and commissioning of wind electric generators in 2004. In August 2006, our Company received certification for designing and manufacturing 250 KW wind turbines from the Deutsches Wind Energie-Institut GmbH, for the design of our 250KW-class wind turbine generators, after which we started manufacturing and selling our own 250KW WTGs. On January 16, 2007 we entered into a Joint Venture Agreement with Leitner B.V., Netherlands to set up Leitner Shriram Manufacturing Limited, an Associate company formed for the purposes of manufacturing of megawatt class wind turbines and components. On February 3, 2007, our Company entered into a Joint Venture Agreement with Leitner B.V., Netherlands to set up Shriram Leitwind Limited, a Subsidiary company, formed for the purposes of marketing of wind turbines, wind farm development, and erection and commissioning of wind turbines. In April 2007 we received ISO9001: 2000 certification from DAS Certification Ltd. for the manufacture, supply, installation, commissioning, maintenance of wind turbines and development of wind turbines.

Our Company began operations in the process and metallurgy business in 2004. The process and metallurgy business is focused on providing turnkey solutions for iron and steel, cement, aluminum, copper and thermal power plants.

SHRENCO began undertaking municipal services in 1990. Our Company commenced its municipal services

business of water and wastewater management and water distribution systems and pipe rehabilitation in 2004. The municipal services business principally focuses on the design and implementation of turnkey design-build environmental projects for water and wastewater distribution, water and sewage treatment and pipe rehabilitation. We work on a project to project basis with Chevalier Pipe Technologies Limited, whereby we have been granted license to use its rib loc technology in India. For more information see “Our Business – Municipal Services” on page 79.

### Change of Status and Registered Office

Following are the details regarding changes in our Registered Office:

From	To	Date of Board Resolution
304/305 Anna Salai, 6 <sup>th</sup> Floor, Guna Building, Teynampet, Chennai 600 018	6 <sup>th</sup> Floor, Mookambika Complex, No: 4, Lady Desika Road, Mylapore, Chennai-4	May 26, 2001
6 <sup>th</sup> Floor, Mookambika Complex, No: 4, Lady Desika Road, Mylapore, Chennai- 600 004	4 <sup>th</sup> Floor, Mookambika Complex, 4 Lady Desika Road, Mylapore, Chennai- 600 004	January 18, 2003
4 <sup>th</sup> Floor, Mookambika Complex, 4 Lady Desika Road, Mylapore, Chennai- 600 004	No. 5, T.V. Street, Chetput Chennai 600 031	September 10, 2007

### Key Events and Milestones

Date	Event
December 2000	Execution of first biomass power plant project in Mancheril Village, Adialabad District, Andhra Pradesh.
July, 2003	Commencement of process and metallurgy business
January 2004	Acquisition of the cooling towers business of Shriram Tower Tech Limited
May, 2004	Commencement of the business of erection, testing and commissioning of wind electric generators
December 2004	Execution of joint operation agreement with the Hammon Group
January 2004	Commencement of rehabilitation business
March 2005	Investment by UNO Investments
March 2006	Investment by Bessemer Venture Partners Trust
August 2006	Certification by DEWI – OCC for designing and manufacturing 250 KW wind turbine
November 2006	Execution of MoU with Leitner Technologies for manufacture and marketing of megawatt class wind turbines
December 2006	Purchase of Equity Shares by UTI Investment Advisory Services Limited
February 2007	Joint Venture Agreement entered into between our Company and Hamon Thermopack Engineers Private Limited.
March 2007	Exclusive license with Hamon Shriram Cottrell Inc for use of technology and products in the Air Pollution Control business.
April 2007	Certification ISO 9001:2000 for manufacture, supply, installation, commissioning, maintenance of wind turbines and development of wind farms
September 2007	Installation of 1,350 KW capacity Wind Electric Generator
November 2007	Awarded the first contract for setting up coal gasification and gas purification plants

### Our Main Objects

Our main objects enable us to carry on the business that is carried on and proposed to be carried on by us.

Our main objects as contained in our Memorandum as follows:

1. To carry on business as Engineering and Procurement Contractors, general engineers, mechanical engineers, Process engineers, civil engineers, general mechanical and civil contractors for power plant, sinter plant, wet and dry cooling systems specialists and to enter into contracts and joint ventures in relation to and to erect, construct, supervise, maintain alter, repair, pull down and restore, either alone or jointly with other companies or persons, works of all descriptions, including plants of all descriptions, factories, mills, refineries, pipelines, gas works, electrical works, power plants, water

works, water treatment plants and to undertake turnkey projects of every description and to undertake the supervision of any plant or factory and to invest in or acquire interest in companies carrying on the above business.

2. To carry on the business of manufacturing, assembling, installing, repairing, covering, buying, selling, exchanging, altering, importing, exporting, hiring, letting on hire, disturbing or dealing in all types of power plants, sinter plants, coke oven plants, wet and dry cooling systems, monitoring equipment, steam trap and strainers, heat exchangers and other tools, implements, appliances, bolts, nuts, hooks and engineering goods, ferrous and non ferrous metals and metal products, foundry and factory supplies, mill supplies, industrial articles of all kinds and description for all types of cooling systems applications and industrial vehicles of all kinds and all components parts, accessories, equipments and apparatus for use in connection therewith.
3. To act as engineering, technical, financial and management consultants and to advice and assist on all aspects of industrial management or activity and to make evaluations, feasibility studies, project reports, forecasts and surveys and to give expert advice and suggest ways and means for improving efficiency in power plants, chemical, petrochemical plants, steel and iron manufacturing and processing industries, plants of all other kinds, factories and industries of all kinds and supply to an to provide, maintain and operate service facilities, convenience, bureaus and the like for the benefit of any person, company, corporate body, firm trust, association society, organisation whatsoever and generally to act as service organisation or for providing generally engineering, administrative, advisory, commercial, management, consultancy, technical, quality control, and other services to persons, companies, corporate bodies, firms, trusts, association or organisations, whatsoever and to undertake the supervision of any business or organisation and to undertake turnkey projects and to invest in or acquire interest in companies carrying on above business.
4. To act as agents, distributors, stockiest, for Government or other authorities or for manufactures or merchants and other to carry on agency business.
5. To carry on the business as manufacturers, Exporters, Importers, Contractors, Sub-contractors, Sellers, Buyers, lessors or lessee and Agents for Wind Electric Generators and turbines, hydro turbines, thermal turbines, solar modules and components and parts including Rotor Blades, Braking systems, Tower, Nacelle, Control Unit, Generators, etc., and to set up Wind Farms for the Company and / or for others either singly or jointly and also to generate, acquire by purchase in bulk, accumulate, sell, distribute and supply electricity and other power (subject to and in accordance with the policy / laws in force from time to time).
6. To carry on the business as manufacturers, exporters, importers, contractors, sub-contractors, sellers, buyers, agents of aerodynamically profiled Glass fibre reinforced polyester Rotor Blades and components thereof.
7. To carry on the business as manufacturers, exporters, importers, contractors, sub-contractors, sellers, buyers, agents of fibre reinforced thermoplastics engineering plastic products, components and systems.
8. To carry on the business as manufacturer's exporters, importers, contractors, sub-contractors, sellers, buyers, agents of thermosetting Resin system based composite components products and systems.
9. To carry on the business as manufacturers exporters, importers, contractors, sub-contractors, sellers, buyers, agents of Thermosetting resins, two component coating, solvents, rigid structural foams and speciality chemicals.
10. To carry on the business as manufacturers, exporters, importers, contractors, sub-contractors, sellers buyers and agents for wind mills and components and parts including Rotor Blades, braking systems, tower, nacelle, control unit, generator etc.,

11. To carry on the business of manufacturers, exporters, importers, contractors, sub- contractors, sellers, buyers and agents for renewable energy systems like solar, biomass, solid wastes, bye-product gases and components thereof.

#### Awards and Accreditations

Date	Award/Accreditation
August 2006	Certification by DEWI – OCC for designing and manufacturing 250 KW wind turbine
April 2007	Certification ISO 9001:2000 for manufacture, supply, installation, commissioning, maintenance of wind turbines and development of wind farms

#### Amendments to the Memorandum of Association

Since incorporation, the following changes have been made to the Memorandum:

Date of Shareholders' Approval	Amendment
September 20, 2007	Increase in the authorised share capital to Rs. 850,000,000 comprising 65,000,000 Equity Shares of Rs. 10 each and 20,000,000 convertible preference shares of Rs. 10 each pursuant to a resolution of the shareholders by AGM on June 11, 2007
March 20, 2006	Increase in the authorised share capital to Rs. 450,000,000 comprising 25,000,000 Equity Shares of Rs. 10 each and 20,000,000 convertible preference shares of Rs. 10 each
March 19, 2005	Alteration of the authorised share capital to 25,000,000 Equity Shares of Rs. 10 each and 5,000,000 convertible preference shares of Rs. 10 each
February 19, 2005	Increase in the authorised share capital to Rs. 300,000,000 comprising 30,000,000 Equity Shares of Rs. 10 each
March 13, 2004	Increase in the authorised share capital to Rs. 200,000,000 comprising 20,000,000 Equity Shares of Rs. 10 each
January 18, 2003	Increase in the authorised share capital to Rs. 150,000,000 comprising 15,000,000 Equity Shares of Rs. 10 each
September 7, 2002	Increase in the authorised share capital to Rs. 100,000,000 comprising 10,000,000 Equity Shares of Rs. 10 each
June 23, 2001	Amendment to the Objects clause and inclusion of clauses 5 to 11 stated under "Our Main Objects" at page 98 above
March 17, 2001	Increase in the authorised share capital to Rs. 70,000,000 comprising 7,000,000 Equity Shares of Rs. 10 each
August 26, 2000	Increase in the authorised share capital to Rs. 40,000,000 comprising 4,000,000 Equity Shares of Rs. 10 each

#### Shareholders' Agreements and Other Material Agreements

##### *UNO Investment Agreement*

On March 29, 2005 an investment agreement ("**UNO Investment Agreement**") was entered into between Shriram Industrial Holdings Private Limited, Mr. K Narayanaswamy, Mr. K Narayanaswamy on behalf of Shriram Consumer Durables & Leasing, N Venkateshwaran – on behalf of Shriram Hire Purchase & Investments, Shriram Group Executive Welfare Trust and others (Collectively referred as "**Shareholders**"), our Company and UNO Investments, subsidiary of Chrys Capital III, LLC (the "**Investor**") for subscription of 5,000,000 preference shares of our Company ("**Investor Subscription Shares**") for a consideration of Rs 300 Million.

It has been agreed that subject to the terms and conditions contained in this agreement, the overall management and control of our Company will remain solely with the Shareholders while the Investor will be a significant financial investor. It has been further provided that the Investor shall have a right to nominate one director on the Board who shall be a non-retiring director ("**Nominee Director**"). Such Nominee Director will be a non-executive director and will not be liable for any failure by our Company to comply with applicable law. Our Company has agreed to indemnify the Nominee Director against all acts or omissions of our Company, the Shareholders or its agents as a result of which such Nominee Director suffers damage or loss. The quorum for a meeting of the Board will at all times include one Nominee Director who will be present throughout the

meeting, unless otherwise agreed with the consent of the Investor. The Investor and Nominee Director have also been given certain information rights.

It has further been provided that in case any Shareholder proposes to transfer any Equity Shares ("**Sale Shares**"), then, such Shareholder (hereinafter, "**Selling Shareholder**") shall first give a written notice (hereinafter referred to as "**Offer Notice**") to the Investor. The Investor shall be entitled to respond to the Offer Notice by serving a written notice ("**the Response Notice**") on the Selling Shareholder prior to the expiry of seven business days from the date of receipt of the Offer Notice ("**Offer Period**") requiring the Selling Shareholder to ensure that the proposed transferee of the Sale Shares also purchases such number of the Investor shares as mentioned in the Response Notice at the same price and on the same terms as are mentioned in the Offer Notice. The Selling Shareholder shall not be entitled to sell or transfer any of the Sale Shares to any proposed purchaser unless the proposed purchaser simultaneously purchases and pays for the required number of shares held by the Investor. Where the Investor has properly elected to exercise its tag-along right and the proposed transferee fails to purchase from the Investor all the Investor Shares which they are entitled to sell under this tag along provision, the Selling Shareholder shall not make the proposed transfer, and if purported to be made, such Transfer shall be void and the Company shall not register any such transfer of such shares.

The Shareholders agree that there shall be no change in the shareholding pattern of such of the Shareholders as are companies or in the shareholding pattern of any corporate shareholders of the Shareholders (and so on, until all shareholders are individuals) without the Investor's consent, except for transfers to affiliates.

It has further been provided that the Shareholders and/or our Company will have the option to be exercised by a written notice to the Investor to buy up to 2,000,000 Investor Subscription Shares at a price to be agreed by all the parties ("**Call Option**") any time prior to or on March 31, 2009. Further, subject to there being no pending written notice from our Company or the Shareholders exercising the Call Option after March 31, 2009 but prior to March 30, 2010, the Investor has been provided with the option to be exercised by a written notice by the Investor to our Company or the Shareholders to require our Company or the Shareholders to buyback and/or purchase all or any of the shares held by the at a price to be agreed by all the parties ("**Investor Put Option**"). The Company and the Shareholders shall be jointly and severally obliged and hereby undertake to buy back and / or purchase from the Investor such number of shares pursuant to the Investor Put Option.

Further it has been provided that Investor or any member of the Investor group may at any time after the date of this agreement acquire additional shares in our Company by purchasing the same from shareholders. If our Company proposes to create, issue or allot Equity Shares, or any rights, options, warrants or instruments entitling the holder to receive any Equity Shares of our Company, then the Investor will be granted the right to subscribe upto the number of Equity Shares that is pro rata to the shareholding of the Investor in our Company at that time or all such any rights, options, warrants or instruments to the fullest extent on the same terms, failing which the Company shall not be permitted to create, issue or allot Equity Shares, or any rights, options, warrants or instruments entitling the holder to receive any Equity Shares of our Company without the Investor's consent. Further, the Investor shall be always free and fully entitled to sell or otherwise transfer any or all of their Investor Shares held in the Company with or without the rights of the Investor to any Person including independent third parties.

Further it has been provided that the Company and the Shareholders shall ensure to have an Initial Public Offering ("**IPO**") on or before March 31, 2009 and that the Investor's shares shall not be subjected to a lock-in or other restriction on transfer as applicable to promoter's contribution under the guidelines of SEBI or any other statutory or regulatory authority as applicable from time to time.

#### Letter of Variation

A letter of termination was executed between the parties to the Investment Agreement on September 28, 2007 whereby the Investor granted its consent to convert of 5,000,000 Preference Shares held by the Investor into an equivalent number of Equity Shares. It was further agreed between the parties that upon completion of the public offering of our Company, the rights in relation to the reserved matters the Investment Agreement will stand terminated.

Further, the definition of the term Promoter was amended to constitute SIHPL and SAF as the promoters of the Company. Thus, it was agreed that SAF shall be entitled to exercise all the rights available to and obligations imposed upon the Promoters, as applicable, under the Investment Agreement as if Shriram Auto Finance had been an original party to the Investment Agreement since the date thereof. Further, all the entities named in the Investment Agreement as promoters, except for Shriram Industrial Holdings Private Limited, will be released of

all the rights and obligations as applicable to the Promoters in the Investment Agreement. A deed of adherence dated September 28, 2007 was also executed in this regard.

Exercise of promoter call option by SIHPL

Pursuant to the exercise of its promoters call option rights provided under UNO Investment Agreement, SIHPL, as the Promoter acquired 2,000,000 Equity shares held by UNO Investment at a price of Rs. 16.11 per share aggregating to the total consideration amount of Rs. 32,220,000 by issuance of a written notice dated November 22, 2007 to UNO Investments in this regard. For details see "Capital Structure" on page 25.

*Bessemer Investment Agreement*

On March 24, 2006 an investment agreement ("**Bessemer Investment Agreement**") was entered into between Shriram Industrial Holdings Private Limited, Mrs. Vathsala Ranganathan on behalf of Shriram Auto Finance, UNO Investments, S. Shankar, K Narayanaswamy, Santosh Kamat, R.K. Pal, P. Ashok, M.A. Shariff and K. Raman (hereinafter collectively known as the "**Promoters**"), our Company and Bessemer Venture Partners Trust (the "**Investor**") for subscription of 12,622,597 preference shares of our Company ("**Investor Subscription Shares**") for a consideration of Rs 1,000 Million.

It has been agreed that subject to the terms and conditions contained in this agreement, the overall management and control of our Company will remain solely with the Promoters while the Investor will be a significant financial investor. It has been further provided that the Investor shall have a right to nominate one director on the Board who shall be a non-retiring director ("**Nominee Director**"). Such Nominee Director will be a non-executive director and will not be liable for any failure by our Company to comply with applicable law. Our Company has agreed to indemnify the Nominee Director against all acts or omissions of our Company, the Promoters or its agents as a result of which such Nominee Director suffers damage or loss. The quorum for a meeting of the Board will at all times include one Nominee Director and one nominee director of the Promoters, present throughout the meeting, unless otherwise agreed with the consent of the Investor. The Investor and Nominee Director have also been given certain information rights.

It has further been provided that in case any Promoter proposes to transfer any Equity Shares ("**Sale Shares**"), then, such Promoter (hereinafter, "**Selling Shareholder**") shall first give a written notice (hereinafter referred to as "**Offer Notice**") to the Investor. The Investor shall be entitled to respond to the Offer Notice by serving a written notice ("**the Response Notice**") on the Selling Shareholder prior to the expiry of seven business days from the date of receipt of the Offer Notice ("**Offer Period**") requiring the Selling Shareholder to ensure that the proposed transferee of the Sale Shares also purchases such number of the Investor shares as mentioned in the Response Notice at the same price and on the same terms as are mentioned in the Offer Notice. The Selling Shareholder shall not be entitled to sell or transfer any of the Sale Shares to any proposed purchaser unless the proposed purchaser simultaneously purchases and pays for the required number of shares held by the Investor. Where the Investor have properly elected to exercise their tag-along right and the proposed transferee fails to purchase from the Investor all the Investor Shares which they are entitled to sell under this tag along provision, the Selling Shareholder shall not make the proposed transfer, and if purported to be made, such Transfer shall be void and the Company shall not register any such transfer of such shares.

The Promoters agree that there shall be no change in the shareholding pattern of such of the Promoters as are companies or in the shareholding pattern of any corporate shareholders of the Promoters (and so on, until all shareholders are individuals) without the Investor's consent, except for transfers to affiliates.

Further it has been provided that Investor or any member of the Investor group may at any time after the date of this agreement acquire additional shares in our Company by purchasing the same from shareholders. If our Company proposes to create, issue or allot Equity Shares, or any rights, options, warrants or instruments entitling the holder to receive any Equity Shares of our Company, then the Investor will be granted the right to subscribe upto the number of Equity Shares that is pro rata to the shareholding of the Investor in our Company at that time or all such any rights, options, warrants or instruments to the fullest extent on the same terms, failing which the Company shall not be permitted to create, issue or allot Equity Shares, or any rights, options, warrants or instruments entitling the holder to receive any Equity Shares of our Company without the Investor's consent. Further, the Investor shall be always free and fully entitled to sell or otherwise transfer any or all of their Investor Shares held in the Company with or without the rights of the Investor to any Person including independent third parties.

Further it has been provided that the Company and the Promoters shall ensure to have an Initial Public Offering ("**IPO**") on or before March 31, 2009 and that the Investor's shares shall not be subjected to a lock-in or other

restriction on transfer as applicable to promoter's contribution under the guidelines of SEBI or any other statutory or regulatory authority as applicable from time to time.

This agreement will be terminated upon the happening of the IPO. In the event of termination of this agreement, the right of the Investor to appoint Nominee Director will survive so long as the Investor continues to hold 5% of the fully issued and paid up share capital of our Company.

#### Letter of Termination

A letter of termination was executed between the parties to the Investment Agreement on September 20, 2007 whereby Investor granted its consent to convert of 12,481,762 Preference Shares held by the Investor into an equivalent number of Equity Shares. It was further agreed between the parties that upon completion of the initial public offering of our Company, except for certain rights which were stated to survive the termination of the Investment Agreement, the Investment Agreement will stand terminated. Further, the definition of the term Promoter was amended to constitute SIHPL and SAF as the promoters of the Company. It was further agreed that the rights pertaining to reserved matters in the Investment Agreement shall not survive the termination of the Investment Agreement, regardless that such agreement is being terminated in connection with the initial public offering of the Company.

#### *UTI Investment Agreement*

On December 11, 2006 an investment agreement ("**UTI Investment Agreement**") was entered into between Shriram Industrial Holdings Private Limited and Shriram Auto Finance (the "**Promoters**"), our Company and Unit Trust of India Investment Advisory Services Limited (the "**Investor**") for purchase of 3,786,779 Equity Shares ("**Investor Subscription Shares**") for a consideration of Rs 465.70 Million approximately.

It has been agreed that subject to the terms and conditions contained in this agreement, the overall management and control of our Company will remain solely with the Promoters while the Investor will be a significant financial investor. It has been further provided that the Investor shall have a right to nominate one director on the Board who shall be a non-retiring director ("**Nominee Director**"). Such Nominee Director will be a non-executive director and will not be liable for any failure by our Company to comply with applicable law. Our Company has agreed to indemnify the Nominee Director against all acts or omissions of our Company, the Promoters or its agents as a result of which such Nominee Director suffers damage or loss. The quorum for a meeting of the Board will at all times include one Nominee Director who will be present throughout the meeting, unless otherwise agreed with the consent of the Investor. The Investor and Nominee Director have also been given certain information rights.

It has further been provided that in case any Promoter proposes to transfer any Equity Shares ("**Sale Shares**"), then, such Promoter (hereinafter, "**Selling Shareholder**") shall first give a written notice (hereinafter referred to as "**Offer Notice**") to the Investor. The Investor shall be entitled to respond to the Offer Notice by serving a written notice ("**the Response Notice**") on the Selling Shareholder prior to the expiry of seven business days from the date of receipt of the Offer Notice ("**Offer Period**") requiring the Selling Shareholder to ensure that the proposed transferee of the Sale Shares also purchases such number of the Investor shares as mentioned in the Response Notice at the same price and on the same terms as are mentioned in the Offer Notice. The Selling Shareholder shall not be entitled to sell or transfer any of the Sale Shares to any proposed purchaser unless the proposed purchaser simultaneously purchases and pays for the required number of shares held by the Investor. Where the Investor has properly elected to exercise their tag-along right and the proposed transferee fails to purchase from the Investor all the Investor Shares of which they are entitled to sell under this tag along provision, the Selling Shareholder shall not make the proposed transfer, and if purported to be made, such Transfer shall be void and the Company shall not register any such transfer of such shares.

The Promoters agree that there shall be no change in the shareholding pattern of such of the Promoters as are companies or in the shareholding pattern of any corporate shareholders of the Promoters (and so on, until all shareholders are individuals) without the Investor's consent, except for transfers to affiliates.

Further it has been provided that Investor or any member of the Investor group may at any time after the date of this agreement acquire additional shares in our Company by purchasing the same from shareholders. If our Company proposes to create, issue or allot Equity Shares, or any rights, options, warrants or instruments entitling the holder to receive any Equity Shares of our Company, then the Investor will be granted the right to subscribe up to the number of Equity Shares that is pro rata to the shareholding of the Investor in our Company at that time or all such any rights, options, warrants or instruments to the fullest extent on the same terms,

failing which the Company shall not be permitted to create, issue or allot Equity Shares, or any rights, options, warrants or instruments entitling the holder to receive any Equity Shares of our Company without the Investor's consent. Further, the Investor shall be always free and fully entitled to sell or otherwise transfer any or all of their Investor Shares held in the Company with or without the rights of the Investor to any Person including independent third parties.

Further it has been provided that the Company and the Promoters shall ensure to have an Initial Public Offering ("IPO") on or before March 31, 2009 and that the Investor's shares shall not be subjected to a lock-in or other restriction on transfer as applicable to promoter's contribution under the guidelines of SEBI or any other statutory or regulatory authority as applicable from time to time.

This agreement will be terminated upon the happening of the IPO. In the event of termination of this agreement, the right of the Investor to appoint Nominee Director will survive so long as the Investor continues to hold 5% of the fully issued and paid up share capital of our Company.

#### Letter of Termination

A letter of termination was executed between the parties to the Investment Agreement on September 20, 2007. It was agreed between the parties that upon completion of the initial public offering of our Company, except for certain rights which were stated to survive the termination of the Investment Agreement, the Investment Agreement will stand terminated. It was further agreed that the rights pertaining to reserved matters in the Investment Agreement shall not survive the termination of the Investment Agreement, regardless that such agreement is being terminated in connection with the initial public offering of the Company.

#### *Agreements for sale of shares by BVP and UNO Investments*

##### UNO Letter of Purchase

New Vernon Private Equity Limited ("Investor") has purchased 1,750,000 Equity Shares ("Sale Shares") of our Company held by UNO Investments ("Seller") through a Letter of Purchase ("Purchase Agreement") dated November 28, 2007 for a total consideration of Rs 507,500,000 ("Purchase Price"). As per the Purchase Agreement, the Seller has to give appropriate directions to its depository participant directing such depository participant to record a transfer by the Seller to the Investor of the Sale Shares to the depository account of the Investor. Our Company and our Promoters have issued a no objection certificate under Press Note 1 of 2005. Further the Investor has warranted that it does not have any previous and existing joint venture or previous venture or tie up in India through investment in equity shares or convertible debentures or technology transfer or trademark agreement in the same field in which our Company is engaged in as contemplated under Press Note 1 of 2005 issued by the Government of India. The parties have agreed to simultaneously execute a Letter of Investor Rights in the form mutually decided by the parties. Under the terms of the Purchase Letter the Seller has agreed to indemnify the Investor to the extent of an amount not exceeding the Purchase Price from and against any demand, claim, loss liability, judgment, damage, assessment, cost, and expense imposed on or directly incurred by the Investor relating to, resulting from, or arising out of any inaccuracy in any representation or warranty of Seller or breach of the Purchase Agreement.

Argonaut Ventures ("Investor") has purchased 1,250,000 Equity Shares ("Sale Shares") of our Company held by UNO Investments ("Seller") through a Letter of Purchase ("Purchase Agreement") dated November 28, 2007 for a total consideration of Rs. 362,500,000 ("Purchase Price"). As per the Purchase Agreement, the Seller has to give appropriate directions to its depository participant directing such depository participant to record a transfer by the Seller to the Investor of the Sale Shares to the depository account of the Investor. Our Company and our Promoters have issued a no objection certificate under Press Note 1 of 2005. Further the Investor has warranted that it does not have any previous and existing joint venture or previous venture or tie up in India through investment in equity shares or convertible debentures or technology transfer or trademark agreement in the same field in which our Company is engaged in as contemplated under Press Note 1 of 2005 issued by the Government of India. The parties have agreed to simultaneously execute a Letter of Investor Rights in the form mutually decided by the parties. Under the terms of the Purchase Letter the Seller has agreed to indemnify the Investor to the extent of an amount not exceeding the Purchase Price from and against any demand, claim, loss liability, judgment, damage, assessment, cost, and expense imposed on or directly incurred by the Investor relating to, resulting from, or arising out of any inaccuracy in any representation or warranty of Seller or breach of the Purchase Agreement.

##### Bessemer Letter of Purchase

Galleon Special Opportunities Master Fund SPC, Ltd. – Galleon Asian Crossover Segregated Portfolio (“**Investor**”) has agreed to purchase 2,000,000 Equity Shares (“**Sale Shares**”) of our Company held by Bessemer Venture Partners Trust (“**Seller**”) through a Letter of Purchase (“**Purchase Agreement**”) dated November 28, 2007 for a total consideration of Rs. 580,000,000 (“**Purchase Price**”) Under the terms of the Purchase Agreement, the Investor shall issue instructions its bankers directing a transfer of funds of an amount equal to the aggregate of (i) the Purchase Price, (ii) any and all costs, expenses, duties, taxes, fees, and/or levies incurred or paid in connection with the re-materialization of the Sale Shares into physical share certificate(s), and (iii) any and all costs, expenses, duties, taxes, fees, and/or levies, including but not limited to stamp duty, (“**Aggregate Amount**”) in connection with the share transfer form to be submitted to the Company in connection with transfer of the Sale Shares to the Seller’s bank account. Upon receipt by the Seller of confirmation from its bankers regarding the deposit of the Aggregate Amount, the the Seller shall deliver or cause to be delivered to the Investor the share certificate(s) representing the Sale Shares along with a duly stamped and signed share transfer form. Our Company and our Promoters have issued a no objection certificate under Press Note 1 of 2005. Further the Investor has warranted that it does not have any previous and existing joint venture or previous venture or tie up in India through investment in equity shares or convertible debentures or technology transfer or trademark agreement in the same field in which our Company is engaged in as contemplated under Press Note 1 of 2005 issued by the Government of India. The parties have agreed to simultaneously execute a Letter of Investor Rights in the form mutually decided by the parties. Under the terms of the Purchase Letter the Seller has agreed to indemnify the Investor to the extent of an amount not exceeding the Purchase Price from and against any demand, claim, loss liability, judgment, damage, assessment, cost, and expense imposed on or directly incurred by the Investor relating to, resulting from, or arising out of any inaccuracy in any representation or warranty of Seller or breach of the Purchase Agreement.

#### Investor Rights Letter Agreement

Subsequent to the Letter of Purchases, an Investor Rights Letter Agreement (“**Letter Agreement**”) dated November 29, was executed between New Vernon Private Equity Limited, Argonaut Ventures, Galleon Special Opportunities Master Fund SPC, Ltd. – Galleon Asian Crossover Segregated Portfolio (“**Investors**”) and UNO Investments and Bessemer Venture Partners Trust (“**Sellers**”) , whereby it has been agreed between the parties that in the event, the Issue is not completed on or before June 30, 2008 the Investors shall have a right to and shall be entitled to nominate 1 director as amongst them. The Investor Director will be appointed by the Investors on a rotational basis every six months. In the event the Issue is not completed on or before June 30, 2008, our Company shall be required to obtain a prior written consent of the Investors for any action or decision taken by our Company (whether by the Board, any committee, the shareholders of our Company, or any of the employees, officers or managers) in relation to any sale of assets or demerger of our Company which shall affect an amount equal to or more than 40% of the revenues of our Company for the trailing 12 months from the date when such decision was taken up for approval by our Company (whether by the Board, any committee, or the shareholders of the Company). Under the terms of the Letter Agreement the rights shall be made available to the Investors so long the Investors, jointly or severally, holds at least 5% of the shares of our Company. The Sale Shares shall be locked in for a period of one year as per the SEBI Guidelines. Further under the terms of the Letter Agreement our Company shall not under any circumstances declare, publish or disclose any of the Investors in any document related to the Issue, account statements or any public disclosures as “promoters” of the Company and the Sale Shares held by the Investors shall not be subject to any restrictions post Issue.

#### *Shareholder Agreement dated November 20, 2007*

Our Company has entered into a shareholder agreement (“**Agreement**”) dated November 20, 2007 with BVP and Shriram EPC (Singapore) Pte Limited. Under the agreement, our Company intends to acquire the entire 100% stake of Shriram EPC (Singapore) Pte Limited, which is currently owned by Mr.Kamala Prasad and Mr. Gopalasamy. The Agreement stipulates the setting up and incorporation of Orient Green Power Pte Limited by the parties. Under the terms of the Agreement, Orient Green Power Pte Limited will be capitalised to the extent of \$ 9,800,000, which is to be brought in by BVP and Shriram EPC (Singapore) Pte Limited in the ratio of 49: 51, respectively. Orient Green Power Pte Limited shall be engaged in the business of long term investment in entities across various jurisdictions, which undertake the business of production of renewable energy using non-conventional sources. OGPL shall be the first entity in which Orient Green Power Pte Limited shall make its investment.

#### **Our Subsidiaries**

### ***Shriram Leitwind Limited***

Shriram Leitwind Limited was incorporated on January 3, 2007. Its corporate identity number is U31101TN2007PLC061935. It has its registered office at No. 5, T.V. Street, Chetput, Chennai 600 031. The main objects of the company are to carry on the business as manufacturers, exporters, importers, contractors, sub-contractors, sellers, buyers, lessors or lessee and agents for wind electric generators and turbines, hydro turbines, thermal turbines, solar modules, wind mills, renewable energy systems, motors and generators and components thereof, to generate electrical power by conventional and non-conventional methods and to act as engineering, procurement and constructions contractors.

A MoU was executed between our Company and Leitner Technologies, Italy on November 15, 2006 with the objective of coming together in a collaborative effort to establish wind turbine business. Pursuant to the said MoU, the parties executed a Joint Venture Agreement on February 3, 2007 for setting up Shriram Leitwind Limited for the purposes of marketing and sale of wind turbines and components, and development of wind farm projects. Pursuant to the said joint venture agreement, we propose to make capital contribution in Shriram Leitwind Limited by way of subscription to equity shares at par to the extent of 51% of the paid up share capital of the company. As per the current business plan of Shriram Leitwind Limited, Rs. 300 million is the proposed equity share capital to be contributed by our Company and Leitwind BV in the ratio of 51:49 respectively. As of December 31, 2007, our Company and Leitwind BV have contributed a sum of Rs. 68.61 million and Rs. 69.39 million respectively.

#### *Shareholders as of December 31, 2007*

The shareholding pattern of equity shares of Shriram Leitwind Limited is as follows

<b>S.No.</b>	<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage</b>
1.	Shriram EPC Limited	1,122,000	51.00
2.	Leitwind BV	1,078,000	49.00
3.			
4.			
5.			
6.			
7.			
	<b>TOTAL</b>	<b>2,200,000</b>	<b>100.00</b>

#### *Directors as of December 31, 2007*

The Board of Directors of Shriram Leitwind Limited comprises of Mrs. Vathsala Ranganathan, Mr. T. Shivaraman, Mr. Michael Seeber and Mr. Anton Seeber.

#### *Financial Information*

The company has not yet completed a financial year.

### ***Hamon Shriram Cottrell Private Limited***

Hamon Shriram Cottrell Private Limited was originally incorporated on March 10, 1971 as Thermopack Engineers Private Limited. The name was subsequently changed to Hamon Thermopack Engineers Private Limited on April 12, 1999. The name of the company was further changed to Hamon Shriram Cottrell Private Limited on May 14, 2007. The CIN of the company is U29222MH1971PTC015045. The registered office of the company is situated at 48/49/50, III Floor, Surve Industrial Premise, Sonawalla Cross Road, No.1, Guregaon (E), Mumbai – 400 063, Maharashtra.

The main objects of the company include carrying on business as manufacturers, producers, importers, exporters, dealers, agents and suppliers of all types of cooling towers, axial flow and centrifugal fans, fans of all other varieties used in agriculture, air blast coolers, atomic energy plants, cement works, chemical works, cooling towers, domestic appliances and equipments and all other industries where fans are used, carrying on the business of all types of components, parts, instruments, such as machined and treated timber components, fabricated steel items, galvanized items, plastics and PVC coated items, polythene, polystyrene and fibre glass, neoprene items, anti-vibration and oil cut out switches and any other components, controls, instruments in all their varieties.

On December 10, 2004, our Company entered into a joint operation agreement with Hamon Thermopack Engineers Private Limited, a subsidiary of the Hamon Group, to carry out projects in India, Srilanka and Bangladesh, regarding the design, manufacturing and erection of water cooling system.

Thereafter, a Joint Venture, Share Transfer and Shareholders Agreement and a Supplementary Agreement thereto was executed on February 5, 2007 between our Company and Hamon Thermopack Engineers Private Limited, for acquisition of part of the shares of the company held by the Hamon Group by our Company. Pursuant to the agreement, the name of the company was changed to Hamon Shriram Cottrell Private Limited on May 14, 2007. Further, a license agreement was entered into between Hamon Shriram Cottrell Private Limited and Hamon Research-Cottrell, Inc. on March 26, 2007, for grant of an exclusive license to design, manufacture and sell certain air pollution control products and systems by Hamon Research-Cottrell, Inc.

#### *Shareholders as of December 31, 2007*

The shareholding pattern of equity shares of Hamon Shriram Cottrell Private Limited is as follows

Sl.No	Shareholder	Number of shares	Percentage
1.	Shriram EPC Limited	4,225,002	50.01
2.	Hamon D'Hondt	2,745,000	32.49
3.	Hamon India Thermal Engineers & Contractors	1,480,000	17.51
<b>Total</b>		<b>8,450,002</b>	<b>100</b>

#### *Directors as of December 31, 2007*

The Board of Directors of Hamon Shriram Cottrell Private Limited comprises of Mr. T. Shivaraman, Mr. M. Amjad Shariff, Mr. Jean Gilbert, Mr. Prakash H. Dhargalkar and Mr. Eric Binard.

#### *Financial Information*

*(In Rs. Million except share data)*

	Financial year ended March 31, 2007	Financial year ended March 31, 2006	Financial year ended March 31, 2005
Sales and other income	166.896	127.09	159.93
Profit/Loss after tax	2.915	2.014	3.74
Reserves and Surplus	4.43	0.058	0.058
Equity capital (par value Rs. 10)	57.87	27.45	27.45
Earnings per share (Rs)	0.59	0.5	0.48
Book value per share	7.4	3.2	3.6

#### **Our Associate companies**

##### ***Leitner Shriram Manufacturing Limited***

Leitner Shriram Manufacturing Limited was incorporated on January 10, 2007. Its corporate identity number is U31101TN2007PLC061993. It has its registered office at No. 5, T.V. Street, Chetput, Chennai 600 031. The main objects of the company include to carry on the business as manufacturers, exporters, importers, contractors, sub-contractors, sellers, buyers, lessors or lessee and agents for wind electric generators and turbines, hydro turbines, thermal turbines, solar modules, wind mills, renewable energy systems, aerodynamically profiled glass fiber reinforced polyester rotor blades and components thereof, to generate electrical power by conventional and non-conventional methods and to act as engineering, procurement and constructions contractors.

A MoU was executed between our Company and Leitner Technologies, Italy on November 15, 2006 with the objective of coming together in a collaborative effort to establish wind turbine business. A joint venture agreement was entered into between our Company and Leitwind BV on January 16, 2007 for setting up Leitner Shriram Manufacturing Limited for the purposes of manufacturing of megawatt class wind turbines and components.

*Shareholders as of December 31, 2007*

The shareholding pattern of equity shares of Leitner Shriram Manufacturing Limited is as follows

Sl.No	Shareholder	Number of shares	Percentage
1.	Leitwind BV	5,750,000	51.00
2.	Shriram EPC Limited	5,524,510	49.00
<b>TOTAL</b>		<b>11,274,510</b>	<b>100.00</b>

*Directors as of December 31, 2007*

The Board of Directors of Leitner Shriram Manufacturing Limited comprises of Mr. P. Ashok, Mr. T. Shivaraman, Mr. Michael Seeber and Mr. Anton Seeber.

*Financial Information*

The company has not yet completed a financial year.

***Orient Green Power Company Limited***

Orient Green Power Company Limited (“OGPL”) was incorporated on December 6, 2006. Its corporate identity number is U40108TN2006PLC061665. It has its registered office at No. 5, T.V. Street, Chetput, Chennai 600031, India. The main objects of the company include generating electrical power by conventional and non-conventional methods, establishing captive power plants on a co-operative basis, to carry on the business as manufacturers, exporters, importers and agents for windmills and components, for renewable energy systems.

Our Company entered into a memorandum of understanding (“MoU”) with OGPL and Bessemer Venture Partners Trust dated August 28, 2007, whereby OGPL has agreed to issue and allot 76,000 equity shares each to our Company and Bessemer Venture Partners Trust. As per the MoU, the shareholding pattern of OGPL shall be 50% to be held by our Company and 50% by Bessemer Venture Partners Trust. 76,000 equity shares of the face value of Rs. 10 each have been allotted each to our Company and Bessemer Venture Partners Trust, constituting 48.72% each of the share capital of OGPL. Further, Mr. M. Amjad Shariff holds 2.56% of the share capital of OGPL consisting of 4,000 equity shares of Rs. 10 each.

Under the MoU, the board of directors of OGPL would consist of six directors, three to be nominated by our Company and three to be nominated by Bessemer Venture Partners Trust. Our Company has the right to nominate the chairman of OGPL. OGPL is in the process of setting up various renewable energy (including biomass based power projects) and also plans to make investments in special purpose vehicle companies (“SPVs”), which are engaged in the similar business, including biomass based power generation. Our Company will be investing Rs. 400.00 million in the equity share capital of OGPL out of the Net Proceeds of the Issue. For more information see “Objects of the Issue” on page 34.

*Shareholders as of December 31, 2007*

The shareholding pattern of equity shares of Orient Green Power Company Limited is as follows

Sl.No	Shareholder	Number of shares	Percentage
1.	Shriram EPC Limited	76,000	48.72
2.	BVP	76,000	48.72
3.	M. Amjad Shariff	4,000	2.56
<b>TOTAL</b>		<b>156,000</b>	<b>100.00</b>

*Directors as of December 31, 2007*

The Board of Directors of Orient Green Power Company Limited comprises of Mrs. Vathsala Ranganathan, Mr. R. Ramesh, Mr. V. Kannan, Mr. Sushil Chandra Tripathi and Mr. S. Ganapathy.

*Financial Information*

The company has not yet completed a financial year.

### ***Ennore Coke Limited***

Ennore Coke Limited was originally incorporated on February 25, 1985 as Khatoo Finance & Trading Company Limited. The name of the company was changed to Khatoo Synthetics Limited and a fresh certificate of incorporation was issued on November 11, 1986 by the RoC, Maharashtra. The name of the company was again changed to Ennore Coke & Power Limited and a fresh certificate of incorporation was issued on January 24, 2006 by the RoC, Maharashtra. The name of the company was again changed to Ennore Coke Limited and a fresh certificate of incorporation was issued on June 6, 2006 by the RoC, Maharashtra. Its corporate identity number is U65921MH1985PLC035478. It has its registered office at 48-50, III Floor, Surve Services Premises, Sonawalla Cross Road, Goregaon East, and Mumbai-400 063

The main objects of Ennore Coke Limited include to carry on the business of manufacturing, assembling, installing, repairing, covering, buying, selling or dealing in all types of power plants, sinter plants, coke oven plants, wet and dry cooling systems, monitoring equipment, heat exchangers and other tools, to produce derivatives of volatile matter like coke oven gas, to generate electricity by using fuel such as coke oven gas, to carry on business of manufacturers and traders for coke (carbon), coal and suppliers to manufacturing industries, to carry out in India or abroad production and sale of coke out of coal, to generate electrical power by conventional and non-conventional methods, to carry on business of wind electric generators and turbines and to carry out business as traders, stockists and to deal in commodities, goods and materials.

Our Company, Mrs. Usha Venkatramani and Mrs. Vathsala Ranganathan each purchased 54,500 equity shares of Ennore Coke Limited at a price of Rs. 2.5 per equity share from certain shareholders of Ennore Coke Limited pursuant to a share purchase agreement dated August 29, 2005.

Ennore Coke Limited made an initial public offer of 50,000 equity shares in 1985 and its shares are listed on the BSE. It subsequently made a rights issue in 2007 for 1,50,000 equity shares of Rs. 10 each in the ratio of 30 equity shares for every one equity share held.

### *Shareholders as of December 31, 2007*

The shareholding pattern of equity shares of Ennore Coke Limited is as follows:

<b>Sl. No.</b>	<b>Shareholder</b>	<b>Number of shares</b>	<b>Percentage</b>
<b>A.</b>	<b>Promoters</b>		
1.	Shriram EPC Limited	4,920,000	31.74
2.	Mrs. Vathsala Ranganathan	120,000	0.77
<b>B.</b>			
3.	Mrs. Vathsala Ranganathan, Partner of Shriram Auto Finance	4,514,000	29.12
<b>C.</b>	<b>Public</b>	5,946,000	38.36
	<b>TOTAL (A+B)</b>	<b>15,500,000</b>	<b>100.00</b>

### *Directors as of December 31, 2007*

The Board of Directors of Ennore Coke Limited comprises of Mrs. Vathsala Ranganathan, Mr. Rajiv Aggarwal, Mr. M.R. Rajagopal, Mr. M. Amjad Shariff, and Mrs. Uma Karthikeyan.

### *Financial Information*

*(In Rs. Million except share data)*

	<b>Financial year ended March 31, 2007</b>	<b>Financial year ended March 31, 2006</b>	<b>Financial year ended March 31, 2005</b>
Sales and other income	2.08	12.04	4.05
Profit/Loss after tax	0.02	0.38	0.02
Reserves and Surplus	15.03	0.26	(0.12)
Equity capital (par value Rs. 10)	155.00	5.00	5.00
Earnings per share (Rs)	-	0.76	0.04
Book value per share	10.97	10.52	9.76

*High – low of the equity shares of Ennore Coke Limited for past six months*

The shares of Ennore Coke Limited are listed on the BSE. The monthly high and low of the market price of the shares on BSE for the last six months are as follows:

Monthly high and low of prices of shares on BSE:

<b>Month</b>	<b>Traded Value (in Rs.)</b>	
	<b>High</b>	<b>Low</b>
July 2007	25.10	17.50
August 2007	22.90	17.10
September 2007	21.75	17.15
October 2007	51.20	18.45
November 2007	39.05	27.80
December 2007	52.95	29.25

*Declaration of Dividends*

The company has not declared dividends in the last three financial years.

*Mechanism of Redressal of Investor Grievance*

As on March 31, 2007, we have received nil investor complaints.

**Details of past performance**

For details in relation to our financial performance in the previous five financial years, including details of non-recurring items of income, refer to “Financial Statements” on page 132.

## OUR MANAGEMENT

### Board of Directors

Under our Articles of Association, we are required to have not less than three Directors and not more than twelve Directors. We currently have ten Directors on our Board.

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospect's:

The following table sets forth details regarding our Board of Directors as on the date of this Red Herring Prospectus:

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	Age	Director Identification Number	Other Directorships
<b>Mr. Arun Duggal</b> S/o Late Mr. S.L. Duggal  A-4, 3 <sup>rd</sup> Floor, West End, New Delhi-110 021 India  Chairman and Non Executive Director  Financial Advisor  Liable to retire by rotation.	Indian and U.S.	61	00024262	<b>Indian Companies</b> a) Patni Computer Systems Limited b) Zuari Industries Limited c) Petronet LNG Limited d) Shriram Transport Finance Limited e) Manipal Acunove Limited f) Info Edge (India) Limited g) Shriram Properties Limited h) Dish TV India Limited i) Shriram City Union Finance Limited j) Mundra Port and Special Economic Zone Limited k) Carzonrent (India) Private Limited (Hertz Car Rental)
				<b>Foreign Companies</b> j) The Bellwether Microfinance Fund k) International Asset Reconstruction Company Private Limited l) Blackstone Investment Company Private Limited m) Tanglewood Finance Advisors Private Limited
				<b>Trusts</b> n) Centre for Civil Society
<b>Mr. T. Shivaraman</b> S/o Mr. R. Thyagarajan  No. 12, Besant Road Off Lloyds Road Royapettah Chennai 600 014 Tamil Nadu India  Managing Director and Chief Executive Officer  Business	Indian	42	01312018	<b>Indian Companies</b> a) Leitner Shriram Manufacturing Limited b) Hamon Shriram Cottrell Private Limited c) Shriram Leitwind Limited  <b>Partnerships</b> d) Nagarajan Brothers e) Lakshmi Investments

<b>Name, Father's/Husband's Name, Address, Designation, Occupation and Term</b>	<b>Nationality</b>	<b>Age</b>	<b>Director Identification Number</b>	<b>Other Directorships</b>
Not liable to retire by rotation				
<b>Mr. M. Amjad Shariff</b> S/o Mr. Mahaboob Shariff  8, I Block, 10 <sup>th</sup> Street Anna Nagar East Chennai 600 102 Tamil Nadu India  Joint Managing Director  Business  Not liable to retire by rotation	Indian	52	00009562	<b>Indian Companies</b>  a) Malos Infrastructure Limited b) Alpha Energy Systems Limited c) Lepakshi Power Projects Limited d) Ennore Coke Limited e) Hamon Shriram Cottrell Private Limited f) ECE International (P) Limited
<b>Mrs. Vathsala Ranganathan</b> W/o Mr. A R Ranganathan  15, Sarangapani Street T. Nagar, Chennai 600 017 Tamil Nadu India  Whole Time Director  Business  Not liable to retire by rotation	Indian	55	00006028	<b>Indian Companies</b>  a) Ennore Coke Limited b) Shriram Leitwind Limited c) Orient Green Power Company Limited  <b>Foreign Companies</b>  (d) Orient Green Power Pte, Limited  <b>Partnerships</b>  d) Shriram Auto Finance
<b>Mr. R. S. Chandra</b> S/o Sushil Chandra  535 Middlefield Road, Suite 245 Menlo Park, CA 94025, United States of America  Non-Executive Director <i>Nominee Director of Bessemer Venture Partners Trust</i>  Business  Not liable to retire by rotation	U.S.	41	00396361	<b>Indian Companies</b>  a) Sarovar Hotels Private Limited  <b>Foreign Companies</b>  b) Avnera Corporation, USA c) Berkley Design Automation Inc, USA d) PA Semi Inc, USA e) Kovio Inc, USA f) Mellanox Technologies Limited, Israel g) Tiler Corporation, USA h) Therative Inc, USA i) BA Systems, Inc USA j) infoUsA.Inc, U.S.A  <b>Partnerships</b>  k) Deer V & Company, LLC.(Executive Manager) l) Deer VI & Company, LLC.(Executive Manager) m) Deer VII & Company L.P. (Director, Executive Partner) n) Deer Management Company, LLC.(Managing Partner) o) Chandra Investments Partners LP

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	Age	Director Identification Number	Other Directorships
				<b>Trusts</b> p) Robin S. Chandra and Shikha L. Revocable Trust
<b>Mr. K.E.C. Raja Kumar</b> S/o Ganga Raju Konduru  96/A, 7th Cross Second Main 1st Block, RMV Second Stage Bangalore 560 094 Karnataka India  Non Executive Director <i>Nominee Director of UTI Investment Advisory Services Limited</i>  Business  Not liable to retire by rotation	Indian	45	00044539	<b>Indian Companies</b>  a) Consolidated Construction Consortium Limited b) UTI Venture Funds Management Company Private Limited c) Strand Life Sciences Private Limited d) Primus Retail Private Limited  <b>Foreign Companies</b>  e) UTI Private Equity Advisors Limited, Mauritius f) Ascent India Limited, Mauritius
<b>Mr. S. R. Ramakrishnan</b> S/o Late Mr. R.R. Thathachariar  No 1005, Nanda Kaushambi Apartments Sahibabad 201 010 Uttar Pradesh India  Independent Director  Business  Liable to retire by rotation	Indian	72	00015839	<b>Indian Companies</b>  a) Nagarjuna Fertilizers & Chemicals Limited b) Carter Engineering Private Limited
<b>Major General A.L. Suri (Retd)</b> S/o Late Mr. Ram Lal Suri  C-485, Defence Colony New Delhi 110024 India  Independent Director  Business  Liable to retire by rotation	Indian	73	00009532	<b>Indian Companies</b>  a) Suri Enterprises Private Limited b) Bharat Re Insurance Company Private Limited. c) Lakshmi Energy and Foods Limited  <b>Foreign Companies</b>  d) Armour Insurance Company Private Limited, Oman e) Towell Take LLC, Oman
<b>Mr. R. Sundararajan</b> S/o Late Mr. Sarangapani Rangaswamy  30 A, Davis Road Cooke Town Bangalore 560 084 Karnataka India	Indian	59	00498404	<b>Indian Companies</b>  a) Take Solutions, Chennai b) Shriram Financial Services Holdings Private Limited c) Namo Technology Ventures India Private Limited d) Visionary RCM Infotech India Private Limited

Name, Father's/Husband's Name, Address, Designation, Occupation and Term	Nationality	Age	Director Identification Number	Other Directorships
Independent Director				e) Manipal Accunova Limited f) Shriram Fortune Solutions Limited
Business				g) Shriram Enterprises Holdings Private Limited
Liable to retire by rotation				h) Asia Cryocell Private Limited i) Rambal Limited j) Shriram Asset Management Company Limited k) Shriram Credit Company Limited l) CMNK Consultancy Services Private Limited
				<b>Trusts</b>
				k) Quest India Limited
<b>K. Madhava Sarma</b> S/o K. Lakshminarayana	Indian	69	00518521	<b>Trusts</b>
AB-50, Anna Nagar Chennai 600 040 Tamil Nadu India				a) Chennai Mathematical Institute Trust (Honorary member)
Independent Director				
Business				
Liable to retire by rotation				

### Brief Biographies of our Directors

**Mr. T Shivaraman** holds a post graduation degree in chemical engineering and has completed a master of Science from the Indian Institute of Technology. He started his career as a management trainee at ICI India Limited with its fertilizer plant in Kanpur and has 18 years of experience in plant operations and project engineering. He has been involved in engineering, procurement and construction business since 1992. He has experience in technical handling of projects, studying its viability and feasibility and overall in-charge of technology and tie up of technical collaboration with domestic and foreign parties. He was appointed as an additional director and the Managing Director by the Board at the meeting held on September 10, 2007 and was reappointed by the shareholders at the EGM held on September 20, 2007.

**Mr. M Amjad Shariff** holds a post graduation in chemical engineering from the Indian Institute of Technology Madras. He has 23 years of experience in project execution, sales, marketing and corporate planning. He also has experience in design and installation of hi-tech projects for a variety of industrial applications in the areas of fertiliser, chemical, ferrous and non-ferrous metals and other industries. He has specialised in core sector, executing and management of projects, particularly in industries like steel, copper and power. He was appointed as an additional director and the Joint Managing Director by the Board at the meeting held on September 10, 2007 and was reappointed by the shareholders at the EGM held on September 20, 2007.

**Mr. Arun Duggal** holds a mechanical engineering degree from the Indian Institute of Technology, Delhi and also holds a degree in masters of business administration from the Indian Institute of Management, Ahmedabad. He is an international banker advising corporations on financial strategy, mergers and acquisitions and capital raising areas. He has been an international advisor to a number of corporations, financial institutions and private equity firms. He has previously worked with the Bank of America for 26 years. He spent 10 years in the New York corporate office of Bank of America from 1981 to 1990. He was the chief executive of Bank of America Asia Limited from 1991 to 1994. Further he was the chief executive of Bank of America in India from 1998 to 2001. He was then the chief financial officer of HCL technologies from 2001 to 2003. He was appointed as additional director and chairman of our Company by the Board at the meeting held on September 20, 2007 and his appointment was reappointed by the shareholders at the EGM held on September 20, 2007.

**Mrs. Vathsala Ranganathan** holds a Post-graduation degree in Economics from the University of Madras. She has worked for nearly two decades for the Shriram group of companies in various capacities. She has headed the Shriram group of companies consisting Shriram Investments Limited, Shriram Transport Finance and Shriram Citi Union Finance as the President for over nine years. She has as experience of working at the senior management levels. She was appointed as an additional director and the whole time director of our Company by the board at the meeting held on May 4, 2006 and was reappointed by the shareholders at the AGM held on September 30, 2006

**Mr. K.E.C. Raja Kumar** holds a Bachelor of Science degree, a Masters of Science degree and a Masters degree in Philosophy in Science from Sri Venkateswara University. He is also a graduate of the Advance Management Programme of the Harvard Business School, Boston, USA. He has over 7 years of experience in the venture capital and private equity sector and is currently the managing director and chief executive officer of UTI Venture Funds, a firm he founded in the year 2000. Prior to joining UTI Venture Funds, he was the Regional Manager of the SEBI. At SEBI, he managed the Southern Region office of SEBI and was responsible for overseeing several public offerings of securities and regulation of market intermediaries. . Further, he served as an executive director of UTI Asset Management Company Private Limited. He has also served as a senior officer with the Indian Civil Services. He is a charter member of the Indus Entrepreneurs (TiE), a global non-profit organization for advancement of entrepreneurship. He was appointed by the Board at the meeting held on January 20, 2007 and was reappointed by the shareholders at the AGM held on June 11, 2007.

**Mr. R. Sundararajan** graduated as a Mechanical Engineer from the Jadhavpur University, Calcutta. Further, he completed his Master of Business Administration degree from the Indian Institute of Management, Ahmedabad. He is also a Chartered Engineer and Associate of the Insurance Institute of India. He has experience of over 30 years in the pharmaceutical industry. Prior to joining our Company, he was the Executive Director -Operations and later the Executive Vice President-Strategic Business Planning of Matrix Laboratories Limited. He is currently an advisor to various companies including Shriram Financial Services Holdings Private Limited, Shriram Fortune Solutions Limited, Rambal Limited. He was appointed by the Board at the meeting held on October 22, 2005 and was reappointed by the shareholders at the AGM held on September 30, 2006.

**Mr. S.R. Ramakrishnan** graduated in mechanical engineering in 1956 from the Engineering College, Anantapur He also undertook a course in Metallurgy and Business Management from the Carnegie Institute of Technology, Pittsburgh He has over 50 years of experience in the steel industry. He has previously worked with the Steel Authority of India Limited in various capacities, including as the commercial director on the board. He worked in the Bhilai Steel Plant from 1981 to 1984. He has also served as an advisor to the C.K. Birla Group. He has been on the Board since May 14, 2005 and was reappointed by the shareholders at the AGM held on June 11, 2007.

**Maj Gen A. L. Suri, AVSM (Retd.)** graduated in engineering from the College of Military Engineering, Pune. He attended the National Defence College course, which is conducted for selected senior officers in India and abroad. He participated in 1965 and 1971 in the Indo Pak wars. He was commandant of the College of Military Engineering. He retired from the Indian Army as a Major General. He has ten years of experience in financial services sector. Prior to joining our Company he was the chief executive officer of Suri Capital & Leasing Limited since its inception in March 1992 to 2001. He was also director of Graphite India Limited for four years. He is actively associated with several companies in industries such as insurance, engineering projects, information technology and property development both in India and abroad since 2003. He has been on the board since May 14, 2005 and was reappointed by the shareholders at the AGM held on June 11, 2007.

**Mr. R. S. Chandra** holds a Bachelor of Arts degree from University of California at Berkeley and also holds a master of business administration degree from the Harvard Business School. He has over 12 years experience in private equity. He is a managing partner of Bessemer Venture Partners and the founding partner of Bessemer's investment practice in China and India. Prior to joining Bessemer Venture Partners in 2000 he was a general partner with Commonwealth Capital Ventures from 1996 to 2000. He also worked as an engagement manager with McKinsey & Company in the Los Angeles and Silicon Valley offices from 1993 to 1996. He has also worked with Accenture in the San Francisco, New York and London offices from 1988 to 1993 as Senior Associate. He is a charter member of TiE. He as been on the Board since March 31, 2006 and was reappointed by the shareholders at the AGM held on September 30, 2006.

**Mr. K. Madhava Sarma** holds a post graduation degree in mathematics from the Andhra University and is also a post-graduate in Statistics from the India Statistical Institute, Calcutta. He joined the Indian Administrative

Services in 1962 and held positions with the government of Tamil Nadu and with the central government. He retired from the Indian Administrative Services in 1996. He served the United Nations Environment organization for nearly ten years as the executive Secretary of Ozone Secretariat. Since his retirement in the year 2000, he has been a member of Technology and Economic Assessment Panel of the Montreal Protocol of the United Nations Environment Programme and the Technology and Finance Standing Committee of the Government of India. He has served as a consultant to United Nations Environment Programme in the years 2000, 2002 and 2005. He has been awarded the Stratospheric Ozone Award by the Environmental Protection Agency of the USA in 1996 for outstanding services for the protection of the Ozone Layer, and the Vienna Convention Award by the United Nations Environment Programme in recognition of exemplary services for the protection of the Ozone Layer in 2005. He has been on the Board since July 11, 2006 and was reappointed by the shareholders at the AGM held on September 30, 2006.

### **Borrowing powers of the Board**

Our Articles, subject to the provisions of the Act, authorise our Board, to raise or borrow or secure the payment of any sum or sums of money for the purposes of the Company. Pursuant to a resolution passed at the Annual General Meeting dated June 11, 2007 our members have authorised our Board to borrow monies together with monies already borrowed by us, in excess of the aggregate of the paid up capital of the Company and its free reserves, not exceeding Rs. 3,000 million at any time.

### **Corporate Governance**

The provisions of the Listing Agreement to be entered into with the Stock Exchanges with respect to corporate governance will be applicable to us immediately upon the listing of our Equity Shares with the Stock Exchanges. We have complied with the requirements of Corporate Governance contained in the Listing Agreement, particularly those relating to composition of Board of Directors, constitution of committees such as Audit Committee, Shareholder / Investor Grievance Committee, etc The Company undertakes to take all necessary steps to comply with all the requirements of Clause 49 of the Listing Agreement to be entered into with the Stock Exchanges.

Currently our board has 10 Directors, with the Chairman of the Board being a non-executive Director. Of the balance members of the Board, four Directors are independent directors, two are nominee directors, one is a whole time director and two are executive directors. We are thus in compliance with the requirements of Clause 49 of the Listing Agreement.

### ***Audit Committee***

The Audit Committee was constituted by the Board at the meeting held on June 5, 2002. The purpose of the audit committee is to oversee the Company's financial reporting process and disclose its financial information to ensure that the financial statement is correct, sufficient and credible. The audit committee was reconstituted on September 20, 2007 and consists of Mr. S.R. Ramkrishnan (Chairman), Mr. Madhava Sarma and Mr. R. Sundarajan.

The terms of reference of the Audit Committee are as follows:

1. Overseeing the Company's financial reporting process and disclosure of its financial information.
2. Recommending to the Board the appointment, re-appointment, and replacement of the statutory auditor and the fixation of audit fee.
3. Approval of payments to the statutory auditors for any other services rendered by them.
4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
  - Changes, if any, in accounting policies and practices and reasons for the same
  - Major accounting entries involving estimates based on the exercise of judgment by management
  - Significant adjustments made in the financial statements arising out of audit findings
  - Compliance with listing and other legal requirements relating to financial statements
  - Disclosure of any related party transactions
  - Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval.
6. Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems.
7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. Reviewing the functioning of the whistle blower mechanism, in case the same is existing.
13. Review of management discussion and analysis of financial condition and results of operations, statements of significant related party transactions submitted by management, management letters/letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, and the appointment, removal and terms of remuneration of the chief internal auditor.
14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Pursuant to the amendments to the Listing Agreement dated December 27, 2007, the role of the audit committee has been expanded to include monitoring utilization of Issue Proceeds and make appropriate recommendations to the Board in the regard.

#### ***Compensation Committee***

The Compensation Committee was constituted by the Board at their Board Meeting held on October 24, 2006. The purpose of the Compensation Committee is to implement and administer the Employee Stock Option Scheme of the Company and to draft the detailed terms and conditions of the scheme. The Compensation Committee was reconstituted by the Board at the meeting held on September 20, 2007 and consists of Mr S.R. Ramakrishnan (Chairman), Mr. R S. Chandra, Mr. R Sundararajan, Mr. K. Madhava Sarma and Mr. T. Shivaraman

The terms of reference of the Compensation Committee are as follows:

1. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:

- a. The Securities and Exchange Board of India (Insider Trading) Regulations, 1992; or
  - b. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.
2. Determine on behalf of the Board and the shareholders the Company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.
  3. Perform such functions as are required to be performed by the Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("ESOP Guidelines"), in particular, those stated in Clause 5 of the ESOP Guidelines.
  4. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

#### ***Remuneration Committee***

The Remuneration Committee was constituted by the Board at their Meeting held on September 20, 2007. The Remuneration Committee consists of Mr. Madhava Sarma (Chairman), Mr. R.Sundarajan and Maj Gen A.L. Suri.

The terms of reference of the Remuneration Committee are as follows:

1. To determine within the agreed framework, specific remuneration packages for each of the executive Directors, the non-executive Directors and such other members of the executive management including salary, bonuses, incentive payments, share options, pension rights, terms of employment and any compensation payments.
2. to approve and monitor the level and structure of the remuneration of the first layer of management, such layer to be determined by the Board;
3. all human resources related issue.
4. other key issues / matters as may be referred by the Board or as may be necessary in view of Clause 49 of the Listing Agreement or any statutory provisions.

#### ***Shareholders and Investor Grievance Committee***

Our shareholders and investors grievance committee ("Shareholders and Investors Grievance Committee") was constituted by our Board at its meeting held on September 10, 2007. The Shareholders and Investors Grievance Committee consists of Mr. R. Sundarajan (Chairman), Maj Gen A.L. Suri and Mr. K.Madhava Sarma. The Shareholders and Investors Grievance Committee is to meet at least once in each quarter.

The terms of reference of the Investor Grievance Committee are as follows:

1. Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non- receipt of balance sheet etc.
2. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

#### ***IPO Committee***

The IPO Committee was constituted by the Board at the meeting held on May 8, 2007. The IPO Committee consists of Mr. R Sundarajan (Chairman), Mrs. Vathsala Ranganathan and Mr. K. Madhava Sarma. The IPO Committee is formed to decide all matters relating to Initial Public Offering and allotment of shares of our Company in consultation with the Stock Exchanges concerned and SEBI and also for issue of share certificates in accordance with the relevant rules and regulations, to obtain outside legal or professional advice including

under rule 144A of the Securities and Exchange Commission of the U.S.A and to secure the attendance of outsiders with relevant expertise, if it considers necessary

#### **Investment Committee**

The Investment Committee was constituted by the Board at the meeting held on May 8, 2007. The purpose of the Investment Committee is to identify the prospective areas in which the Company can make investments. The Investment Committee was reconstituted by the Board at the meeting held on September 20, 2007. The Investment Committee consists of Mr. S.R. Ramakrishnan, Mr. R.S. Chandra and Mr. R. Sundarajan.

#### **Borrowing Committee**

The Borrowing Committee was constituted by the Board at the meeting held on January 7, 2006. The purpose of the Borrowing Committee is to avail of sanctions on behalf of the Company as when required. The Borrowing Committee was reconstituted on September 20, 2007 and consists of Mrs. Vathsala Ranganathan (Chairman), Mr. R. Sundararajan and Mr. K. Madhava Sarma. The objective of the Borrowing Committee is to borrow monies at a short notice to enable our Company to execute major contracts.

#### **Shareholding of our Directors in the Company**

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1.	Mrs. Vathsala Ranganathan	10	-	-
2.	Mr. T. Shivaraman	10	-	-
3.	Mr. M. Amjad Shariff	10	-	-
<b>TOTAL</b>		<b>30</b>	<b>-</b>	<b>-</b>

#### **Interests of Directors**

All of our Directors may be deemed to be interested to the extent of sitting 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 Issue. 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. Mrs. Vathsala Ranganathan, Mr. T. Shivaraman and Mr. M. Amjad Shariff are entitled to receive remuneration from us.

All the Directors, except for the whole time Director, are entitled to receive sitting fees for attending the Board/committee meetings within the limits laid down in the Companies Act. Except as stated in the section titled "Related Party Transactions" on page 129, and to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors and Promoters have no interest in any property acquired by our Company within two years of the date of this Red Herring Prospectus.

#### **Remuneration of our Directors**

Mr. T. Shivaraman was appointed as the Managing Director of our Company for a period of five years with effect from September 20, 2007 pursuant to a resolution of the Board dated September 10, 2007 and pursuant to a resolution of the shareholders of our Company at an EGM held on September 20, 2007. The terms of employment and remuneration include the following.

Particulars	Remuneration
Basic Salary	Rs. 200,000 per month
Perquisites	<ul style="list-style-type: none"> <li>• Medical reimbursement and leave travel concession as per the Company rules.</li> <li>• Fees of clubs subject to a maximum of one club.</li> </ul>

Particulars	Remuneration
	<ul style="list-style-type: none"> <li>Personal accident insurance premium not to exceed Rs 10,000 per annum.</li> </ul>
Accommodation	House Rent Allowance Rs 50,000 per month.

Mr. M. Amjad Shariff was appointed as the Joint Managing Director of our Company for a period of five years from September 20, 2007 pursuant to a resolution of the Board dated September 10, 2007 and pursuant to a resolution passed by the shareholders of our Company at an EGM held on September 20, 2007. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs. 200,000
Perquisites	<ul style="list-style-type: none"> <li>Medical reimbursement and leave travel concession as per the Company rules</li> <li>Club Fees subject to a maximum of one club.</li> <li>Personal accident insurance premium not to exceed Rs 10,000 per annum.</li> </ul>
Accommodation	House rent allowance Rs. 50,000 per month.

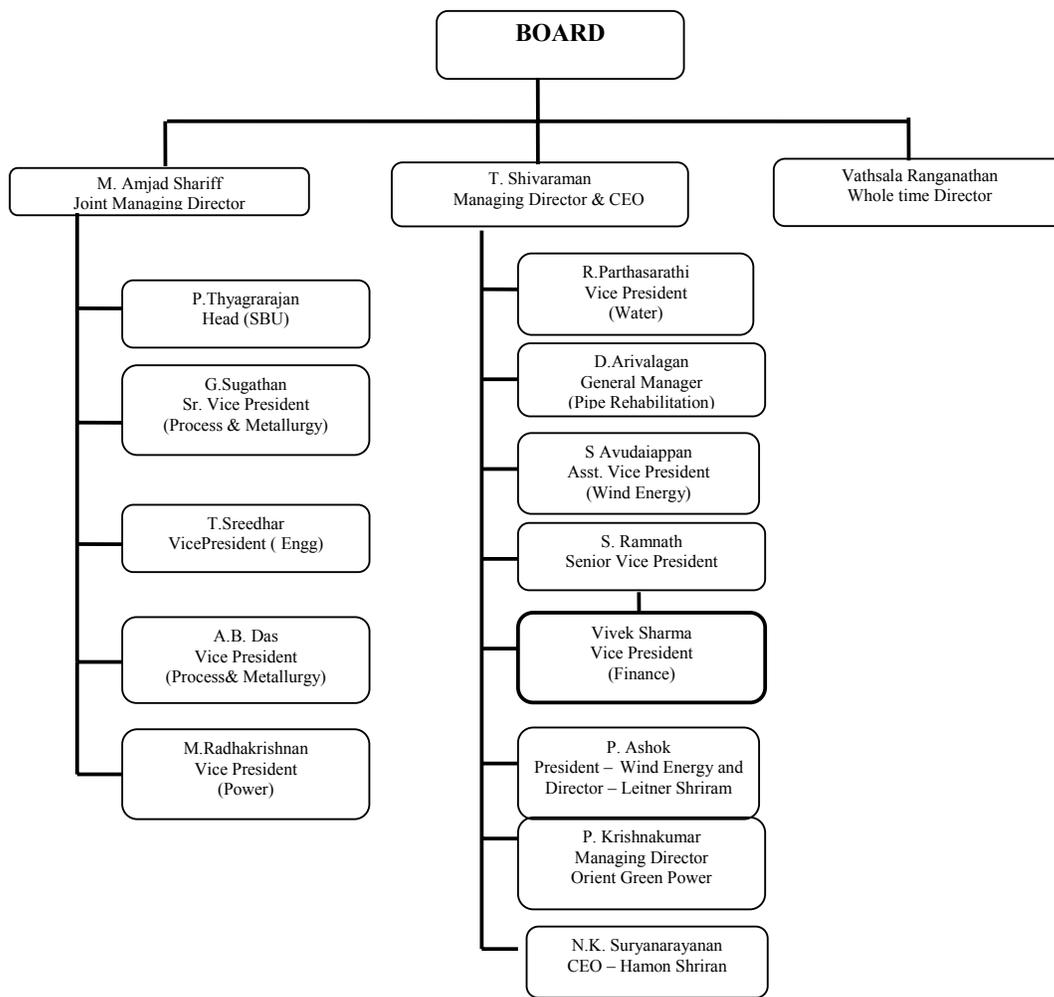
Mrs. Vathsala Ranganathan was appointed as the whole time Director of our Company for a period of three years with effect from May 1, 2006 pursuant to a resolution of the Board dated May 4, 2006 and pursuant to the resolution passed by the shareholders of our Company at AGM held on September 30, 2006. The terms of employment and remuneration include the following:

Particulars	Remuneration
Basic Salary	Rs 50,000 per month
Other Allowances	Rs 29,000 special allowance
Perquisites	<ul style="list-style-type: none"> <li>Medical Expenses incurred by the Ms Ranganathan and her family to a ceiling of one month's salary in a year or three months salary over a period of three years</li> <li>Leave Travel Concession granted to Ms Ranganathan and her family once in a year according to the Company's rules</li> <li>Fees of maximum two clubs. This does not include admission and membership</li> <li>Personal Accident Insurance not to exceed Rs 10,000 per annum.</li> </ul>
Accommodation	<ul style="list-style-type: none"> <li>House Rent Allowance upto 40% of the basic salary</li> </ul>

#### Changes in Our Board of Directors during the last three years

Name	Date of Change	Reason for Change
Mr. R.K. Pal	May 20, 2005	Resignation
Mr. K. Narayanaswamy	May 14, 2005	Resignation
Mr. Santosh Kamat	March 31, 2006	Resignation
Mrs. Vathsala Ranganathan	September 30, 2006	Appointment
Mr. Robin S. Chandra	September 30, 2006	Appointment
Mr. K. Madhava Sarma	September 30, 2006	Appointment
Mr. R. Sundararajan	September 30, 2006	Appointment
Mr. K.E.C. Raja Kumar	June 11, 2007	Appointment
Mr. S.R. Ramakrishnan	June 11, 2007	Appointment
Maj Gen A. L. Suri, AVSM (Retd.)	June 11, 2007	Appointment
Mr. M Amjad Shariff	September 20, 2007	Appointment
Mr. T. Shivaraman	September 20, 2007	Appointment
Mr. P.N. Devarajan	September 20, 2007	Resignation
Mr. Arun Duggal	September 20, 2007	Appointment

## Managerial Organizational Structure



### Key Managerial Personnel

The details regarding our Company's key managerial personnel are as follows:

**Mr. P Ashok**, 53 years, President – Wind Energy, is an engineer by profession. He is a graduate in chemical engineering from Annamalai University. He is also a Director of Leitner Shriram. He has overall responsibility of all the projects of our Company and of the entire business operation of Leitner Shriram. Prior to joining our Company, he was with Madras Industrial Linings from 1975 to 1985 as deputy general manger (Marketing). He joined the Shriram group of companies in November 1, 1994. He joined our Company on July 1, 2006. His remuneration for the fiscal year 2007 was Rs. 2.20 million.

**Mr. S. Ramnath**, 55 years, Senior Vice President – Corporate Planning & Strategy, is a chartered accountant by profession. He completed his graduation in commerce from the University of Mumbai. He is responsible for the corporate planning and strategy of our Company. He is further involved in the evaluation and feasibility studies of infrastructure projects. Prior to joining our Company he has worked as an independent consultant in the area of project finance, financial restructuring, financial advisory services and venture capital funds from 1997 to 2006. He joined our Company on April 19, 2007. His remuneration for the fiscal year 2008 is Rs 2.55 million.

**Mr. Vivek Sharma**, 37 years, Vice President Operations and Corporate Finance, is an engineer by profession. He is responsible for Corporate Finance, Human Resource Management, Management Information System, General Administration and Business Strategies. He completed his graduation from the Indian Institute of Technology, Roorkee and he further did his Masters in Business Administration from the Indian Institute of Management, Calcutta. Prior to joining our Company he was with the public sector working for the Government of India as from 1993 to 2006. He joined our Company on July 24, 2006. His remuneration for the fiscal year 2007 is Rs 1.15 million.

**Mr. P. Thyagarajan**, 56 years, head strategic business unit is an engineer by profession. He completed his graduation from Anna University, Chennai He is responsible for erection and commissioning of cement plants of our Company. Prior to joining our Company he has worked as the head of operations of Steel Authority of India Limited from 1974 to 1989, as deputy general manager of Sterlite Industries India Limited from 1997 to 2005 and was the vice president of Vedanta Aluminum from 2005 to 2007. He joined our Company on May 26, 2007. His remuneration for the fiscal year 2008 is Rs 3.5 million.

**Mr. Akhil Behari Das**, 53 years, Vice President is an engineer by profession. He completed his post graduation in engineering from National Institute of Technology, Rourekela. Prior to joining our Company he was the President of Patnaik Steel & Alloys Private Limited, as President, from 2004 to 2007. He joined our Company on June 1, 2007. He is responsible for the business development of the various projects in process and metallurgy. His remuneration for the fiscal year 2008 is Rs 2.00 million.

**Mr. R. Parthasarathy**, 53 years, vice president is an engineer by profession. He completed his graduation in technology from Madras University. He is responsible for the operations of the water division business. Prior to joining our Company he was the assistant superintendent of Comnico Binani Zinc Limited from 1977 to 1983, the Deputy General Manger of Hindustan Dorr Oliver from 1983 to 2000 and General Manager of Batliboi Environmental & Engineering Company from 2001 to 2004. He joined our Company on June 23, 2004 His remuneration for the fiscal year 2007 is Rs. 1.00 million.

**Mr. M. Radhakrishnan**, 51 years, vice president of our Company is an engineer by profession. He completed his graduation in science from Calcutta University and also holds a diploma in mechanical engineering from the same university. He is responsible for the execution of power projects. He has got 27 years of work experience in project and contract management in executive engineering procurement and construction contracts for steel plants, bulk material handling systems, copper smelter, coat preparation plant, water treatment plant and power projects. He joined our Company on July 1, 2005. His remuneration for the fiscal year 2007 is Rs.1 million.

**Mr. T. Sreedhar**, 58 years, vice president engineering of our Company is an engineer by profession. He completed his degree in chemical engineering from Andhra University. He has also completed his post graduation in management studies from Bombay University. He is responsible for the engineering division of all the projects of our Company. Prior to joining our Company he was the project manager of the royal commission Saudi Arabia. Overall he has got 33 years of experience in the engineering field. He joined our Company in August 16, 2007. His remuneration for fiscal 2007 is Rs. 1.5 million.

**Mr. D. Arivalagan**, 49 years, vice president , Pipe Rehabilitation is an engineer by profession. He completed his graduation from Annamalai University, Chennai. He is responsible for Trenchless Pipe Rehabilitation Division's business. Prior to joining our Company he has worked with TTG Industries Limited and the Indian Institute of Technology, Chennai. He joined our company on January 1, 2003. His remuneration for the fiscal 2007 is Rs. 1.0 million.

**Mr. S. Avudaiappan**, 57 years, assistant vice president of our Company is a mechanical engineer by profession. He has done his graduation in mechanical engineering from Annamalai University. He is responsible for the production planning, manufacturing and control of the 250-kilowatt wind electric generator. He has over 35 years of experience He also has the overall control of site installation, commissioning and development and improvement activities for the 250 kilowatt wind electric generators. Prior to joining our Company, he was, manager service of Marshall Sons & Company, deputy general manager service of TTG Consolidated Industries Limited and manager field operations of Tacke Wind Energy, Chennai He has joined our organisation on September 10, 2004. The remuneration paid to him for the fiscal 2007 was Rs. 1.0 million.

**Mr. G. Sugathan**, 60 years, is the senior vice president of our Company. He has done his graduation in mechanical engineering from Kerala University. He is responsible for the business operations of the steel division of our Company. He has 37 years of experience in various industrial fields. Prior to joining our

Company, he worked with various organizations such as MECON Limited and Jindal Stainless Limited. He joined our Company on August 20, 2007. The remuneration payable to him for the fiscal 2008 is Rs. 2.5 million.

**Key Managerial Personnel of our Subsidiary**

**Mr. N.K. Suryanaryanan**, 49 years, Chief Executive of Hamon Shriram Cottrell Private Limited, is an engineer by profession. He completed his graduation in mechanical engineering from Calicut University and further did his diploma in management from Indira Gandhi Open University. As Chief Executive of Hamon Shriram, he is responsible for the overall performance of the Cooling System Division. He has been this organisation for more than 8 years and prior to joining Hamon Shriram, he was with B P L Limited for 4 years from 1981 to 1985 and for the design and marketing of cooling towers of Paharpur Cooling Towers for nearly 10 years from 1986 to 1991. He also has the experience of working with Marley Cooling Technologies of USA and has undergone training in their Kansas office and the research and development centre. He has also undergone training with the Hamon Research Centre at Drogenbaas near Brussels. He joined Hamon Shriram (formerly known as Hamon Thermopack Engineers Private Limited) on February 26, 1999. The remuneration paid to him for the fiscal 2007 is Rs. 1.8 million.

**Key Managerial Personnel of our Associate Company**

**Mr. P. Krishnakumar**, 53 years, Chief Executive Officer of Orient Green Power Company Limited, is a mechanical engineer by profession. He completed his graduation from A.C. College of Engineering and Technology, University of Madurai. He is responsible for the entire operations of Orient Green Power Company Limited. He has about 30 years of industrial experience. Prior to joining OGPL he was with Tube Investments of India Limited and was the managing director of Hoesch Pipe Mills (Nigeria) Limited. He joined Orient Green Power Company Limited on June 25, 2007. His remuneration for fiscal 2008 shall be Rs. 4.5 million.

All our key managerial personnel are permanent employees of our Company and none of our Directors and our key managerial personnel are related to each other.

**Shareholding of the Key Managerial Personnel**

Other than as disclosed below, none of the key managerial personnel hold Equity Shares in the Company.

S. No	Name of Key Managerial Person	Number of shares
1.	Mr. T. Shivaraman	10
2.	Mr. P. Ashok	10
<b>TOTAL</b>		<b>20</b>

**Bonus or profit sharing plan of the Key Managerial Personnel**

There is no bonus or profit sharing plan for our Key Managerial Personnel.

**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 and to the extent of Equity Shares held by them in the Company.

None of our key managerial personnel have been paid any consideration of any nature from the Company, other than their remuneration.

**Changes in the Key Managerial Personnel of our Company**

The changes in the key managerial personnel in the last three years are as follows:

Name of the Key Managerial Person	Date of Joining	Date of Leaving	Reason for change
Mr. N. Srinivasan	March 14, 1996	November 9, 2005.	Resignation
Mr. U. D. Balakrishnan	April 8, 2005	February 2, 2006	Resignation

<b>Name of the Key Managerial Person</b>	<b>Date of Joining</b>	<b>Date of Leaving</b>	<b>Reason for change</b>
Mr. R. K. Pal	August 4, 1994	February 8, 2006	Resignation
Mr. Santosh Kamat	September 1, 1994	March 31, 2006	Resignation
Mr. Sridhar Ramanan	March 1, 2005	June 10, 2006	Resignation
Mr. S. D. Singh	January 3, 2005	July 14, 2006	Resignation
Mr. S. Balakrishnan	June 4, 2005	July 31, 2006	Resignation
Mr. T. Rangarajan	January 22, 2003	October 31, 2006	Resignation
Mr. K. D. Solanki	July 1, 2005	January 31, 2007	Resignation
Mr. Punneet Kr. Agarwal	July 17, 2006	April 17, 2007	Resignation
Mr. P. Thyagarajan	June 11, 2007	-	Appointment
Mr. S. Ramnath	April 19, 2007	-	Appointment
Mr. Vivek Sharma	July 24, 2006	-	Appointment
Mr. R. Parthasarthy	July 7, 2004	-	Appointment
Mr. M. Radhakrishnan	July 1, 2005	-	Appointment
Mr. Akhil Behari Das	June 1, 2007	-	Appointment
Mr. G. Sugathan	August 20, 2007	-	Appointment
Mr. S. Avudaiappan	September 10, 2004	-	Appointment.

## OUR PROMOTERS

Our Company has been promoted by Shriram Industrial Holdings Private Limited and Shriram Auto Finance.

### *Shriram Industrial Holdings Private Limited (“SIHPL”)*

The company was originally incorporated as Shriram Industrial Holdings Limited on September 27, 1986. The status of the company was subsequently changed to Shriram Industrial Holdings Private Limited on April 24, 1987. The status of the company was again changed to Shriram Industrial Holdings Limited on January 1, 1996. The status of the company was again changed to Shriram Industrial Holdings Private Limited on December 19, 2001. Its registered office is located at 123, Angappanaickan Street, Chennai 600 001, Tamil Nadu. It is engaged in the (i) business of establishing, promoting, forming subsidiaries or otherwise assisting in establishment, promotion, formation and subsidizing industrial enterprises, companies engaged in industrial, manufacturing, processing or trading or any other business; (ii) acting as consultants on industrial, management, technical, financial, personnel and other matters connected with the carrying on any business, trade or profession.

The original promoters of SIHPL were Shriram Chits (Karnataka) Private Limited and Shriram Investments (a partnership firm). Shriram Investments was engaged in the business of promoting other companies and making investments in a few companies. Subsequently SIHPL identified engineering as a potential growth area and accordingly, took up a stake in 1989 in SHRENCO. SHRENCO was engaged in the business of industrial waste water management and engineering construction. SIHPL had invested in SHRENCO with a view to expand its scope of activities and business. SIHPL, along with its promoters and associates held a significant percentage of the shares in SHRENCO.

Considering the business objectives of SIHPL and the role played by it in SHRENCO, SIHPL was regarded as the promoter of SHRENCO. In 2002, SIHPL acquired a stake in our Company and decided to merge SHRENCO with our Company. Subsequent to the merger, SIHPL has been regarded as the Promoter of our Company.

Since the other shareholders of SIHPL were not in a position to make significant additional contributions, Shriram Investments, with the objective of further expanding the business activities and to consolidate its holdings acquired the majority shares of SIHPL. So as on March 31, 2006, Shriram Investments, was the majority shareholder and held 99.6 % share capital of SIHPL. Since a partnership firm could not hold shares of a company in its own name, the shares were held in the name of one of the Partners of the Firm – Mrs. Bhavani Thyagarajan. Subsequently Shriram Investments decided not to pursue the business by itself and transferred its shareholding in SIHPL to the Shriram Ownership Trust (“the Trust”) as a part of a restructuring exercise. Further some of the partners of Shriram Investments are also beneficiaries of the Trust. As on September 20, 2007, ( the Trust is the majority shareholder and holds almost 100 % of share capital of SIHPL. For more details on the Trust, refer to “Our Promoters - Entities forming part of the Promoter group under the SEBI Guidelines” on page 125.

*Shareholding as of December 31, 2007 is as follows:*

The shareholding pattern of SIHPL is as follows:

Sl. No.	Shareholder	Number of shares	Percentage
1.	Mr. R. Shankar	10	0.00
2.	Shriram Ownership Trust	12,725,113	100.00
	<b>TOTAL</b>	<b>12,725,123</b>	<b>100.00</b>

*Directors as of December 31, 2007*

The board of directors of SIHPL comprises Mr. S. Natarajan, Mr. D.V. Ravi, Mr. S. Venkatakrishnan and Mr. R. Sankar.

### Financial Performance

(In Rs. Million)

	Fiscal Year 2007	Fiscal Year 2006	Fiscal year 2005
Sales and other Income	34,744	4,205.56	175,485
Profit/loss after tax	(1,312.41)	(698,751.25)	(2,642,250.56)
Reserves and Surplus	Nil	Nil	Nil
Equity capital (par value Rs. 10)	127,251,230	127,251,230	13,900,000
Earnings per share	0.00	(0.05)	(1.90)
Book Value per share	9.12	9.12	2.45

This company is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company under the meaning of SICA and it is not under winding up.

We confirm that the Permanent Account Number, Bank Account Numbers, the Company Registration Numbers and the address of the registrar of companies where SIHPL is registered have been submitted to the NSE and the BSE at the time of filing the Red Herring Prospectus with them.

### Shriram Auto Finance (“SAF”)

Shriram Auto Finance is a partnership firm was originally constituted by means of a partnership deed dated April 1, 1998 executed between Mr. M. E. Kasturi, Ms Deepa Sreedharan and Mr. R. Subramanian. On June 1, 2004, Ms. Deepa Sreedharan and Mr. R. Subramanian retired from the partnership and subsequently another partnership deed was entered into between Mr. M.E Kasturi, Mrs. Vathsala Ranganathan and Mrs. Vidya Narayanamurthi. On December 1, 2004 Mr. M.E. Kasturi retired from the partnership and hence the partnership was reconstituted between Mrs. Vathsala Ranganathan and Mrs. Vidya Naryanamurthi.

The place of business of SAF is situated at 4<sup>th</sup> Floor, Mookambika Complex, 4 Lady Desikachari Road, Mylapore, Chennai, 600 004, Tamil Nadu. The objects of SAF are to carry on the business of hire purchase, finance, leasing, real estate, buying and selling of shares, debentures and other securities, agency business and other allied activities and such other business as the partners may decide from time to time under the Indian Partnership Act, 1932.

### Profit sharing and capital as of December 31, 2007

The profit sharing ratio and the capital details of SAF are as follows:

S.No	Partner	Share of profit/loss (%)	Capital (in Rs.)
1.	Mrs. Vathsala Ranganathan	56	1,000
2.	Mrs. Vidya Naravanamurthi	44	1,000
	<b>TOTAL</b>	<b>100%</b>	<b>2,000</b>

### Financial Performance

(In Rs. Million)

	Fiscal Year 2007	Fiscal Year 2006	Fiscal year 2005
Income from interest received etc./sale of shares	43,00,05,137	15,443.00	671,242
Profit transferred to partners current account	0	11,858.00	(10,969.92)
Profit transferred to General Reserve	396,080,117	0	0
Partners capital	2,000	2,000	2000

### Entities forming part of the Promoter group under the SEBI Guidelines

#### Shriram Ownership Trust (“Trust”)

Shriram Ownership Trust was constituted by a Trust Deed (“Trust Deed”) on September 11, 2006. The main address of the Trust is situated at 2<sup>nd</sup> Floor, Mookambika Complex, 4 Lady Desika Road, Mylapore, Chennai 600 04. The Trust has been formed for the benefit of select senior executives of the Shriram group of companies. The Trust is being administered through the Shriram Ownership Scheme (“Scheme”). The Scheme provides the framework to distribute the Trust Fund which comprises a sum of Rs 100,000 contributed by the Settlor and the investments for the time being, and such further property and assets or additions to corpus or voluntary contributions received or accepted by the Trustees from time to time.

### *Trustees*

The trustees are Mr. R. Thyagarajan (Chairman), Mr. Arun Duggal, Mr. D.A. Prassana, Mr. R. Kannan and Mr. D.V. Ravi.

### *Beneficiaries*

The Beneficiaries of the Trust, constitute senior executives of the various companies belonging to the Shriram group, including certain of the trustees and such other persons as may be identified from time to time, who participate in the management of various entities of the Shriram group. Mr. R. Thyagarajan has identified the initial beneficiaries.

As per the Trust Deed, Mr. R. Thyagarajan (the “Settlor”) has the right to nominate one trustee on the board of trustees (“the board”). Such a nominee trustee has the same rights as those of the other trustees. If the board does not have any trustee, then the Settlor has the right to nominate a trustee. The Settlor is the first chairman of the Trust and he will continue to hold the office of chairman during his lifetime and or until he is willing to act as the chairman

The Trustees can at their discretion invest or sell the Trust Fund according to the provisions of the Deed. The investment so made by the Trustees cannot be questioned on the ground that the Settlor or any of the Trustees are directly or indirectly interested or concerned either as director or shareholder or member or partner or in any other manner.

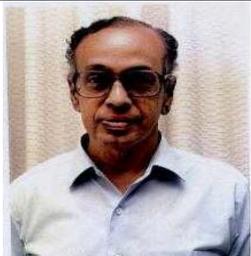
The Trustees can accept contributions to the Trust either from the Settlor or the Beneficiaries or companies in the Shriram group of companies and/ or others from time to time. The Trustees have the power to buy, hire, lease, obtain, acquire, improve, develop, cultivate, manage, administer, work, exchange, sell, mortgage, charge, hypothecate, convert or otherwise dispose of or deal in any movable or immovable property and or privileges to carry out the objects of the Trust. They also have the right to take over any existing company at the expense of the Trust for any purpose. The decisions so taken by the Trustees cannot be questioned or challenged.

The Trust is irrevocable for all times and the Settlor has relinquished his right over any property settled by the Trust and the investments from such property can be held by the Trustees

### *Financial Results of the Trust*

	<i>(Amount in Rs. Million)</i>
	<b>Fiscal Year 2007</b>
<u>Sources of Funds</u>	552.60
Corpus Fund	550.00
Reserves and Surplus	2.60
<u>Application of Funds</u>	
Cash and Bank Balance	9.26
Excess of income over expenditure /( expenditure over income)	19.59

The following are the details of the Trustees:

	<p><b>Mr. R. Thyagarajan</b></p> <p>His passport number is E9173744</p> <p>His voter’s identification number is TN/03/013/0000904</p> <p>He does not have a driving license</p>
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Mr. R. Thyagarajan, aged 70 years, holds a master’s degree in mathematics from Madras University and also a master’s degree in statistics from the Indian Statistical Institute, Kolkatta. Further he is an Associate of the Insurance Institute of India. He is also an associate of the Chartered Insurance Institute, London. He has over forty-five years in insurance and financial services industries. He started his career working with New India

Assurance Company Limited for a period of fifteen years and subsequently shifted to J.B.Boda and Company .In 1974, he promoted the Shriram group.

	<p><b>Mr. D.V. Ravi</b></p> <p>His passport number is G4148621</p> <p>His voter's identification number is EZZ3006962</p> <p>His driving license number is C/TN/007/022032/2004</p>
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Mr. D.V. Ravi, aged 43 years, holds a bachelor's degree in commerce from St. Joseph's college, Bangalore University and a post graduate degree diploma in management from Institute of Rural Management, Anand, Gujarat He has twenty years of experience in the field of planning, business process re- engineering and organizational change management. Further he is on the board of various other Shriram group of companies, serving as the country vice- president of the Shriram group's truck finance activities. He is also the director and co-founder of Take Solutions Limited.

	<p><b>Mr. R. Kannan</b></p> <p>His passport number is A8914774</p> <p>His voter's identification number is TN/03/013/357261</p> <p>His driving license number is D/TN/007/020967/2004</p>
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Mr. R. Kannan, aged 63 years, holds a bachelor's degree in Economics from Madras University. He has over forty years of experience in the financial services industry. Prior to joining the Shriram group he worked with Bank of Thanjavur Limited and Vysya Bank Limited for about fifteen years.Further he is currently the managing director of Shriram City Union Finance Limited.

	<p><b>Mr. D.A. Prassana</b></p> <p>His passport number is Z1332172</p> <p>His voter's identification number is HRM 0600080 Oap</p> <p>His driving license number is 88/39/82/C/46402</p>
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Mr. D.A. Prassana, aged 59 years holds a bachelor's degree in engineering from the National Institute of Engineering, Mysore and a post graduate degree in business management from the Indian Institute of Ahmedabad Further he has also attended the two months certificate programe by GE Global Business Leadership at Crotonville. He was the founding member and vice chairman of the team of Wipro Limited. Further he is the executive chairman of the Manipal group and currently leads the Confederation of Indian Industries. He has thirty seven years experience in the field. He is also on the board of directors of Shasun Chemicals and Drugs Limited and serves on the board of Centre of Policy Research.



**Mr. Arun Duggal**

His passport number is 711044368

He does not have a voter’s identification number

His driving license number is 09082000183465

For details of his biography see “Our Management- Brief Biographies of our Directors” on page 113.

**Interest of our Promoters**

Our Promoters are interested in our Company to the extent that they have promoted our Company, their shareholding in our Company and to extent of them being directors of our Company. For further interest, of our Directors, see section ‘Our Management - Interests of Directors’ on page 118.

**Common Pursuits**

We shall adopt the necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For, further details on the related party transactions, to the extent of which our Company is involved, see “Related Party Transactions” on page 129.

**Sick Company**

Our Promoter Group entity has not been declared sick in the past.

**Disassociation by Shriram Auto Finance in the last three years**

Name of the Company	Relationship with the Promoter	Reasons for Disassociation	Date of Disassociation
Shriram Chits Maharashtra Private Limited	Shareholder	Sale of shareholding	July 31, 2007
Shriram Life Insurance Company Limited	Shareholder	Sale of shareholding	July 31, 2007
Shriram PPR Technology Limited	Shareholder	Sale of shareholding	July 31, 2007
Haldia Coke & Chemicals Limited	Shareholder	Sale of shareholding	July 31, 2007
Engineering Projects LLC	Shareholder	Sale of shareholding	July 31, 2007
Risk Guardian’95	Shareholder	Sale of shareholding	July 31, 2007
Matrix Laboratories Limited	Shareholder	Sale of shareholding	September 27, 2004

**Disassociation by Shriram Industrial Holdings Private Limited in the last three years**

Name of the Company	Relationship with the Promoter	Reasons for Disassociation	Date of Disassociation
Shriram Engineering Construction Company Limited	Shareholder	Amalgamation of SHRENCO with Shriram EPC	April 1, 2004
Pavron Spraytech Limited	Shareholder	Sale of shareholding	June 15, 2006
Shripet Industries Limited	Shareholder	Sale of shareholding	June 15, 2006
Quest India Fund	Shareholder	Sale of shareholding	June 15, 2006.

## RELATED PARTY TRANSACTIONS

DETAILS OF RELATED PARTY TRANSACTIONS								
PARTICULARS	30.09.07	2006-07	2005-06	2004-05	2003-04	2002-03		
<b>Associate</b>	Leitner Shriram Manufacturing Limited	Leitner Shriram Manufacturing Limited	-	-	-	-		
	Ennore Coke Limited	Ennore Coke Limited	-	-	-	-		
	Orient Green Power Ltd	Orient Green Power Ltd	-	-	-	-		
<b>Key Management Personnel (KMP)</b>	T.Shivaraman	Vathsala Ranganathan	M.Amjad Shariff	M.Amjad Shariff	-	-		
	Amjad Shariff		Santhosh Kamat	Santhosh Kamat	-	-		
<b>Relatives of KMP</b>	V.Ravi Srinivasan	V.Ravi Srinivasan						
<i>Rs in Millions</i>								
<b>b) Particulars of transactions</b>								
SNo	Particulars	30.09.07	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	Total
<b>1</b>	<b>Associates</b>	-						
	Sales	97.38	235.90	-	-	-	-	333.28
	Investments made in Equity shares	0.46	172.08	-	-	-	-	172.54
	Reimbursement of expenses	-	9.71	-	-	-	-	9.71
	Lease / Service charges	-	0.21	-	-	-	-	0.21
	Purchases	5.04	16.56	-	-	-	-	21.60
	<b>Total</b>			-	-	-	-	

	102.88	434.46		-			537.34
Amount outstanding Dr /(Cr)			-	-	-	-	-
<b><u>Key Management Personnel</u></b>							
2							
Managerial remuneration	2.57	1.16	3.03	1.94	-	-	8.70
Total	2.57	1.16	3.03	1.94			8.70
Amount outstanding Dr /(Cr)	-	-	-	-	-	-	-
<b><u>Relatives of KMP</u></b>							
3							
Rent Paid	0.22	5.00		-	-		5.22
Others (please specify)	-	-		-	-		
Total	0.22	5.00		-	-		5.22
Amount outstanding Dr /(Cr)	-	-		-	-		-

## **DIVIDEND POLICY**

Our Company has not declared any dividends in the past, of the date of filing of this Red Herring Prospectus. The declaration and payment of dividend 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, retention of earnings to meet growth and expansion requirements and overall financial condition. The Board may also from time to time pay interim dividend. All dividend payments will be made in cash to the shareholders of our Company.

## SECTION V: FINANCIAL STATEMENTS

### CONSOLIDATED FINANCIAL STATEMENTS

#### Auditors report on the Restated Consolidated Financial Statements:

##### Auditors' Report

To

The Board of Directors  
Shriram EPC Limited  
9 Vanagaram Road,  
Ayanambakkam,  
Chennai – 600 095  
India

Dear Sirs,

- 1) We have examined the attached consolidated financial information of Shriram EPC Limited (“SEPC” or “the “Company”) and its Subsidiaries and Associates (collectively referred to as the “Group”), as approved by the Board of Directors of the Company prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (the Act) and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended (SEBI Guidelines) and terms of our engagement agreed with you in accordance with our letter dated 20<sup>th</sup> July 2007 in connection with the proposed Initial Public issue of Equity shares of the Company.
- 2) This information has been extracted from the consolidated financial statements for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and for the six months ended September 30, 2007. The consolidated financial statements for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 were certified by K.S. Kalyanasundaram & Co. an independent Chartered Accountant and approved by the Board of Directors. Accordingly reliance has been placed on the financial information certified by them for the said years.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you; we further report that:
  - (a) The Consolidated Restated Summary Statement of Assets and Liabilities of the Company and its subsidiaries and associates as at March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and September 30, 2007 examined by us, as set out in Annexure 1 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexures 4 and 4A.
  - (b) The Consolidated Statement of Restated Summary Statement of Profit or Loss of the Company and its subsidiaries and associates for the years ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007 and for the six months ended September 30, 2007 examined by us, as set out in Annexure 2 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexures 4 and 4A.
  - (c) The Consolidated Restated Summary Statement of Cashflows, as restated for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007 and for the six months ended September 30, 2007 examined by us, as set out in Annexure 3 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexures 4 and 4A.
  - (d) We did not audit the financial statements of the subsidiary company Hamon Shriram Cottrell Private Limited (Formerly Hamon Thermopack Engineers Private Limited) for the six month

ended 30<sup>th</sup> September 2007 whose financial statements reflect total assets of Rs.179.07 million and total revenue of Rs.128.87 million and net cash inflow/(outflow) amounting Rs.13.57 million. These financial statements have been audited by another firm of Chartered Accountants whose reports have been furnished to us and our opinion is based solely on the report of other auditors.

- (e) Based on our examination of these Summary Statements, we state that:
- (i) The “Consolidated Restated Summary Statements” have to be read in conjunction with the significant Accounting Policies, changes in Accounting Policies and notes given in Annexure 4 and 4A of this report.
  - (ii) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.
  - (iii) The “Consolidated Restated Summary Statements” have been adjusted for material amounts in the respective financial years to which they relate.
  - (iv) There are no extra-ordinary items that need to be disclosed separately in the accounts requiring adjustments.
  - (v) There are no qualifications in the auditors’ report that require adjustment to “Consolidated Restated Summary Statements”.
4. We have also examined the following consolidated other financial information set out in Annexures prepared by the management and approved by the Board of Directors relating to the Company and its subsidiaries for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and six month ended September 30, 2007

<b>Details of other consolidated financial information</b>	<b>Annexure reference</b>
Statement of Loans availed	05 & 05 A
Statement of Fixed Assets	06
Statement of Investments	07
Statement of Inventories	08
Statement of Sundry Debtors	09
Statement of Cash and Bank Balances	10
Statement of Loans and Advances	11
Statement of Current Liabilities & Provisions	12
Statement of Other Income	13
Segment Accounting	14
Details of Related Party transactions	15
Statement of Accounting Ratios	16
Capitalisation statement as at September 30, 2007	17

- 5) In our opinion the consolidated financial information contained in Annexures 5 to 17 of this report read along with the Significant Accounting Policies, Changes in Significant Accounting Policies and Notes (Refer Annexure 4 and 4A) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Paragraph B of Part II of Schedule II of the Act and the SEBI Guidelines.
- 6) This report should not in any way be construed as a reissuance or redating of any of the previous audit reports issued by other firms of Chartered Accountants nor should this be construed as a new opinion on any of the consolidated financial statements referred to herein.
- 7) This report is intended solely for your information and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company, and is not to be referred to or distributed for any other purpose without our prior written consent.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Geetha Suryanarayanan**  
Partner  
Membership No. 29519

Place: Chennai  
Date: 4<sup>th</sup> January 2008

**ANNEXURE 1: CONSOLIDATED STATEMENT OF ASSET AND LIABILITIES, AS RESTATED**

<i>(Rs. in millions)</i>							
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>	
<b>A</b>	<b>Assets</b>						
	Fixed Assets-gross block	417.93	218.92	120.21	111.02	39.10	17.81
	Less: Depreciation	(70.25)	(42.84)	(29.19)	(20.01)	(4.44)	(2.35)
	Net Block	347.68	176.08	91.02	91.01	34.66	15.46
	Capital work in progress	1.18	0.02	-	-	-	-
	Net Block after adjustment for Revaluation Reserve	<b>348.86</b>	<b>176.10</b>	<b>91.02</b>	<b>91.01</b>	<b>34.66</b>	<b>15.46</b>
<b>B</b>	<b>Goodwill on consolidation</b>	<b>13.70</b>					
<b>C</b>	<b>Investments</b>	<b>163.53</b>	<b>170.59</b>	<b>26.85</b>	<b>26.62</b>	<b>65.88</b>	<b>40.00</b>
<b>D</b>	<b>Current assets, loans and advances</b>						
	Inventories	442.63	275.06	172.83	217.34	13.89	4.03
	Receivables	2,172.20	1,356.37	624.63	186.99	53.17	67.68
	Cash & bank balances	380.68	269.33	1,056.72	366.09	13.10	7.15
	Loans and advances	909.12	713.72	432.57	144.22	58.16	81.60
		<b>3,904.63</b>	<b>2,614.47</b>	<b>2,286.74</b>	<b>914.65</b>	<b>138.33</b>	<b>160.46</b>
<b>E</b>	<b>Liabilities &amp; Provisions</b>						
	Loan funds						
	Secured loans	628.43	199.53	440.96	158.56	2.58	0.35
	Unsecured loans	5.86	-	17.00	96.16	-	0.04
	Current Liabilities	1,837.24	960.01	325.57	241.54	38.27	69.27
	Provisions	55.70	88.36	38.72	12.57	1.09	0.71
		<b>2,527.23</b>	<b>1,247.90</b>	<b>822.25</b>	<b>508.82</b>	<b>41.94</b>	<b>70.37</b>
<b>F</b>	<b>Deferred Tax Liabilities</b>	<b>29.04</b>	<b>9.01</b>	<b>2.21</b>	<b>8.22</b>	<b>3.94</b>	<b>1.96</b>
	<b>Net worth (A+B+C+D-E-F)</b>	<b>1,874.45</b>	<b>1,704.26</b>	<b>1,580.16</b>	<b>515.23</b>	<b>192.98</b>	<b>143.59</b>
	<b>Represented by:</b>						
<b>G</b>	<b>Share Capital</b>	<b>378.68</b>	378.68	378.68	202.45	198.00	148.00
<b>H</b>	<b>Share Application money</b>	-	-	-	300.00	-	-
<b>I</b>	<b>Employee Stock Option Outstanding</b>	<b>17.47</b>	3.24	-	-	-	-
<b>J</b>	<b>Minority Interest</b>	<b>49.43</b>	-	0.66	0.66	0.10	0.10
<b>K</b>	<b>Reserves &amp; surplus</b>	<b>1,428.88</b>	1,322.34	1,200.87	12.18	(5.09)	(4.47)
<b>L</b>	<b>Less: Miscellaneous expenditure not written off</b>	<b>(0.01)</b>	(0.01)	(0.06)	(0.07)	(0.03)	(0.03)
	<b>Net Worth (G+H+I+J+K-L)</b>	<b>1,874.45</b>	<b>1,704.25</b>	<b>1,580.16</b>	<b>515.23</b>	<b>192.98</b>	<b>143.59</b>

**ANNEXURE 2: CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT, AS RESTATED**

Year ended	Period Ended 30.09.07	(Rs. in millions)				
		31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>Income</b>						
<b>Sales:</b>						
Revenue from Engg Construction Contracts	1,192.12	2,291.42	1,445.34	742.74	218.59	231.81
Sale & Maintenance of Wind Turbine Generators	1,032.72	665.75	-	-	-	-
Other income	26.37	48.56	9.70	3.01	0.30	0.05
<b>Total Income</b>	<b>2,251.21</b>	<b>3,005.73</b>	<b>1,455.04</b>	<b>745.74</b>	<b>218.89</b>	<b>231.86</b>
<b>Expenditure</b>						
Raw Materials & Goods Consumed	721.66	462.03	-	-	-	-
Manufacturing , Construction & operating expenses	1,159.28	2,057.07	1,227.20	368.17	180.86	162.48
(Increase)/decrease in inventory	(1.53)	(0.19)	(44.51)	203.45	9.86	50.42
Employee costs	82.98	93.36	55.99	23.37	2.73	1.87
Other Costs	70.50	112.71	73.45	79.75	18.91	10.68
Interest	41.84	41.19	38.40	35.48	0.19	0.22
Depreciation	11.77	13.68	9.18	9.36	1.26	0.75
Miscellaneous expenditure written off	0.00	9.27	2.28	8.43	0.32	0.18
<b>Total Expenditure</b>	<b>2,086.50</b>	<b>2,789.12</b>	<b>1,361.99</b>	<b>728.00</b>	<b>214.13</b>	<b>226.60</b>
<b>Net Profit before tax</b>	<b>164.71</b>	<b>216.61</b>	<b>93.05</b>	<b>17.75</b>	<b>4.77</b>	<b>5.26</b>
Provision for taxation						
- Current Tax	37.20	75.00	22.00	6.00	0.38	0.47
- Deferred Tax	21.11	6.80	(6.02)	3.33	1.98	1.28
- Fringe Benefit Tax	2.03	3.45	2.56	-	-	-
- Tax pertaining to earlier Years		-	-	-	0.13	-
<b>Net profit after tax as per financial statements</b>	<b>104.37</b>	<b>131.36</b>	<b>74.51</b>	<b>8.42</b>	<b>2.27</b>	<b>3.51</b>
Adjustments on account of						
Deferred Revenue Expenditure	-	(9.27)	9.59	(7.52)	2.19	1.42
Amortisation of Technical Knowhow	-	-	-	-	0.83	0.69
Income Tax earlier years	-	-	-	-	(0.13)	0.13
<b>Restated Net Profit</b>	<b>104.37</b>	<b>140.63</b>	<b>64.92</b>	<b>15.94</b>	<b>(0.62)</b>	<b>1.28</b>
Balance brought forward from Previous Year	226.77	75.81	10.89	(5.09)	(4.47)	0.61

Share of Profits from Associates	0.09	-	-	-	-	-
Adjustments on Consolidation	-	10.33	-	-	-	-
Minority Interest	0.17	-	(0.00)	0.04	(0.00)	-
<b>Adjustment on account restatement</b>						
Deferred Revenue Expenditure	-	-	-	-	-	(5.89)
Amortisation of Technical Knowhow				1.99	-	(0.47)
<b>Appropriations</b>						
Additional amortisation of Technical knowhow		-	-	(1.99)	-	-
<b>Balance carried to Balance sheet, as restated</b>	<b>331.40</b>	<b>226.77</b>	<b>75.81</b>	<b>10.89</b>	<b>(5.09)</b>	<b>(4.47)</b>

**ANNEXURE 3: CONSOLIDATED STATEMENT OF CASH FLOWS, AS RESTATED**

	<i>Rs in Million</i>					
<b>PARTICULARS</b>	<b>Period Ended 30.09.07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Restated Net Profit / ( Loss ) before Tax	164.72	225.88	83.46	25.27	1.75	3.16
Interest Income	(17.22)	(46.16)	(4.23)	(2.16)	(0.30)	(0.05)
Dividend Income on Investments		(1.99)				
Depreciation	11.77	13.68	9.18	9.36	2.08	1.44
Exchange fluctuations		-	-	-		
Preliminary and Deferred Revenue Expenses written off	0.00	-	11.87	0.91	2.51	1.60
Interest expenditure	41.84	40.43	38.40	35.48	0.02	-
Employee share option expense	14.23	3.24	-	-	-	-
Profit on sale of fixed assets	(1.85)	(0.00)	-	-	-	-
<b>Operating Profit before working capital changes</b>	<b>213.49</b>	<b>235.09</b>	<b>138.68</b>	<b>68.85</b>	<b>6.05</b>	<b>6.15</b>
<b>Working capital changes :</b>						
Decrease / ( Increase ) in Inventories	(145.91)	(102.23)	44.51	(203.45)	(9.86)	50.42
Decrease / ( Increase ) in Sundry Debtors	(783.33)	(731.74)	(437.63)	(133.82)	14.51	(47.37)
Decrease / ( Increase ) in Loans and Advances	(183.54)	(270.48)	(288.35)	(86.05)	23.43	15.39
Increase / ( Decrease ) in Current Liabilities and provisions	820.18	637.82	104.17	219.02	(28.51)	(84.48)
<b>Cash used in operations</b>	<b>(79.12)</b>	<b>(231.55)</b>	<b>(438.62)</b>	<b>(135.45)</b>	<b>5.62</b>	<b>(59.89)</b>
Income tax	(41.44)	(58.90)	(18.54)	(9.33)	(2.50)	(1.75)
<b>Net cash from operating activities</b>	<b>(120.56)</b>	<b>(290.45)</b>	<b>(457.16)</b>	<b>(144.78)</b>	<b>3.12</b>	<b>(61.64)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Sale of fixed assets	2.19					
Additions to fixed asset	(165.90)	(99.07)	(9.19)	(65.71)	(21.29)	(8.40)
Capital profit on merger		-	-	1.29	-	-
Deferred Revenue expenditure incurred		-	(11.87)	(0.96)	(2.49)	(5.90)
Purchase of Investments	(11.00)	(171.85)	(0.23)	39.26	(25.88)	-
Sale of Investments		50.79	-	-	-	-

Dividend Received		1.99	-	-	-	-
Interest received	14.39	45.50	4.23	2.16	0.30	0.05
<b>Net cash from investing activities</b>	<b>(160.32)</b>	<b>(172.65)</b>	<b>(17.05)</b>	<b>(23.96)</b>	<b>(49.36)</b>	<b>(14.26)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from Issue of Shares		-	1,000.00	305.05	50.00	80.10
Share Issue Expenses		(29.74)	-	-	-	-
Proceeds from Borrowings	422.89	(246.43)	203.24	252.13	2.20	0.35
Interest paid	(41.84)	(48.13)	(38.40)	(35.48)	(0.02)	-
<b>Net Cash from Financing activities</b>	<b>381.05</b>	<b>(324.30)</b>	<b>1,164.84</b>	<b>521.71</b>	<b>52.18</b>	<b>80.45</b>
<b>TOTAL INCREASE ( DECREASE ) IN CASH AND CASH EQUIVALENTS DURING THE YEAR ( A + B + C )</b>	<b>100.18</b>	<b>(787.39)</b>	<b>690.63</b>	<b>352.98</b>	<b>5.94</b>	<b>4.54</b>
Cash and Cash equivalents as at the beginning of the year	280.50	1,056.72	366.09	13.10	7.15	2.61
Cash and Cash equivalents as at the end of the year	380.68	269.33	1,056.72	366.09	13.10	7.15

#### **APPENDIX 4: NOTES ON ADJUSTMENTS FOR CONSOLIDATED RESTATED FINANCIAL STATEMENTS.**

##### **Changes in Accounting policies and estimates:**

- a. The company adopted Accounting Standard 26, ('AS-26') Intangible Assets' issued by the Institute of Chartered Accountants of India for the first time in preparing the financial statements for the year ended March 31, 2005. For the purpose of this statement, AS-26 has been applied for the years ended March 2002, March 31, 2003 and 2004 as if it was applicable since then. Accordingly, the amortization of the technical know-how has been recomputed for the years ended March 2002, March 2003 and March 31, 2004.

Further, the Accumulated Profit and Loss balance as at April 1, 2002 has been appropriately adjusted to reflect the impact of amortization of technical know-how and accordingly the amount earlier adjusted to the opening reserves for the year ended March 31, 2005, on account of first-time application of the standard has been reversed appropriately in the summary statement of profits and losses, as restated, and summary statement of assets and liabilities, as restated.

- b. The Company charged off Deferred Revenue Expenditure to the Profit & Loss Account, as required by Accounting Standard 26 – Intangible Assets for the first time in preparing the financial statements for the year ended March 31, 2005. For the purpose of this statement, AS-26 has been applied for the years ended March 2002, March 31, 2003 and 2004 as if it was applicable since then. Accordingly, the amortization of the deferred revenue expenditure has been recomputed for the years ended March 2002, March 2003 and March 31, 2004.

Further, the Accumulated Profit and Loss balance as at April 1, 2002 has been appropriately adjusted to reflect the impact of amortization of deferred revenue expenditure and accordingly the amount earlier charged off to the Profit & Loss account for the year ended March 31, 2005, on account of first-time application of the standard has been reversed appropriately in the consolidated summary statement of profits and losses, as restated, and consolidated summary statement of assets and liabilities, as restated.

Further any deferred revenue expenditure incurred subsequent to March 31, 2005 has been charged in the year in which they have been incurred.

**Prior Period Items:**

Short provision of taxes relating to earlier years has been adjusted to the year to which they relate.

**Material Regroupings:**

- a. Up to the year ended March 31, 2005, Provision for Gratuity was grouped under the head Other Liabilities in the financial statements. During the year ended March 31, 2007, the said provision has been shown as a separate line item under the head Provisions. The classification in the restated statement of assets and liabilities for the year ended March 31, 2003 to March 31, 2006 has been regrouped and disclosed accordingly.
- b. Up to the year ended March 31, 2007, Advance payment of Income Tax and Provision for Taxation had been classified under Loans and Advances and Provisions respectively. During the period ended September 30, 2007 the said advance payment of Income Tax has been set off against provision for Income Tax. The classification in the restated statement of assets and liabilities for the year ended March 31, 2003 to March 31, 2007 has been regrouped and disclosed accordingly.

**Non Adjustments:**

**Leave encashment:**

Upto the year ended March 31, 2006 the Company accounted for leave encashment as and when claimed by the employees. During the year ended March 31, 2007, the company changed the basis of providing leave encashment to an amount determined on the basis of accumulated leave, lying to the credit of the employees as at the year end. No adjustment has been made for earlier periods since in the opinion of the Company the impact of the same on the summary statement of profits and losses, as restated is not material.

**ANNEXURE 4A: NOTES TO THE CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES, AS RESTATED**

**Statement of Significant Accounting Policies**

**1. a. Basis of Preparation of Financial Statement**

The financial statements are prepared under the historical cost and in accordance with generally accepted accounting principles in India.

**b. Principles of consolidation**

- i) The consolidated financial statements relate to **Shriram EPC Limited** ('the Company') it's Subsidiary and Associates. The consolidated financial statements have been prepared on the following basis.

The financial statements of the company and its Subsidiary have been prepared on a line by line consolidation by adding together the book values of like items of assets, liabilities, income and expenses as per the respective financial statements duly certified by the auditors of the respective companies. Intra group balances and intra group transactions have been eliminated.

Equity method of Accounting has been followed for Investments in Associates in accordance with AS 23- Accounting for Investments in Associates, wherein Goodwill/ Capital Reserve arising at the time of acquisition and share of profit or losses after the date of acquisition has been adjusted in investment value, based on the audited / unaudited financial statements of the associates.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances except in the case of certain Associates the impact of which is not quantifiable.

The excess of cost to the company and its subsidiary of their investments in their subsidiary is recognized in the financial statements as goodwill

ii. Details of Investments in subsidiary and associates held by the company:

Name of the Subsidiary/Associate	Type	Country of Incorporation	Ownership Interest (%)	Original Cost of Investments Rs in Millions
Ennore power Coke Limited	Associate	India	31.74%	96.53
Hamon Shriram Cottrell Private Limited (Formerly Hamon Thermopack Engineers Private Limited)	Subsidiary	India	50.00%	57.62
Leitner Shriram Manufacturing Limited	Associate	India	48.98%	55.24
Orient Green Power Company Limited	Associate	India	37.50%	0.76

iii. Details of Investments in subsidiaries for the period 1<sup>st</sup> April 2002 to 31<sup>st</sup> March 2006:

Name of the subsidiary	Country of Incorporation	Ownership Interest (%)	Original Cost of Investments Rs .Million
Shriram PPR Technology Private Limited	India	99.60%	25.56
Haldia Cokes and Chemicals Limited	India	97.71%	25.00
<b>Total</b>			<b>50.56</b>

c. **Other Significant Accounting Policies**

**1 Use of estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as of the date of the financial statements. Actual results could differ from those estimated. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

**2 Revenue Recognition**

Income in respect of sale of goods is recognised at the time of transfer of title. Sales are inclusive of all taxes.

Revenue in respect of Contracts is recognised as and when progressive bills are raised based on customers measurement acceptance and terms of the Contract, taking into consideration technical estimate revision, costs to complete and stages of completion. Profits are recognised after charging corresponding proportionate costs relating to the Contractual billings. Escalation, which in the opinion of the Management is recoverable on the contract are also recognised as and when the claims are accepted by the customers.

Provision for anticipated losses on contracts is being made in the year they are established.

Dividend Income on Investments is accounted for when the right to receive the payment is established.

**3 Investments**

Long term Investments are valued at cost and provision is made if the diminution in value is other than temporary in nature. Current Investments are carried at cost or market value whichever is lower.

**4 Fixed Assets and Depreciation**

Fixed assets are stated at cost. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use. With regard to assets acquired under the finance lease, the cost of assets is capitalised while the annual charges are charged to revenue.

#### **Tangible assets**

Depreciation is provided for on Straight Line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are written off over the primary period of their lease.

In respect of assets impaired, the revised carrying value is depreciated over its remaining useful life.

Individual assets costing less than Rs, 5000/- each is depreciated in full in the year of addition.

#### **Intangible assets**

Intangible assets are amortised over the period of 5 to 10 years based on estimated useful life of the asset.

### **5 Impairment of Fixed Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

### **6. Inventories**

Raw Materials and stores and spares are valued at cost. Cost on FIFO basis includes freight, taxes and duties net of VAT credit wherever applicable.

Works in progress relating to windmill division are valued at lower of cost and net realisable value. Work in progress relating to construction contracts reflects the proportionate cost of inputs and direct expenses on contracts yet to be billed.

Stock of land for windmill projects is valued at lower of cost and net realisable value. Cost of land includes purchase consideration, stamp duties and registration charges for transfer of title.

### **7. Foreign Currency Transaction**

Foreign currency transactions are recorded at the rate prevailing on the date of transaction. At the year end, all monetary assets and liabilities denominated in foreign currency are restated at the year end exchange rates. Exchange differences arising on actual payment/realisation are recognised in profit and loss account.

### **8 Deferred Revenue Expenditure**

Preliminary expenses incurred in the year 2002 are amortised over a period of ten years.

### **9 Employee Benefits**

#### **Defined Contribution Plans:**

Fixed contributions to government administered Provident Fund, Employees Pension Fund are recognised in the Accounts on actual cost to the Company.

#### **Defined Benefit Plans:**

#### **Gratuity**

The company accounts its liability for future gratuity benefits based on the actuarial valuation as at the balance sheet date, determined using the Projected Unit Credit method. Gratuity benefit is not funded.

## **Leave Encashment**

Leave encashment is paid to employees only upon their retirement / resignation from the Company and the same is determined and accounted on actuarial valuation as at the balance sheet date using Projected Unit credit method.

Short Term Employee Benefits:

Short term employee benefits, including short term accumulated compensated absences where absences expected to occur within twelve months after the end of the period in which employees render the related employee service are recognised as an expense on an undiscounted basis.

## **10 Taxation**

Provision for taxation comprise of the current tax provision, fringe benefit tax and the net change in the deferred tax asset or liability during the year. Deferred tax assets and the deferred tax liabilities are recognised for the future tax consequences of timing differences between carrying values of the assets and liabilities and their respective tax bases using enacted or substantially enacted tax rates. Deferred tax assets are recognised only if there is a virtual certainty that they can be realised.

## **11 Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in recognition of income that may never be realised.

## **2. Note on Convertible Preference Shares**

The zero % Convertible Preference Shares held by M/s Uno Investments and M/s Bessemer Venture Partners Trust have been converted during the period on exercise of the option of the holder into Equity Shares as provided for in the Investment Agreement with them at the ratio of 1 equity share for each preference share held.

3. Sundry Debtors, Loans and Advances, Deposits and Creditors includes certain amounts which are subject to confirmation. In the opinion of the management these balances are considered good and recoverable in the normal course of business and will realise the value stated in the accounts.
4. Based on technical assessment by the management there are no future anticipated losses that needs to be provided for on contracts.

## **5. Disclosures under Accounting Standard 15 (AS 15):**

### **Provision for gratuity:**

	<i>Rs. In Millions</i>
<b>Present value of obligations at the beginning of the period.</b>	6.75
Current Service cost	0.56
Interest Cost	0.26
Actuarial (Gain) or Loss	-0.18
Benefits Paid	0
<b>Present value of obligations at the end of the period</b>	<b>7.40</b>
<b>Cost for the period</b>	
Current service cost	0.56
Interest Cost	0.26

Expected return on plan assets	0
Net actuarial (gain) / Loss recognized in the period	-0.18
<b>Net Cost</b>	<b>0.64</b>
<b>Assumptions</b>	
Discount Rate	8%
Expected rate of salary increases	4%

## 5. Segment Information

Particulars	<i>Rs. In Millions</i>			
	Construction Contracts	Windmill	Unallocated	Consolidated Total
	30.09.07	30.09.07	30.09.07	30.09.07
External Sales	1,192.12	1,038.37		<b>2,230.49</b>
Intersegmental Sales	-	-		-
Total Revenue	1,192.12	1,038.37		<b>2,230.49</b>
<b>Result</b>				
Segment Result	93.30	245.90		<b>339.20</b>
Less: Inter Segment Margin on capital jobs	-	-		-
Unallocated Corporate income/expenditure(net)	-	-	<b>153.37</b>	<b>153.37</b>
Operating Profit	945.40	245.90	153.37	<b>185.83</b>
Interest expenses	33.90	7.94	-	<b>41.84</b>
Interest Income	17.22	3.50	-	<b>20.72</b>
Profit before Tax	<b>928.72</b>	<b>241.46</b>	<b>153.37</b>	<b>164.71</b>
Provision for Current Tax	-	-	37.20	<b>37.20</b>
Provision for Deferred tax	-	-	21.11	<b>21.11</b>
Provision for FBT	-	-	2.03	<b>2.03</b>
Profit after Tax ( before extra ordinary items)	<b>928.72</b>	<b>241.46</b>	<b>93.03</b>	<b>104.37</b>
Other Information	-	-	-	-
Segment Assets	2,567.59	1,685.90	-	<b>4,253.49</b>
Unallocated Corporate Assets	-	-	177.23	<b>177.23</b>
Total Assets	<b>2,567.59</b>	<b>1,685.90</b>	<b>177.23</b>	<b>4,430.72</b>
Segment Liabilities	2,070.01	486.27	-	<b>2,556.28</b>
Unallocated Corporate Liabilities	-	-	49.43	<b>49.43</b>
Total Liabilities	<b>2,070.01</b>	<b>486.27</b>	<b>49.43</b>	<b>2,605.71</b>
Capital Expenditure	155.11	9.14	-	<b>164.25</b>
Unallocated Corporate Capital Expenditure	-	-	-	-
Depreciation included in Segment expenses	<b>8.34</b>	<b>1.94</b>	-	<b>10.28</b>
Unallocated Corporate Depreciation	-	-	-	-
Noncash expenses other than Depreciation	-	-	-	-
<b>SECONDARY SEGMENT</b>				
Market				
Africa	-	-		
Thailand	-	-		
India	<b>2,230.50</b>			
Total	<b>2,230.50</b>	-		

## 7. DETAILS OF RELATED PARTY TRANSACTIONS

PARTICULARS		30.09.07	2006-07	2005-06	2004-05	2003-04	2002-03	
<b>Associate</b>	Leitner Shriram Manufacturing Limited		Leitner Shriram Manufacturing Limited	-		-	-	
	Ennore Coke Limited		Ennore Coke Limited	-		-	-	
	Orient Green Power Ltd		Orient Green Power Ltd	-		-	-	
<b>Key Management Personnel (KMP)</b>	T.Shivaraman		Vathsala Ranganathan	M.Amjad Shariff	M.Amjad Shariff		-	-
	Amjad Shariff			Santhosh Kamat	Santhosh Kamat		-	-
<b>Relatives of KMP</b>	Vathsala Ranganathan							
	V.Ravi Srinivasan		V.Ravi Srinivasan					
								<i>Rs in Millions</i>
<b>b)Particulars of transactions</b>								
SNo	Particulars	30.09.07	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	Total
<b>1 Associates</b>								
	Sales	97.38	235.90	-	-	-	-	333.28
	Investments made in Equity shares	0.46	172.08	-	-	-	-	172.54
	Reimbursement of expenses	-	9.71	-	-	-	-	9.71
	Lease / Service charges	-	0.21	-	-	-	-	0.21
	Purchases	5.04	16.56	-	-	-	-	21.60
	Total	102.88	434.46	-	-	-	-	537.34
	Amount outstanding Dr / (Cr)		-	-	-	-	-	
<b>2 Key Management Personnel</b>								
	Managerial remuneration	2.57	1.16	3.03	1.94	-	-	8.70
	Total	2.57	1.16	3.03	1.94			8.70
	Amount outstanding Dr / (Cr)	-	-	-	-	-	-	
<b>3 Relatives of KMP</b>								
	Rent Paid	0.22	5.00	-	-	-	-	5.22
	Others (please specify)	-	-	-	-	-	-	
	Total	0.22	5.00	-	-	-	-	5.22
	Amount outstanding Dr / (Cr)	-	-	-	-	-	-	

## 8. Earnings Per Share

	30.09.07	31.03.07
<b>A BASIC</b>		
Profit attributable to equity share holders – Used as Numerator (A) (Rs. In Millions)	104.25	131.37
The weighted average number of equity shares Outstanding during the year used as Denominator (B)	20246515	20245193
Basic Earnings Per share (Rupees)	5.15*	6.49
Face Value of Share	10	10
<b>B DILUTED</b>		
Profit attributable to equity share holders – Used as Numerator (A) (Rs. In Millions)	104.25	131.37
The weighted average number of potential equity shares Outstanding during the year including stock options used as Denominator (B)	39418489	39044280
Diluted Earnings Per share (Rupees)	2.64*	3.36
Face Value of Share	<b>10</b>	<b>10</b>

\* Not Annualised

## 9. Deferred Tax – Disclosure under Accounting Standard 22.

	<i>Amount in Millions</i>	
	As at 30.09.07	As at 31.03.07
<b>A Deferred Tax Liability</b>		
On Depreciation	37.54	17.10
<b>Total Liability</b>	<b>37.54</b>	<b>17.10</b>
<b>B Deferred Tax Asset</b>		
Disallowance under Section 43B	1.40	-----
Deduction under Section 35D	7.10	8.09
<b>Total Asset</b>	<b>8.50</b>	<b>8.00</b>
<b>Net Deferred Tax Liability</b>	<b>29.04</b>	<b>9.08</b>

## 10. Shriram EPC Limited 2006 ESOP Scheme (the Scheme)

a. In pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on 20<sup>th</sup> November, 2006 the Company instituted an ESOP Scheme for all its eligible employees. The Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries, excluding the directors, whether wholtime or not. The Scheme is administered by the Compensation Committee of the Company.

In accordance with the Scheme the Company has granted on November 22, 2006 ( Grant date) options to eligible employees at an exercise price of Rs. 10/- per equity share. Under the terms of the Scheme the options will vest in the employees in the following proportion:

Vesting Schedule	In respect of employees who are in employment with the company prior to 1.1.2001	In respect of employees who have joined the company after to 1.1.2001
November 22, 2007	30%	20%
November 22, 2008	30%	20%
November 22, 2009	20%	30%
November 22, 2010	20%	30%

The employees stock options granted shall be capable of being exercised within a period of eight years from the date of the grant.

During the period ended September 30, 2007, no eligible employees have exercised their options as the date of first vesting falls in the succeeding period. Further 52,543 options were forfeited as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below:

Options at the beginning of the period	11,76,490
Granted during the period	4,24,952

Forfeited during the period	52,543
Exercised during the period	Nil
Expired during the period	Nil
Options outstanding at the end of the period	15,48,899
Exercisable at the end of the period	Nil

Deferred stock compensation expense:

As per the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, the Company has considered the best available estimate of the number of shares or stock options expected to vest based on the current attrition rates of its employees and measured the compensation expense at fair value on the date of grant.

Options granted under the Scheme gives rise to a Deferred stock compensation expense of Rs. 108.42 millions. For the period ended 30<sup>th</sup> September 2007, an amount of Rs. 14.22 millions, being pro-rata charge in respect of such employee compensation has been charged to profit and loss account.

The value of services received in return for share options granted are measured by reference to the fair value of share options granted and this is evaluated on the basis of an independent valuation.

**Modification in the Terms of the Scheme**

The company has carried out a modification in “the scheme” and accordingly additional grants of 424,952 options have been made during the period. These grants have been made as at 1<sup>st</sup> April 2007 and will vest with the employees in same proportion as in the original scheme.

The values of services rendered in return for share options granted are measured by reference to the fair value of the share options granted and this is evaluated on the basis of an independent valuation carried out as on the grant date.

Consequent to the above modification an additional expense amounting to Rs. 12.70 millions has been recognised in the current period.

**Shriram EPC Limited 2007 ESOP Scheme ( the Scheme )**

The Company instituted another Scheme for all eligible employees in pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on 20<sup>th</sup> September, 2007. The Scheme covers grant of options to specified permanent employees of the Company. The Scheme is administered by the Compensation Committee of the Company.

The company has not granted any options under the new scheme and accordingly no expense has been recognised in the books of the company.

11. Previous year figures have been regrouped to conform to the presentation of current year’s accounts.

**ANNEXURE 5: STATEMENT OF LOANS AVAILED, AS RESTATED**

<b>Secured Loans</b>	<i>(Rs. in millions)</i>					
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Loans from promoter group -- Hire Purchase	-	-	39.69	34.38	-	-
Others	628.43	199.53	401.27	124.18	2.58	0.35
<b>Total</b>	<b>628.43</b>	<b>199.53</b>	<b>440.96</b>	<b>158.56</b>	<b>2.58</b>	<b>0.35</b>

<b>Unsecured loans</b>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Others	5.86	-	17.00	96.16	-	0.04
<b>Total</b>	<b>5.86</b>	<b>-</b>	<b>17.00</b>	<b>96.16</b>	<b>-</b>	<b>0.04</b>

Notes: Promoter and Promoter group comprises the following:

Promoters: Shriram Auto Finance

**ANNAEXURE 5A: DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT SEPTEMBER 30, 2007**

<b>Name of the Institution</b>	<b>Amount</b>	<b>Interest Rate</b>	<b>Repayment Terms</b>	<b>Security</b>
<b>i) Vehicle Loan (Rs. 4.33 Million)</b>				
Citibank N.A.	4.34		Amount Due within one year from the balance sheet date Rs. 1.72 Million.	Secured against the vehicles purchased from the proceeds of such Loans
<b>ii) Working Capital Facilities</b>				
Oriental Bank of Commerce	126.36	1% below PLR	As stipulated by each of the Banks.	Secured by hypothecation of Inventories of Raw Materials, work in process, finished goods, stores , spares and consumables and Receivables on a pari-passu basis with other participating lenders and a first charge on the Company's fixed assets on a pari – passu basis with other lending Banks

UTI Bank Limited	30.79	3.50% below PLR	As stipulated by each of the Banks.	Secured by a first pari-passu charge over the entire current and unencumbered fixed assets along with other working capital bankers
Yes Bank Limited	90.82	2% below PLR	As stipulated by each of the Banks.	Secured by a first pari passu charge on all assets of the Company excluding specific project assets
Indian Bank	81.65	1% below BPLR	As stipulated by each of the Banks.	Secured by a first pari passu charge on all current assets of the Company further collateral security by a paripassu charge on fixed assets present and future.
Bank of Maharashtra	145.47	1% below BPLR	As stipulated by each of the Banks.	Secured by a first pari passu charge on all assets of the Company pertaining to all divisions along with other participating Banks
HDFC Ltd	149.00	10.50%	As stipulated by each of the Banks.	Working Capital Demand Loan Secured by pari passu charge on all current assets of the Company
<b>Total</b>	<b>628.43</b>			

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**

**AS AT 30.09.2007**

*Rs. In Millions*

SNo	Block of Assets	Gross Block			Depreciation			Net Block			
		As at 1.04.2007	Additions	Deletions	As at 30.09.07	Upto 31.03.2007	For the period	Deletions	Upto 30.09.07	As at 30.09.07	As at 31.03.2007
<b>Tangible Assets</b>											
1	Freehold Land	24.29	-	-	24.29	-	-	-	-	24.29	24.29
2	Buildings	27.46	2.96	0.59	29.83	4.02	0.58	0.26	4.34	25.49	23.44
3	Leasehold Improvements	6.28	4.82	-	11.10	0.25	0.94	-	1.19	9.91	6.03
4	Plant and Machinery	60.54	148.30	-	208.84	7.99	2.12	-	10.11	198.73	52.55
5	Furniture and Fixtures	6.10	1.58	-	7.68	2.55	0.52	-	3.07	4.61	3.55
6	Office Equipment	4.96	0.94	-	5.90	1.71	0.17	-	1.88	4.02	3.25
7	Computers and Software	20.14	3.81	0.01	23.94	10.13	1.44	0.00	11.57	12.37	10.00
8	Vehicle	12.78	2.43	-	15.21	2.82	0.73	-	3.55	11.66	9.96
9	Patterns	7.46	-	-	7.46	4.65	0.42	-	5.07	2.39	2.81
10	Intangible Assets	83.69	-	-	83.69	24.60	4.86	-	29.46	54.23	59.09
	<b>Total</b>	<b>253.70</b>	<b>164.84</b>	<b>0.60</b>	<b>417.94</b>	<b>58.72</b>	<b>11.78</b>	<b>0.26</b>	<b>70.24</b>	<b>347.70</b>	<b>194.97</b>

Note : Vehicles includes Rs 9.49 millions acquired under Hire Purchase

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**

**AS AT 31.03.2007**

*Rs. In Millions*

SNo	Block of Assets	Gross Block			Depreciation			Net Block	
		As at 1.04.2006	Additions	Deletions	As at 31.03.2007	Upto 31.03.2006	Additions	Deletions	Upto 31.03.2007

<b>Tangible Assets</b>											
<b>1</b>	Freehold Land	-	24.29	-	24.29	-	-	-	-	24.29	-
<b>2</b>	Buildings	-	12.74	-	12.74	-	0.21	-	0.21	12.53	-
<b>3</b>	Leasehold Improvements	-	6.28	-	6.28	-	0.25	-	0.25	6.03	-
<b>4</b>	Plant and Machinery	33.03	25.53	-	58.56	4.83	2.20	-	7.03	51.53	28.20
<b>5</b>	Furniture and Fixtures	3.25	1.41	-	4.66	1.21	0.57	-	1.78	2.88	2.04
<b>6</b>	Office Equipment	2.82	0.83	0.11	3.54	0.65	0.23	-	0.88	2.66	2.17
<b>7</b>	Computers and Software	9.09	5.53	0.07	14.55	4.24	1.66	0.01	5.89	8.66	4.86
<b>8</b>	Vehicle	6.84	3.77	-	10.61	1.59	0.61	-	2.20	8.41	5.25
<b>Intangible Assets</b>											
<b>9</b>	Technical Knowhow	65.00	18.69	-	83.69	16.65	7.95	-	24.60	59.09	48.35
<hr/>											
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<hr/>											
<b>Total</b>		<b>120.03</b>	<b>99.07</b>	<b>0.18</b>	<b>218.92</b>	<b>29.17</b>	<b>13.68</b>	<b>0.01</b>	<b>42.84</b>	<b>176.08</b>	<b>90.87</b>

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**

**AS AT 31.3.2006**

*Rs. In Millions*

SNo	Particulars	Gross Block			Depreciation			Net Block	
		As at	Additions/	As at	Upto	for the	Upto	As at	As at
		1.04.2005	Deletions	31.03.2006	31.03.2005	year	31.03.2006	31.03.2006	31.03.2005
		during the							
		year							
<b>1</b>	Intangible Assets :								
	- Technical Knowhow	65.00	-	<b>65.00</b>	10.15	6.50	<b>16.65</b>	<b>48.35</b>	54.85
<b>2</b>	Vehicles	5.43	1.41	<b>6.84</b>	1.08	0.50	<b>1.58</b>	<b>5.26</b>	4.35
<b>3</b>	Office Equipment	0.00	0.94	<b>0.94</b>	0.00	0.15	<b>0.15</b>	<b>0.79</b>	0.00
<b>4</b>	Plant & Machinery	29.45	3.10	<b>32.55</b>	3.42	1.35	<b>4.77</b>	<b>27.79</b>	26.03
<b>5</b>	Furniture & fixtures	2.28	1.12	<b>3.40</b>	1.06	0.16	<b>1.22</b>	<b>2.17</b>	1.22
<b>6</b>	Computers & Software	6.34	2.62	<b>8.96</b>	3.71	0.52	<b>4.23</b>	<b>4.73</b>	2.64
	<b>Total</b>	<b>108.50</b>	<b>9.19</b>	<b>117.69</b>	<b>19.42</b>	<b>9.18</b>	<b>28.60</b>	<b>89.09</b>	<b>89.09</b>

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**

**AS AT 31.3.2005**

*Rs. In Millions*

SNo	Particulars	Gross Block				Depreciation				Net Block	
		As at	Assets	Additions/	As at	Upto	On Assets	for the	Upto	As at	As at
		1.04.2004	acquired on	Deletions	31.03.2005	31.03.2004	acquired on	year	31.03.2005	31.03.2005	31.03.2004
		Amalgamation	during the			Amalgamation					
		during the year	year								
<b>1</b>	Intangible Assets-										
	Technical Knowhow	15.00	50.00	-	65.00	1.67	-	8.49	10.16	54.84	13.33
<b>2</b>	Vehicle	1.49	0.61	3.33	5.43	0.08	0.52	0.48	1.08	4.35	1.41
<b>3</b>	Office Equipment	0.00	1.33	0.36	1.69	0.00	0.45	0.11	0.56	1.13	0.00
<b>4</b>	Plant & Machinery	18.85	5.10	5.49	29.44	0.13	2.06	1.23	3.42	26.02	18.73
<b>5</b>	Furniture & fixtures	0.18	1.61	0.50	2.29	0.01	0.92	0.13	1.06	1.23	0.16
<b>6</b>	Computers & Softwares	2.75	2.26	1.33	6.34	0.55	2.26	0.90	3.71	2.64	2.20
	<b>Total</b>	<b>38.27</b>	<b>60.90</b>	<b>11.02</b>	<b>110.19</b>	<b>2.44</b>	<b>6.21</b>	<b>11.34</b>	<b>20.00</b>	<b>90.20</b>	<b>35.83</b>

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**

**AS AT 31.3.2004**

*Rs. In Millions*

SN o	Particulars	Gross Block			Depreciation		Net Block		
		As on 1.04.2003	Additions / Deletions During the year	At cost as on 31.03.2004	Upto 31.03.2003	for the year	Upto 31.03.2004	WDV as on 31.03.2004	WDV as on 31.03.2003
<b>1</b>	Intangible Assets- Technical Knowhow	15.00	-	15.00	0.99	0.68	1.67	13.33	14.01
<b>2</b>	Vehicle	0.58	0.91	1.49	0.02	0.06	0.08	1.41	0.56
<b>3</b>	Office Equipment	0.18	0.65	0.83	0.00	0.02	0.02	0.82	0.18
<b>4</b>	Plant & Machinery	-	18.85	18.85	-	0.13	0.13	18.73	-
<b>5</b>	Furniture & fixtures	0.09	0.09	0.18	0.00	0.01	0.01	0.16	0.09
<b>6</b>	Computers & Softwares	1.96	0.79	2.75	0.18	0.37	0.55	2.20	1.78
	<b>Total</b>	<b>17.81</b>	<b>21.29</b>	<b>39.10</b>	<b>1.19</b>	<b>1.27</b>	<b>2.46</b>	<b>36.65</b>	<b>16.62</b>

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**

**AS AT 31.3.2003**

*Rs. In Millions*

SNo	Particulars	Gross Block		Depreciation			Net Block		
		As on 1.04.2002	Additions/ Deletions During the year	At cost as on 31.03.2003	Upto 31.03.2002	for the year	Upto 31.03.2003	WDV as on 31.03.2003	WDV as on 31.03.2002
<b>1</b>	Intangible Assets-								
	Technical Knowhow	9.00	6.00	15.00	0.43	0.56	0.99	14.01	8.57
<b>2</b>	Vehicle	0.18	0.40	0.58	0.00	0.02	0.02	0.56	0.18
<b>3</b>	Office Equipment	0.01	0.17	0.18	0.00	0.00	0.00	0.18	0.01
<b>4</b>	Plant & Machinery	-	-	-	-	-	-	-	-
<b>5</b>	Furniture & fixtures	0.01	0.08	0.09	0.00	0.00	0.00	0.09	0.01
<b>6</b>	Computers & Softwares	0.21	1.75	1.96	0.01	0.17	0.18	1.78	0.20
	<b>Total</b>	<b>9.41</b>	<b>8.40</b>	<b>17.81</b>	<b>0.44</b>	<b>0.75</b>	<b>1.19</b>	<b>16.62</b>	<b>8.97</b>

**ANNEXURE 7: STATEMENT OF INVESTMENTS, AS RESTATED**

<i>(Rs. in millions)</i>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>Associates:</b>						
<b>- Quoted – Trade</b>						
Ennore Coke Limited	96.62	96.62	0.23	-	-	-
<b>Mutual Funds</b>	11.00					
<b>- Unquoted – Trade</b>						
Hamon						
Shriram Cottrell Private Limited (Formerly Hamon Thermopack Engineers Private Limited)		18.42	-	-	-	-
Orient						
Green Power Company Limited	0.76	0.30	-	-	-	-
Leitner						
Shriram Manufacturing Limited	55.15	55.25	-	-	-	-
<b>Equity shares - Others</b>						
Pressuag Pipe rehabilitation Emirates LLC	-	-	25.88	25.88	25.88	-
Shriram Engineering and Construction Limited	-	-	-	-	40.00	40.00
Engineering Projects LLC	-	-	0.74	0.74	-	-
<b>Total</b>	<b>163.53</b>	<b>170.59</b>	<b>26.85</b>	<b>26.62</b>	<b>65.88</b>	<b>40.00</b>
Aggregate book value of quoted investments	96.53	96.53	0.23	-	-	-
Aggregate market value of quoted investments	98.40	497.70		-	-	-
Aggregate book value of unquoted investments	56.01	75.55	51.29	26.62	65.88	40.00
Non provision for the decline in value of investments, if any, to be disclosed as a risk factor.						
(all the above formats are as per the SEBI (DIP) guidelines).						

**ANNEXURE 8: STATEMENT OF INVENTORIES, AS RESTATED**

<i>(Rs. in millions)</i>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>INVENTORIES</b>						

Materials and components for wind turbine generators	Raw	260.23	102.04	-	-	-	
in Progress	Work	146.78	131.29	157.59	188.00	13.89	4.03
Freehold Land for windmill projects		35.62	41.73	15.24	29.34	-	-
<b>Total</b>		<b>442.63</b>	<b>275.06</b>	<b>172.83</b>	<b>217.34</b>	<b>13.89</b>	<b>4.03</b>

#### ANNEXURE 9: STATEMENT OF DEBTORS, AS RESTATED

<i>(Rs. in millions)</i>						
As at	30.09.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<u>Debts outstanding for a period exceeding six months</u>	-					
considered good	104.99	62.12	49.24	26.53	1.67	-
considered doubtful	3.58	-	-			
<u>Other debts</u>	-					
considered good	1,767.88	1,040.20	433.27	88.97	39.07	67.68
considered doubtful		-	-	-	-	-
Retention monies	299.33	254.05	142.12	71.49	12.43	-
Less: Provision for doubtful debts	(3.58)	-	-	-		
<b>Total</b>	<b>2,172.20</b>	<b>1,356.37</b>	<b>624.63</b>	<b>186.99</b>	<b>53.17</b>	<b>67.68</b>

#### ANNEXURE 10: STATEMENT OF CASH & BANK BALANCES, AS RESTATED

<i>(Rs. in millions)</i>						
As at	30.09.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
<b>CASH AND BANK BALANCES</b>						
Cash on hand and in Imprest accounts	4.88	1.71	7.72	0.54	0.11	0.27
With Scheduled Banks:						
in Current Accounts	248.40	161.80	4.44	27.52	9.35	4.60
in Deposit Accounts	127.40	105.82	44.56	38.03	3.64	2.29
in No Lien Accounts			1000.00	300.00	-	
	375.80	267.62	1,049.00	365.55	12.99	6.89
<b>Total</b>	<b>380.68</b>	<b>269.33</b>	<b>1,056.72</b>	<b>366.09</b>	<b>13.10</b>	<b>7.16</b>

**ANNEXURE 11: STATEMENT OF LOANS & ADVANCES, AS RESTATED**

<i>(Rs. in millions)</i>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Advances recoverable in cash or in kind or for value to be received	879.89	643.57	396.19	123.61	46.48	77.90
Advance payments of income-tax	2.43	60.75	15.66	11.28	0.99	-
Security / Other deposits	22.17	9.18	19.22	7.80	10.30	3.36
Balance with excise authorities	1.67					
Others	2.96	0.22	1.50	1.52	0.41	0.33
	909.12	713.72	432.57	144.21	58.18	81.59
Less: Provision for doubtful loans and advances		-	-	-	-	-
<b>Total</b>	<b>909.12</b>	<b>713.72</b>	<b>432.57</b>	<b>144.21</b>	<b>58.18</b>	<b>81.59</b>

**Annexure 12: STATEMENT OF CURRENT LIABILITIES AND PROVISIONS, AS RESTATED**

<i>(Rs. in millions)</i>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>CURRENT LIABILITIES</b>						
Sundry Creditors	1,030.86	612.45	168.01	56.70	30.05	33.58
Advance Payments from Customers	391.36	292.58	126.39	168.56	5.84	34.29
Bills Discounting	353.84	-	-	-	-	-
Interest accrued but not due on deposits	-	-	0.03	1.29	-	-
Other Liabilities	61.18	54.98	31.15	14.98	2.38	1.41
	<b>1,837.24</b>	<b>960.01</b>	<b>325.58</b>	<b>241.54</b>	<b>38.27</b>	<b>69.28</b>
<b>PROVISIONS</b>						
Provision for Income Tax	45.74	81.61	34.99	11.83	1.09	0.71
Provision for Gratuity	9.96	6.75	3.73	0.74	-	-
	<b>55.70</b>	<b>88.36</b>	<b>38.72</b>	<b>12.57</b>	<b>1.09</b>	<b>0.71</b>

**ANNEXURE 13: STATEMENT OF OTHER INCOME, AS RESTATED**

<i>(Rs. in millions)</i>						
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Other income	26.37	48.56	9.70	3.01	5.25	0.05
Net profit before tax, as restated	164.71	225.88	83.46	25.27	1.88	3.03
Percentage	16.01	21.50	11.62	11.90	279.22	1.58
<b>Sources of income</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>Recurring</b>	-	-	-	-	-	-
Interest received on Bank deposits	17.22	14.83	4.23	2.16	0.30	0.05
Miscellaneous income	1.65	0.41	5.47	0.85	4.95	-
Sale of Power	5.65	-	-	-	-	-
<b>Non Recurring</b>	-	-	-	-	-	-
Interest received - Others	-	31.33	-	-	-	-
Dividend received on non-trade investments	-	1.99	-	-	-	-
Profit on sale of Fixed assets(Net)	1.85	-	-	-	-	-
<b>Total</b>	<b>26.37</b>	<b>48.56</b>	<b>9.70</b>	<b>3.01</b>	<b>5.25</b>	<b>0.05</b>

**Annexure 14: Segment Financials - (A) Primary Segment Analysis**

<i>Rs. In Millions</i>					
Particulars	Construction Contracts	Windmill		Unallocated	Consolidated Total
	30.09.07	30.09.07	30.09.07	30.09.07	30.09.07
External Sales	1,192.12	1,038.37	-	-	2,230.49
Intersegmental Sales	-	-	-	-	-
Total Revenue	1,192.12	1,038.37	-	-	2,230.49
<b>Result</b>					
Segment Result	93.30	245.90	-	-	339.20
Less: Inter Segment Margin on capital jobs	-	-	-	-	-
Unallocated Coprorate income/expenditure(net)	-	-	-	153.37	153.37
Operating Profit	945.40	245.90	-	153.37	185.83
Interest expenses	33.90	7.94	-	-	41.84
Interest Income	17.22	3.50	-	-	20.72
Profit before Tax	928.72	241.46	-	153.37	164.71

Provision for Current Tax	-	-	37.20	<b>37.20</b>
Provision for Deferred tax	-	-	21.11	<b>21.11</b>
Provision for FBT	-	-	2.03	<b>2.03</b>
Profit after Tax ( before extra ordinary items)	<b>928.72</b>	<b>241.46</b>	-	<b>93.03</b>
Other Information	-	-	-	-
Segment Assets	2,567.59	1,685.90	-	<b>4,253.49</b>
Unallocated Corporate Assets	-	-	177.23	<b>177.23</b>
Total Assets	<b>2,567.59</b>	<b>1,685.90</b>	-	<b>4,430.72</b>
Segment Liabilities	2,070.01	486.27	-	<b>2,556.28</b>
Unallocated Corporate Liabilities	-	-	49.43	<b>49.43</b>
Total Liabilities	<b>2,070.01</b>	<b>486.27</b>	-	<b>2,605.71</b>
Capital Expenditure	155.11	9.14	-	<b>164.25</b>
Unallocated Corporate Capital Expenditure	-	-	-	-
Depreciation included in Segment expenses	<b>8.34</b>	<b>1.94</b>	-	<b>10.28</b>
Unallocated Corporate Depreciation	-	-	-	-
Noncash expenses other than Depreciation	-	-	-	-

## **SECONDARY SEGMENT**

Market				
Africa	-	-		
Thailand	-	-		
India	<b>2,230.50</b>			
Total	<b>2,230.50</b>	-		

### **Notes:**

The group was engaged in the business of Construction Activity which was the only business segment determined in accordance with Accounting Standard – 17 on Segment Reporting issued by the Institute of Chartered Accountants of India for the years ending March 31, 2003, 2004, 2005 and 2006. The group had one geographical segment, viz., India. For the purpose of restated financial statement AS 17 has not been applied for the years ending March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.

**ANNEXURE 15: DETAILS OF RELATED PARTY TRANSACTIONS**

PARTICULARS	30.09.07	2006-07	2005-06	2004-05	2003-04	2002-03
	<b>Associate</b>	Leitner Shriram Manufacturing Limited	Leitner Shriram Manufacturing Limited	-	-	-
	Ennore Coke Limited	Ennore Coke Limited	-	-	-	-
	Orient Green Power Ltd	Orient Green Power Ltd	-	-	-	-
<b>Key Management Personnel (KMP)</b>	T.Shivaraman	Vathsala Ranganathan	M.Amjad Shariff	M.Amjad Shariff	-	-
	Amjad Shariff	Amjad Shariff	Santhosh Kamat	Santhosh Kamat	-	-
<b>Relatives of KMP</b>	V.Ravi Srinivasan	V.Ravi Srinivasan				

*Rs in Millions*

b) Particulars of transactions								
SNo	Particulars	30.09.07	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	Total
<b>1</b>	<b>Associates</b>	-						
	Sales	97.38	235.90	-	-	-	-	333.28
	Investments made in Equity shares	0.46	172.08	-	-	-	-	172.54
	Reimbursement of expenses	-	9.71	-	-	-	-	9.71
	Lease / Service charges	-	0.21	-	-	-	-	0.21
	Purchases	5.04	16.56	-	-	-	-	21.60
	Total			-	-	-	-	537.34

	102.88	434.46		-			
Amount outstanding Dr /(Cr)			-	-	-	-	-
<b>2</b>							
<b><u>Key Management Personnel</u></b>							
Managerial remuneration	2.57	1.16	3.03	1.94	-	-	8.70
Total	2.57	1.16	3.03	1.94			8.70
Amount outstanding Dr /(Cr)	-	-	-	-	-	-	
<b>3</b>							
<b><u>Relatives of KMP</u></b>							
Rent Paid	0.22	5.00		-	-		5.22
Others (please specify)	-	-		-	-		
Total	0.22	5.00		-	-		5.22
Amount outstanding Dr /(Cr)	-	-		-	-		

**ANNEXURE 16: STATEMENT OF ACCOUNTING RATIOS (ON RESTATED NUMBERS)**

	<i>(Rs. in millions)</i>					
	30.09.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Networth (Rs.) (A)	1,874.45	1,704.25	1,580.16	515.23	192.98	143.59
Adjusted Profit after Tax (Rs.) (B)	104.37	140.63	64.92	15.94	(0.62)	1.28
No. of Shares outstanding at the end (C)	37867790	20245193	20245193	20245193	19800000	14800000
Weighted average number of shares outstanding (D)	39418489	20245193	20245193	20080533	15046575	6865753
Basic Earnings per Share (EPS) (Rs.) (B/D)	2.65	6.95	3.21	0.79	(0.04)	0.19
Return on Net worth (%) (B/A)	0.06	0.08	0.04	0.03	(0.00)	0.01
Net Asset Value per Share (Rs.) (A/C)	44.85	75.48	69.35	25.45	9.75	9.70
<b>Other Ratios</b>						
Cash Earnings per Share (Rs.)	3.07	7.62	4.25	1.29	0.20	0.29

**ANNEXURE 17: CAPITALIZATION STATEMENT**

	<i>(Rs in millions)</i>
	Pre-issue as at 30.09.07
	Adjusted for the Public Issue
<b>Borrowing</b>	
Short - Term debt	628.43
Long-term debt	-
Total Debt	628.43
<b>Shareholders' funds</b>	
Share Capital	
- Equity	378.68
Less: Calls- in- arrears	-
- Preference	
- Employee Stock Options	17.47
Share premium	1,094.04
Reserves & surplus	333.55
Capital Reserve	1.29
Less: Miscellaneous Expenditure not written off	(0.01)
Total Shareholders Funds	1,825.02
Total Debt/Equity ratio	0.34

## Auditors report on the Restated Unconsolidated Financial Statements:

### Auditors' report

To

The Board of Directors  
Shriram EPC Limited  
9 Vanagaram Road,  
Ayanambakkam,  
Chennai – 600 095  
India

Dear Sirs,

- 1) We have examined the attached financial information of Shriram EPC Limited ('SEPC' or 'the Company'), as approved by the Board of Directors of the Company, prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letter dated 20<sup>th</sup> July 2007 in connection with the proposed Initial Public issue of Equity shares of the Company.
- 2) This information has been extracted from the financial statements for the years ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and for the six months ended September 30, 2007. Audit for the financial year ended March 31, 2004, March 31, 2005 and March 31, 2006 was conducted by previous auditors K.S. Kalyanasundaram & Co and for the financial year ended March 31, 2003 by Y. Prabhu & Co, accordingly reliance has been placed on the financial information audited by them for the said years.
- 3) In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:
  - (a) The Restated Summary Statement of Assets and Liabilities of the Company, as at March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and September 30, 2007 examined by us, as set out in Annexure 1 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described Annexures 4 and 4A.
  - (b) The Restated Summary Statement of Profit or Loss of the Company for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and for the six months ended September 30, 2007 examined by us, as set out in Annexure 2 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexures 4 and 4A.
  - (c) The Restated Summary Statement of Cashflows, as restated for the years ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and for the six months ended September 30, 2007 examined by us, as set out in Annexure 3 to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Annexures 4 and 4A.
  - (d) Based on our examination of these Summary Statements, we state that:
    - (i) The "Restated Summary Statements" have to be read in conjunction with the significant Accounting Policies, changes in Accounting Policies and notes given in Annexures 4 and 4A of this report.
    - (ii) Adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods.

- (iii) The “Restated Summary Statements” have been adjusted for material amounts in the respective financial years to which they relate.
  - (iv) There are no extra-ordinary items that need to be disclosed separately in the accounts requiring adjustments.
  - (v) There are no qualifications in the auditors’ report that require adjustment to “Restated Summary Statement”.
4. We have also examined the following other financial information setout in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the year ended March 31, 2003, March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and for the six months ended September 30, 2007.

<b>Details of other financial information</b>	<b>Annexure reference</b>
Statement of Loans availed	05 & 05 A
Statement of Fixed Aseets	06
Statement of Investments	07
Statement of Inventories	08
Statement of Sundry Debtors	09
Statement of Cash and Bank Balance	10
Statement of Loans and Advances	11
Statement of Current Liabilities & Provisions	12
Statement of Other Income	13
Statement of Contingent Liabilities as at March 31, 2007	14
Segment Accounting	15
Details of Related Party transactions	16
Statement of Tax Shelters	17
Statement of Accounting ratios	18
Capitalisation statement as at March 31, 2007	19
Details of rates of dividend	20

- 5) In our opinion the financial information contained in Annexures 5 to 20 of this report read along with the Significant Accounting Policies, Changes in Significant Accounting Policies and Notes (Refer Annexure 4 and 4A) prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Paragraph B of part II of Schedule II of the Act and the SEBI Guidelines.
- 6) This report should not in any way be construed as a reissuance or re dating of any of the previous audit reports issued by other firms of Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein.
- 7) This report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company, and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For Deloitte Haskins & Sells**  
Chartered Accountants

**Geetha Suryanarayanan**  
Partner  
Membership No: 29519  
Place: Chennai  
Date: 4<sup>th</sup> January 2008

**ANNEXURE 1: STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED**

	<i>(Rs. in millions)</i>					
<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>A Fixed Assets</b>						
Gross block	382.70	218.92	120.03	110.86	38.95	17.66
Less: Depreciation	(53.12)	(42.84)	(29.16)	(19.99)	(4.44)	(2.35)
Net Block	329.58	176.08	90.87	90.87	34.51	15.31
Capital work in progress	1.08	0.02	-	-	-	-
<b>Total</b>	<b>330.66</b>	<b>176.10</b>	<b>90.87</b>	<b>90.87</b>	<b>34.51</b>	<b>15.31</b>
<b>B Investments</b>	<b>210.16</b>	<b>172.08</b>	<b>51.52</b>	<b>51.29</b>	<b>65.00</b>	<b>65.00</b>
<b>C Current assets, loans and advances</b>						
Inventories	425.01	275.06	172.83	217.34	13.89	4.03
Sundry Debtors	2,100.47	1,356.37	624.63	186.99	53.09	67.68
Cash & Bank balances	355.93	269.33	1,056.23	363.64	12.79	6.15
Loans and advances	896.30	652.97	391.88	109.65	66.87	63.42
<b>Total</b>	<b>3,777.71</b>	<b>2,553.73</b>	<b>2,245.57</b>	<b>877.62</b>	<b>146.64</b>	<b>141.29</b>
<b>D Liabilities and Provisions</b>						
Secured loans	627.67	199.53	440.95	158.56	2.58	0.35
Unsecured loans		-	5.00	85.50	-	0.04
Current Liabilities	1,790.40	960.01	325.12	241.19	38.16	69.15
Provisions	52.96	27.61	23.06	1.29	0.10	0.71
	<b>2,471.03</b>	<b>1,187.15</b>	<b>794.13</b>	<b>486.55</b>	<b>40.85</b>	<b>70.25</b>
<b>E Deferred Tax Liabilities (Net)</b>	<b>27.91</b>	<b>9.01</b>	<b>2.21</b>	<b>8.22</b>	<b>3.94</b>	<b>1.95</b>
<b>Net worth (A+B+C-D-E)</b>	<b>1,819.59</b>	<b>1,705.75</b>	<b>1,591.62</b>	<b>525.00</b>	<b>201.35</b>	<b>149.40</b>
<b>Represented by:</b>						
<b>F Share Capital</b>						
Equity	378.68	202.45	202.45	202.45	198.00	148.00
Preference	-	176.23	176.23	-	-	-
<b>Total</b>	<b>378.68</b>	<b>378.68</b>	<b>378.68</b>	<b>202.45</b>	<b>198.00</b>	<b>148.00</b>
<b>G Share Application money</b>		-	-	300.00	-	-
<b>H Employee Stock Options Outstanding</b>	<b>17.47</b>	<b>3.24</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>I Reserves &amp; surplus</b>	<b>1,423.46</b>	<b>1,323.83</b>	<b>1,212.94</b>	<b>22.58</b>	<b>3.39</b>	<b>1.41</b>
<b>J Preliminary Expenses not written off</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>(0.02)</b>
<b>Net Worth (F+G+H+I+J)</b>	<b>1,819.59</b>	<b>1,705.74</b>	<b>1,591.61</b>	<b>525.02</b>	<b>201.37</b>	<b>149.39</b>
	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>	<b>0</b>

**ANNEXURE 2: STATEMENT OF PROFITS & LOSSES, AS RESTATED**

*(Rs. in millions)*

<b>Financial Year ended</b>	<b>period ended</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>Income</b>	<b>30.09.07</b>					
<b>Sales:</b>						
Revenue from Engg Construction Contracts	1,101.11	2,291.42	1,445.34	742.74	213.57	231.81
Sale & Maintenance of Wind Turbine Generators	1,032.56	665.75	-	-	-	-
Other income	24.26	48.56	9.70	3.01	5.25	0.05
<b>Total Income</b>	<b>2,157.93</b>	<b>3,005.73</b>	<b>1,455.04</b>	<b>745.74</b>	<b>218.82</b>	<b>231.86</b>
<b>Expenditure</b>						
Raw Materials Consumed	634.42	462.03	-	-	-	-
Manufacturing , Construction & operating expenses	1,185.54	2,057.07	1,138.18	776.24	200.53	162.48
(Increase)/decrease in inventory	(1.53)	(0.19)	44.51	(200.78)	(9.86)	50.42
Employee costs	73.64	93.36	55.80	22.60	2.67	1.87
Other Costs	59.32	112.71	73.40	79.48	18.87	10.68
Interest	40.54	41.19	38.40	31.60	0.19	0.22
Depreciation	10.28	13.68	9.18	9.35	1.26	0.75
Miscellaneous expenditure written off	0.00	9.27	2.28	0.18	0.18	0.18
<b>Total Expenditure</b>	<b>2,002.21</b>	<b>2,789.12</b>	<b>1,361.74</b>	<b>718.66</b>	<b>213.83</b>	<b>226.60</b>
<b>Net Profit before tax</b>	<b>155.72</b>	<b>216.61</b>	<b>93.30</b>	<b>27.08</b>	<b>4.98</b>	<b>5.26</b>
<b>Provision for taxation</b>						
- Current Tax	35.30	75.00	22.00	6.00	0.38	0.47
- Deferred Tax	18.90	6.80	(6.02)	3.33	1.98	1.28
- Fringe Benefit Tax	1.90	3.45	2.56	-	-	-
- Tax pertaining to earlier Years	-	-	-	-	0.13	-
<b>Net profit after tax as per financial statements</b>	<b>99.62</b>	<b>131.36</b>	<b>74.75</b>	<b>17.75</b>	<b>2.49</b>	<b>3.51</b>
<b>Adjustments on account of restatement</b>						
- Deferred Revenue Expenditure		(9.27)	8.21	(0.18)	(0.18)	1.42
- Amortisation of Technical Knowhow		-	-	-	0.83	0.69
- Prior period adjustments		-	-	-	(0.13)	0.13
<b>Restated Net Profit</b>	<b>99.62</b>	<b>140.63</b>	<b>66.54</b>	<b>17.93</b>	<b>1.98</b>	<b>1.28</b>
Balance brought forward from Previous Year	228.50	87.87	21.32	3.39	1.41	0.61
Additional amortisation of Technical Knowhow		-	-	(1.99)	-	-
Adjustment on account of restatement		-	-	1.99	-	(0.47)
<b>Balance carried to Balance sheet, as restated</b>	<b>328.12</b>	<b>228.50</b>	<b>87.87</b>	<b>21.32</b>	<b>3.39</b>	<b>1.41</b>
<b>Notes:</b>						
1.The above statement should be read with the Notes on Adjustments and Significant Accounting policies for restated Financials Statements.						

**ANNEXURE 3: CASH FLOW STATEMENTS, AS RESTATED**

*(Rs. in Millions)*

<b>PARTICULARS</b>	<b>Sept 07</b>	<b>2006-07</b>	<b>2005-06</b>	<b>2004-05</b>	<b>2003-04</b>	<b>2002-03</b>
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net Profit before Tax, as restated	155.72	225.88	85.08	27.26	4.34	3.16
Interest Income	(16.97)	(46.16)	(4.23)	(2.16)	(0.30)	(0.05)
Dividend Income on Investments	-	(1.99)	-	-	-	-
Depreciation	10.28	13.68	9.18	9.35	2.08	1.44
(Profit) / Loss on Sale of Fixed Assets (net)	-	(0.00)	-	-	-	-
Exchange fluctuations	-	-	-	0.24	-	-
Employee Share option expense	14.23	3.24	-	-	-	-
Preliminary and Deferred Revenue Expenses written off	0.00	-	10.49	-	-	1.60
Interest expenditure	40.54	41.19	20.30	28.17	0.02	-
<b>Operating Profit before working capital changes</b>	<b>203.89</b>	<b>235.84</b>	<b>120.82</b>	<b>62.86</b>	<b>6.14</b>	<b>6.15</b>
Working capital changes :						
Decrease / ( Increase ) in Inventories	(149.94)	(102.23)	44.51	(203.45)	(9.86)	50.42
Decrease / ( Increase ) in Sundry Debtors	(744.12)	(731.74)	(437.64)	(133.89)	14.59	(47.37)
Decrease / ( Increase ) in Loans and Advances	(182.58)	(270.48)	(246.88)	(53.09)	(4.44)	33.57
Increase / ( Decrease ) in Current Liabilities and provisions	795.00	637.82	64.36	218.55	(28.49)	(84.61)
<b>Cash from operations</b>	<b>(77.74)</b>	<b>(230.79)</b>	<b>(454.83)</b>	<b>(109.02)</b>	<b>(22.06)</b>	<b>(41.85)</b>
Direct taxes paid including Fringe Benefit tax provision relating to previous years	(37.20)	(58.90)	(18.54)	(9.33)	(2.37)	(1.75)
			-	-	(0.13)	-
<b>Net cash from operating activities</b>	<b>(114.94)</b>	<b>(289.69)</b>	<b>(473.38)</b>	<b>(118.35)</b>	<b>(24.56)</b>	<b>(43.60)</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>						
Additions to Fixed Assets	(164.85)	(99.08)	(9.16)	(65.71)	(21.29)	(8.26)
Capital profit on merger of Shriram engineering construction co ltd	-	-	-	1.29	-	-
Purchase of Investments	(38.08)	(171.85)	(0.23)	13.71	-	(25.00)
Sale of Investments		51.29	-	-	-	-
Interest Received	16.97	45.50	4.23	2.16	0.30	0.05
Dividend Received		1.99	-	-	-	-
<b>Net Cash from Investing activities</b>	<b>(185.96)</b>	<b>(172.15)</b>	<b>(5.16)</b>	<b>(48.55)</b>	<b>(20.99)</b>	<b>(33.21)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from Issue of Shares		-	1,000.00	304.45	50.00	80.00
Share Issue expenses		(29.74)	(10.48)	-	-	-
Proceeds from Borrowings	428.04	(246.43)	201.90	241.47	2.20	0.35
Interest paid	(40.54)	(48.89)	(20.30)	(28.17)	(0.02)	-
<b>Net Cash from financing activities</b>	<b>387.50</b>	<b>(325.06)</b>	<b>1,171.12</b>	<b>517.75</b>	<b>52.18</b>	<b>80.35</b>
<b>D NET INCREASE ( DECREASE ) IN CASH AND CASH EQUIVALENTS DURING THE YEAR ( A + B + C )</b>						
	86.60	(786.90)	692.59	350.85	6.64	3.54
<b>Cash and Cash equivalents as at the beginning of the year</b>	<b>269.32</b>	<b>1,056.23</b>	<b>363.64</b>	<b>12.79</b>	<b>6.15</b>	<b>2.61</b>
<b>Cash and Cash equivalents as at the end of the year</b>	<b>355.93</b>	<b>269.32</b>	<b>1,056.23</b>	<b>363.64</b>	<b>12.79</b>	<b>6.15</b>

## **APPENDIX 4: NOTES ON ADJUSTMENTS FOR RESTATED FINANCIAL STATEMENTS.**

### **Changes in Accounting policies and estimates:**

- a. The company adopted Accounting Standard 26, ('AS-26') Intangible Assets' issued by the ICAI for the first time in preparing the financial statements for the year ended March 31, 2005. For the purpose of this statement, AS-26 has been applied for the years ended March 2002, March 31, 2003 and 2004 as if it was applicable since then. Accordingly, the amortization of the technical knowhow has been recomputed for the years ended March 2002, March 2003 and March 31, 2004.

Further, the Accumulated Profit and Loss balance as at April 1, 2002 has been appropriately adjusted to reflect the impact of amortization of technical knowhow and accordingly the amount earlier adjusted to the opening reserves for the year ended March 31, 2005, on account of first-time application of the standard has been reversed appropriately in the summary statement of profits and losses, as restated, and summary statement of assets and liabilities, as restated.

- b. During the year ended March 31, 2007 the Company has charged off Rs. 9.27 Mn being the balance of Deferred Revenue Expenditure to the Profit & Loss Account, as required by Accounting Standard 26 – Intangible Assets. For the purpose of this statement, this expenditure has been accounted as a charge to the Profit & Loss Account in the respective years to which they relate.

### **Prior Period Items:**

Short provision of taxes relating to earlier years has been adjusted to the year to which they relate.

### **Material Regroupings:**

- c. Up to the year ended March 31, 2005, Provision for Gratuity was grouped under the head Other Liabilities in the financial statements. During the year ended March 31, 2007, the said provision has been shown as a separate line item under the head Provisions. The classification in the restated statement of assets and liabilities for the year ended March 31, 2003 to March 31, 2006 has been regrouped and disclosed accordingly.
- d. Up to the year ended March 31, 2007, Advance payment of Income Tax and Provision for Taxation has been classified under Loans and Advances and Provisions respectively. During the period ended September 30, 2007 the said advance payment of Income Tax has been set off against provision for Income Tax. The classification in the restated statement of assets and liabilities for the year ended March 31, 2003 to March 31, 2007 has been regrouped and disclosed accordingly.

### **Non Adjustments:**

#### **Leave encashment:**

Upto the year ended March 31, 2006 the Company accounted for leave encashment as and when claimed by the employees. During the year ended March 31, 2007, the company changed the basis of providing leave encashment to an amount determined on the basis of accumulated leave, lying to the credit of the employees as at the year end. No adjustment has been made for earlier periods since in the opinion of the Company the impact of the same on the summary statement of profits and losses, as restated is not material.

## **APPENDIX 4A: SIGNIFICANT ACCOUNTING POLICIES.**

### **1.1. Basis of Accounting**

The financial statements are prepared under the historical cost convention in accordance with the generally accepted accounting principles in India and the provisions of the Companies Act, 1956.

### **1.2. Use of estimates**

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue

and expenses and disclosure of contingent liabilities as of the date of the financial statements. Actual results could differ from those estimated. Difference between the actual results and estimates are recognised in the period in which the results are known / materialised.

### **1.3. Revenue Recognition**

Income in respect of sale of goods is recognised at the time of transfer of title. Sales are inclusive of all taxes.

Revenue in respect of Contracts is recognised as and when progressive bills are raised based on customers measurement acceptance and terms of the Contract, taking into consideration technical estimate revision, costs to complete and stages of completion. Profits are recognised after charging corresponding proportionate costs relating to the Contractual billings. Escalation, which in the opinion of the Management is recoverable on the contract are also recognised as and when the claims are accepted by the customers.

Provision for anticipated losses on contracts is being made in the year they are established.

Dividend Income on Investments is accounted for when the right to receive the payment is established.

### **1.4. Investments**

Long term Investments are valued at cost and provision is made if the diminution in value is other than temporary in nature. Current Investments are carried at cost or market value whichever is lower.

### **1.5. Fixed Assets and Depreciation**

Fixed assets are stated at cost. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use. With regard to assets acquired under the finance lease, the cost of assets is capitalised while the annual charges are charged to revenue.

#### **Tangible assets**

Depreciation is provided for on Straight Line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are written off over the primary period of their lease.

In respect of assets impaired, the revised carrying value is depreciated over its remaining useful life.

Individual assets costing less than Rs, 5000/- each is depreciated in full in the year of addition.

#### **Intangible assets**

Intangible assets are amortised over the period of 5 to 10 years based on estimated useful life of the asset.

### **1.6. Impairment of Fixed Assets**

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

### **1.7. Inventories**

Raw Materials and stores and spares are valued at cost. Cost on FIFO basis includes freight, taxes and duties net of VAT credit wherever applicable.

Works in progress relating to windmill division are valued at lower of cost and net realisable value. Work in progress relating to construction contracts reflects the proportionate cost of inputs and direct expenses on contracts yet to be billed.

Stock of land for windmill projects is valued at lower of cost and net realisable value. Cost of land includes purchase consideration, stamp duties and registration charges for transfer of title.

#### **1.8. Foreign Currency Transaction**

Foreign currency transactions are recorded at the rate prevailing on the date of transaction. At the year end, all monetary assets and liabilities denominated in foreign currency are restated at the year end exchange rates. Exchange differences arising on actual payment/realisation are recognised in profit and loss account.

#### **1.9. Deferred Revenue Expenditure**

Preliminary expenses incurred in the year 2002 are amortised over a period of ten years.

#### **1.10. Employee Benefits**

##### **Defined Contribution Plans:**

Fixed contributions to government administered Provident Fund, Employees Pension Fund are recognised in the Accounts on actual cost to the Company.

##### **Defined Benefit Plans:**

##### **Gratuity**

The company accounts its liability for future gratuity benefits based on the actuarial valuation as at the balance sheet date, determined using the Projected Unit Credit method. Gratuity benefit is not funded.

##### **Leave Encashment**

Leave encashment is paid to employees only upon their retirement / resignation from the Company and the same is determined and accounted on actuarial valuation as at the balance sheet date using Projected Unit credit method.

##### **Short Term Employee Benefits:**

Short term employee benefits, including short term accumulated compensated absences where absences expected to occur within twelve months after the end of the period in which employees render the related employee service are recognised as an expense on an undiscounted basis.

#### **1.11. Taxation**

Provision for taxation comprise of the current tax provision, fringe benefit tax and the net change in the deferred tax asset or liability during the year. Deferred tax assets and the deferred tax liabilities are recognised for the future tax consequences of timing differences between carrying values of the assets and liabilities and their respective tax bases using enacted or substantially enacted tax rates. Deferred tax assets are recognised only if there is a virtual certainty that they can be realised.

#### **1.12. Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognised only when there is a present obligation as a result of past events and when a reliable estimate of the amount of obligation can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Contingent liability is disclosed for (i) Possible obligation which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made. Contingent assets are not recognised in the financial statements since this may result in recognition of income that may never be realised.

**Notes on Accounts for the six month ended September 2007.**

### 1. Note on Conversion Preference Shares

During the period the zero % Convertible Preference Shares held by M/s Uno Investments and M/s Bessemer Venture Partners Trust have been converted into Equity Shares on exercise of the option of the holder as provided for in the Investment Agreement with them at the ratio of 1 equity share for each preference share held.

2. Sundry Debtors, Loans and Advances, Deposits and Creditors includes certain amounts which are subject to confirmation. In the opinion of the management these balances are considered good and recoverable in the normal course of business and will realise the value stated in the accounts.

### 3. Disclosures under Accounting Standard 15 (AS 15):

#### Provision for gratuity:

	<i>Rs. In Millions</i>
<b>Present value of obligations at the beginning of the period.</b>	6.75
Current Service cost	0.56
Interest Cost	0.26
Actuarial (Gain) or Loss	-0.18
Benefits Paid	0
<b>Present value of obligations at the end of the period</b>	<b>7.40</b>
<b>Cost for the period</b>	
Current service cost	0.56
Interest Cost	0.26
Expected return on plan assets	0
Net actuarial (gain) / Loss recognized in the period	-0.18
<b>Net Cost</b>	<b>0.64</b>
<b>Assumptions</b>	
Discount Rate	8%
Expected rate of salary increases	4%

### 4. Shriram EPC Limited 2006 ESOP Scheme (the Scheme)

a. In pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on 20<sup>th</sup> November, 2006 the Company instituted an ESOP Scheme for all its eligible employees. The Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries, excluding the directors, whether wholtime or not. The Scheme is administered by the Compensation Committee of the Company.

In accordance with the Scheme the Company has granted on November 22, 2006 ( Grant date) options to eligible employees at an exercise price of Rs. 10/- per equity share. Under the terms of the Scheme the options will vest in the employees in the following proportion:

Vesting Schedule	In respect of employees who are in employment with the company prior to 1.1.2001	In respect of employees who have joined the company after to 1.1.2001
November 22, 2007	30%	20%
November 22, 2008	30%	20%
November 22, 2009	20%	30%
November 22, 2010	20%	30%

The employees stock options granted shall be capable of being exercised within a period of eight years from the date of the grant.

During the period ended September 30, 2007, no eligible employees have exercised their options as the date of first vesting falls in the succeeding period. Further 52,543 options were forfeited as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below:

Options at the beginning of the period	11,76,490
Granted during the period	4,24,952

Forfeited during the period	52,543
Exercised during the period	Nil
Expired during the period	Nil
Options outstanding at the end of the period	15,48,899
Exercisable at the end of the period	Nil

Deferred stock compensation expense:

As per the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, the Company has considered the best available estimate of the number of shares or stock options expected to vest based on the current attrition rates of its employees and measured the compensation expense at fair value on the date of grant.

Options granted under the Scheme gives rise to a Deferred stock compensation expense of Rs. 108.42 millions. For the period ended 30<sup>th</sup> September 2007, an amount of Rs. 14.22 millions, being pro-rata charge in respect of such employee compensation has been charged to profit and loss account.

The value of services received in return for share options granted are measured by reference to the fair value of share options granted and this is evaluated on the basis of an independent valuation.

**Modification in the Terms of the Scheme**

The company has carried out a modification in “the scheme” and accordingly additional grants of 424,952 options have been made during the period. These grants have been made as at 1<sup>st</sup> April 2007 and will vest with the employees in same proportion as in the original scheme.

The values of services rendered in return for share options granted are measured by reference to the fair value of the share options granted and this is evaluated on the basis of an independent valuation carried out as on the grant date.

Consequent to the above modification an additional expense amounting to Rs. 12.70 millions has been recognised in the current period.

**Shriram EPC Limited 2007 ESOP Scheme ( the Scheme )**

The Company instituted another Scheme for all eligible employees in pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on 20<sup>th</sup> September, 2007. The Scheme covers grant of options to specified permanent employees of the Company. The Scheme is administered by the Compensation Committee of the Company.

The company has not granted any options under the new scheme and accordingly no expense has been recognised in the books of the company.

**Significant Notes on Accounts for Five Financial Years.**

**Financial Year 2006-07**

**1. Note on Convertible Preference Shares:** The zero % Convertible Preference Shares held by M/s Uno Investments and M/s Bessemer Venture Partners Trust are convertible at any time at the option of the holder into Equity Shares as provided for in the Investment Agreement with them at the ratio of 1 equity share for each preference share held. The Company has not received any Conversion Notice from them as on 31<sup>st</sup> March, 2007.

2. Sundry Debtors, Loans and Advances, Deposits and Creditors includes certain amounts which are subject to confirmation. In the opinion of the management these balances are considered good and recoverable in the normal course of business and will realise the value stated in the accounts.

3. Company was enlisted as a manufacturer of Wind Turbine Generators in October, 2006 with the Centre for Wind Energy Technology. Prior to the enlistment, the activity was done through sub contractors.

4. Shriram EPC Limited 2006 ESOP Scheme ( the Scheme )

The Company instituted the Scheme for all eligible employees in pursuance of a special resolution approved by the shareholders at the extra-ordinary general meeting held on 20<sup>th</sup> November, 2006. The Scheme covers grant of options to specified permanent employees of the Company as well as its subsidiaries, excluding the directors, whether whole-time or not. The Scheme is administered by the Compensation Committee of the Company.

Pursuant to the Scheme the Company has granted on November 22, 2006 ( Grant date ) options to eligible employees at an exercise price of Rs. 10/- per equity share. Under the terms of the Scheme the options will vest in the employees in the following proportion:

<b>Vesting Schedule</b>	<b>In respect of employees who are in employment with the company prior to 1.1.2001</b>	<b>In respect of employees who have joined the company after to 1.1.2001</b>
November 22, 2007	30%	20%
November 22, 2008	30%	20%
November 22, 2009	20%	30%
November 22, 2010	20%	30%

The employees stock options granted shall be capable of being exercised within a period of eight years from the date of the grant.

During the year ended March 31, 2007, no eligible employees have exercised their options as the date of first vesting falls in the succeeding year. Further 38,719 options were forfeited as certain employees resigned from the services of the Company. The movement in the stock options during the year was as per the table below:

Options at the beginning of the year	Nil
Granted during the year	12,15,209
Forfeited during the year	38,719
Exercised during the year	Nil
Expired during the year	Nil
Options outstanding at the end of the year	11,76,490
Exercisable at the end of the year	Nil

Deferred stock compensation expense :

As per the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India, the Company has considered the best available estimate of the number of shares or stock options expected to vest based on the current attrition rates of its employees and measured the compensation expense at fair value on the date of grant.

Options granted under the Scheme gives rise to a Deferred stock compensation expense of Rs. 38.92 Million. For the year ended 31<sup>st</sup> March 2007, an amount of Rs. 3.24 Million (Previous year Rs.NIL), being pro-rata charge in respect of such employee compensation has been charged to profit and loss account.

The value of services received in return for share options granted are measured by reference to the fair value of share options granted and this is evaluated on the basis of an independent valuation.

## **Financial Year 2005-06**

### **Share Capital**

1. The Company allotted 5,000,000 Zero % of fully convertible Preference Shares of Rs. 10/- each fully paid up at a premium of Rs. 50/- per share on 14.5.2005  
The Company allotted 12,622,587 Zero % of fully convertible Preference Shares of Rs. 10/- each fully paid up at a premium of Rs. 69.22/- per share on 31.3.2006
2. In the opinion of Board of Directors, the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.
3. Balances under Sundry Creditors, Sundry Debtors and on Loans and Advances are subject to confirmation.

## **Financial Year 2004-05**

1. Pursuant to a Scheme of Amalgamation of M/s Shriram Engineering Construction Company Limited (herein after referred to as SHRENCO), with the Company and their respective shareholders, approved by The Honourable High Court of Madras on 22<sup>nd</sup> July 2005, the Company took over the entire business activities of SHRENCO together with Assets and Liabilities with effect from 1<sup>st</sup> April 2004.

As part of above scheme of Amalgamation, the Company's Investment in SHRENCO amounting to Rs. 400,00,000 stands cancelled. Further, the Company has issued 445,193 Equity Shares of Rs. 10/- each, fully paid up, to the other shareholders of SHRENCO as a consideration for the transfer and vesting of SHRENCO in the Company.

Additional Information as per Accounting Standard 14 is given hereunder:

### **Name and General Nature of business of the amalgamating Company.**

M/s Shriram Engineering Construction Company Limited – Civil Construction contracting business

### **Effective date of Amalgamation for accounting purpose:**

April 1, 2004

### **Method of amalgamation used to reflect the amalgamation:**

Pooling of Interest method

### **Particulars of the Scheme sanctioned under a statute:**

The Scheme of amalgamation of the erstwhile M/s Shriram Engineering Construction Company Limited with the Company as approved by the Shareholders have been given effect in the accounts. Accordingly, the Assets and Liabilities of the erstwhile M/s Shriram Engineering Construction Company Limited as at April 1, 2004 have been taken over at revised values, by the Company.

### **Description and number of shares issued, together with the percentage of each Company's equity shares exchanged to effect the amalgamation**

445,193 Equity shares of Rs. 10/- each fully paid up have been allotted on 13.8.2005 to the shareholders of the Amalgamating (Transferor) Company by the Company (Transferee Company) at the rate of 1 equity share of Rs. 10/- each fully paid up in the Transferee Company for every 10 Equity shares of Rs. 10/- each fully paid up held by the Shareholders in the Transferor Company

### **The amount of any difference between the consideration and the value of net identifiable assets acquired and the treatment thereof:**

The transfer of Assets and Liabilities at the revised values with retrospective effect from April 1, 2004 resulted in a Capital Reserve of Rs. 1.29 Million which is reflected in the Reserves and Surplus in the Balance Sheet.

2. In the opinion of Board of Directors, the Current Assets, Loans and Advances have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Balance Sheet.

3. Balances under Sundry Creditors, Sundry Debtors and on Loans and Advances are subject to confirmation.

4. Share Application money received is towards Subscription for 50,00,000 Zero % fully convertible Preference Shares of Rs. 10/- each at a premium of Rs. 50/- per share, pending allotment.

## **Financial Year 2003-04**

Cummulative redeemable Preference Shares have been converted to convertible Preference Shares as per variation in rights effected and consent given by the Company. As per the terms and conditions of the

convertible preference shares allotted, the Company had exercised an option of converting the entire Preference Shares into Equity Shares.

### Financial Year 2002-03

Deferred Tax liability has been computed at the effective rates based on the future projections of the Company. Accordingly the Deferred Tax Liability of Rs. 0.68 Million arising on account of timing differences comprising of Depreciation as at 1<sup>st</sup> April 2002 have been adjusted to opening Reserves & Surplus.

<b>ANNEXURE 5: STATEMENT OF LOANS, AS RESTATED</b>						
<i>(Rs. in millions)</i>						
<b>Secured Loans</b>						
As at	30.09.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Loans from promoter group -- Hire Purchase		-	39.69	34.38	-	-
Others	627.67	199.53	371.85	124.18	2.58	0.35
Bills Discounted			29.41			
<b>Total</b>	<b>627.67</b>	<b>199.53</b>	<b>440.95</b>	<b>158.56</b>	<b>2.58</b>	<b>0.35</b>
<b>Unsecured loans</b>						
As at	30.09.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Others		-	-	5.00	85.50	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>5.00</b>	<b>85.50</b>	<b>-</b>	<b>0.04</b>

**Notes: Promoter and Promoter group comprises the following:**

**Promoters : Shriram Auto Finance**

<b>ANNEXURE 5A: DETAILS OF PRINCIPAL TERMS AND CONDITIONS OF LOANS OUTSTANDING AS AT SEPTEMBER 30, 2007</b>				
Name of the Institution	Amount	Interest Rate	Repayment Terms	Security
<b>i) Vehicle Loan (Rs. 4.33 Million)</b>				
Citibank N.A.	3.57		Amount Due within one year from the balance sheet date Rs. 1.72 Million.	Secured against the vehicles purchased from the proceeds of such Loans
<b>ii) Working Capital Facilities (Rs. Millions )</b>				
Oriental Bank of Commerce	126.38	1% below PLR	As stipulated by each of the Banks.	Secured by hypothecation of Inventories of Raw Materials, work in process, finished goods, stores , spares and consumables and Receivables on a pari- passu basis with other participating lenders and a first charge on the Company's fixed assets on a pari – passu basis with other lending Banks
UTI Bank Limited	30.79	3.50% below PLR	As stipulated by each of the Banks.	Secured by a first pari-passu charge over the entire current and unencumbered fixed assets along with other working capital bankers
Yes Bank Limited	90.82	2% below PLR	As stipulated by each of the Banks.	Secured by a first pari passu charge on all assets of the Company excluding specific project assets

Indian Bank	81.65	1% below BPLR	As stipulated by each of the Banks.	Secured by a first pari passu charge on all current assets of the Company further collateral security by a paripassu charge on fixed assets present and future.
Bank of Maharashtra	145.47	1% below BPLR	As stipulated by each of the Banks.	Secured by a first pari passu charge on all assets of the Company pertaining to all divisions along with other participating Banks
HDFC Ltd	149.00	10.50%	As stipulated by each of the Banks.	Working Capital Demand Loan Secured by pari passu charge on all current assets of the Company
<b>Total of Working capital facilities</b>	<b>624.10</b>			

**ANNEXURE 6 - STATEMENT OF FIXED ASSETS, AS RESTATED**
*Rs. In Millions*

<b>30.09.07</b>											
SNo	Block of Assets	Gross Block			Depreciation					Net Block	
		As at	Additions	Deletions	As at	Upto	Additions	Deletions	Upto	As at	As at
		1.04.2007			30.09.2007	31.03.2007			30.09.2007	30.09.2007	31.03.2007
<b>Tangible Assets</b>											
1	Freehold Land	24.29		-	24.29	-	-	-	-	24.29	24.29
2	Buildings	12.74	2.96	-	15.70	0.21	0.23	-	0.44	15.26	12.53
3	Leasehold Improvements	6.28	4.81	-	11.09	0.25	0.94	-	1.19	9.90	6.03
4	Plant and Machinery	58.56	148.02	-	206.58	7.03	2.04	-	9.07	197.51	51.53
5	Furniture and Fixtures	4.66	1.35	-	6.01	1.78	0.44	-	2.22	3.79	2.88
6	Office Equipment	3.54	0.91		4.45	0.88	0.12	-	1.00	3.45	2.66
7	Computers and Software	14.55	3.31	0.01	17.85	5.88	1.13	0.00	7.01	10.84	8.67
8	Vehicle	10.61	2.43	-	13.04	2.20	0.53	-	2.73	10.31	8.41
<b>Intangible Assets</b>											
9	Technical Knowhow	83.69	-	-	83.69	24.60	4.86	-	29.46	54.23	59.09
<b>Total</b>		<b>218.92</b>	<b>163.79</b>	<b>0.01</b>	<b>382.70</b>	<b>42.83</b>	<b>10.29</b>	<b>0.00</b>	<b>53.12</b>	<b>329.58</b>	<b>176.09</b>

*Rs. In Millions*

<b>31.03.07</b>											
SNo	Block of Assets	Gross Block			Depreciation					Net Block	
		As at	Additions	Deletions	As at	Upto	Additions	Deletions	Upto	As at	As at
		1.04.2006			31.03.2007	31.03.2006			31.03.2007	31.03.2007	31.03.2006
<b>Tangible Assets</b>											
1	Freehold Land	-	24.29	-	24.29	-	-	-	-	24.29	-
2	Buildings	-	12.74	-	12.74	-	0.21	-	0.21	12.53	-
3	Leasehold Improvements	-	6.28	-	6.28	-	0.25	-	0.25	6.02	-
4	Plant and Machinery	33.03	25.53	-	58.56	4.83	2.20	-	7.03	51.53	28.20
5	Furniture and Fixtures	3.25	1.41	-	4.66	1.21	0.57	-	1.78	2.88	2.04
6	Office Equipment	2.82	0.83	0.11	3.54	0.65	0.23	-	0.88	2.67	2.17

7	Computers and Software	9.09	5.53	0.07	14.55	4.24	1.66	0.01	5.88	8.67	4.86
8	Vehicle	6.84	3.77	-	10.61	1.59	0.61	-	2.20	8.41	5.25
<b>Intangible Assets</b>											
9	Technical Knowhow	65.00	18.69	-	83.69	16.65	7.95	-	24.60	59.09	48.35
<b>Total</b>		<b>120.03</b>	<b>99.06</b>	<b>0.17</b>	<b>218.91</b>	<b>29.17</b>	<b>13.68</b>	<b>0.01</b>	<b>42.84</b>	<b>176.08</b>	<b>90.87</b>

*Rs. In Millions*

<b>31.03.06</b>											
SNo	Block of Assets	Gross Block			Depreciation				Net Block		
		As at	Additions	Deletions	As at	Upto	Additions	Deletions	Upto	As at	As at
		1.04.2005			31.03.2006	31.03.2005			31.03.2006	31.03.2006	31.03.2005
<b>Tangible Assets</b>											
1	Vehicles	5.43	1.41	-	6.84	1.08	0.50	-	1.59	5.25	4.35
2	Office Equipment	2.37	0.91	-	3.28	0.56	0.15	-	0.71	2.57	1.80
3	Plant & Machinery	29.45	3.10	-	32.54	3.42	1.35	-	4.77	27.78	26.03
4	Furniture & fixtures	2.28	1.12	-	3.41	1.06	0.16	-	1.22	2.18	1.22
5	Computers & Software	6.34	2.62	-	8.96	3.71	0.52	-	4.23	4.74	2.64
<b>Intangible Assets :</b>											
6	- Technical Knowhow	65.00	-	-	65.00	10.15	6.50	-	16.65	48.35	54.85
<b>Total</b>		<b>110.87</b>	<b>9.16</b>	<b>-</b>	<b>120.03</b>	<b>19.99</b>	<b>9.18</b>	<b>-</b>	<b>29.17</b>	<b>90.87</b>	<b>90.88</b>

*Rs. In Millions*

<b>31.03.05</b>											
SNo	Block of Assets	Gross Block			Depreciation				Net Block		
		As at	Assets	Additions/	As at	Upto	On Assets	for the	Upto	As at	As at
		1.04.2004	acquired on	Deletions/	31.03.2005	31.03.2004	acquired on	year	31.03.2005	31.03.2005	31.03.2004
		Amalgamation			during the year				Amalgamation		
<b>Tangible Assets</b>											
1	Vehicle	1.49	0.61	3.33	5.43	0.08	0.52	0.48	1.08	4.35	1.41

2	Office Equipment	0.68	1.32	0.36	2.37	0.01	0.44	0.11	0.56	1.80	0.67
3	Plant & Machinery	18.85	5.10	5.49	29.45	0.13	2.06	1.23	3.42	26.03	18.73
4	Furniture & fixtures	0.18	1.61	0.50	2.28	0.01	0.92	0.13	1.06	1.22	0.16
5	Computers & Softwares	2.75	2.26	1.33	6.34	0.55	2.26	0.90	3.71	2.64	2.20
6	<b>Intangible Assets-</b> Technical Knowhow	15.00	50.00		65.00	1.67	-	8.49	10.15	54.85	13.33
<b>Total</b>		<b>38.95</b>	<b>60.90</b>	<b>11.02</b>	<b>110.87</b>	<b>2.45</b>	<b>6.21</b>	<b>11.33</b>	<b>19.99</b>	<b>90.88</b>	<b>36.51</b>

*Rs. In Millions*

31.03.04									
Sno	Block of Assets	Gross Block		At cost as on 31.03.2004	Depreciation		Net Block		
		As on 1.04.2003	Additions/ Deletions During the year		Upto 31.03.2003	for the year	Upto 31.03.2004	WDV as on 31.03.2004	WDV as on 31.03.2003
<b>Tangible Assets</b>									
1	Vehicle	0.58	0.91	1.49	0.02	0.06	0.08	1.41	0.56
2	Office Equipment	0.03	0.65	0.68	0.00	0.01	0.01	0.67	0.03
3	Plant & Machinery		18.85	18.85		0.13	0.13	18.73	-
4	Furniture & fixtures	0.09	0.09	0.18	0.00	0.00	0.00	0.17	0.09
5	Computers & Softwares	1.96	0.79	2.75	0.18	0.37	0.55	2.20	1.78
6	<b>Intangible Assets-</b> Technical Knowhow	15.00		15.00	2.15	1.51	3.66	11.34	12.85
<b>Total</b>		<b>17.66</b>	<b>21.29</b>	<b>38.95</b>	<b>2.35</b>	<b>2.08</b>	<b>4.43</b>	<b>34.53</b>	<b>15.31</b>

*Rs. In Millions*

31.03.03									
Sno	Block of Assets	Gross Block		At cost	Depreciation		Net Block		
		As on	Additions/		Upto	for the	Upto	WDV as on	WDV as on

	1.04.2002	Deletions	as on	31.03.2002	year	31.03.2003	31.03.2003	31.03.2002
		During the	31.03.2003					
		year						
<b>Tangible Assets</b>								
1	Vehicle	0.18	0.40	0.58	0.00	0.02	0.02	0.56
								0.18
2	Office Equipment	0.01	0.02	0.03	0.00	0.00	0.00	0.03
								0.01
3	Plant & Machinery			-			-	-
4	Furniture & fixtures	0.01	0.08	0.09	0.00	0.00	0.00	0.09
								0.01
5	Computers & Softwares	0.21	1.75	1.96	0.01	0.17	0.18	1.78
								0.20
<b>Intangible Assets-</b>								
6	Technical Knowhow	9.00	6.00	15.00	0.90	1.25	2.15	12.85
								8.10
	<b>Total</b>	<b>9.41</b>	<b>8.26</b>	<b>17.66</b>	<b>0.91</b>	<b>1.44</b>	<b>2.35</b>	<b>15.31</b>
								<b>8.50</b>

**ANNEXURE 7 - STATEMENT OF INVESTMENTS, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b><u>Subsidiaries</u></b>						
Shriram PPR Technology Pvt. Limited	-	-	25.00	25.00	25.00	25.00
Haldia Coke and Chemicals Limited	-	-	25.55	25.55		
<b><u>Associates:</u></b>						
Hamon Shriram Cottrell Private Limited (Formerly Hammon Thermopack Engineers Private Limited)	57.62	20.00	-	-	-	-
Ennore Coke Limited	96.53	96.53	0.23	-	-	-
Orient Green Power Company Limited	0.76	0.30	-	-	-	-
Leitner Shriram Manufacturing Limited	55.25	55.25	-	-	-	-
<b><u>Equity shares - Others</u></b>						
Shriram Engineering and Construction Limited		-	-	-	40.00	40.00
Engineering Projects LLC		-	0.74	0.74	-	-
<b>Total</b>	<b>210.16</b>	<b>172.08</b>	<b>51.52</b>	<b>51.29</b>	<b>65.00</b>	<b>65.00</b>
Aggregate book value of quoted investments	96.53	96.53	0.23	-	-	-
Aggregate market value of quoted investments	98.40	497.70				
Aggregate book value of unquoted investments	113.63	75.55	51.29	51.29	65.00	65.00

**ANNEXURE 8: STATEMENT OF INVENTORIES, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>INVENTORIES</b>						
Raw Materials and components for wind turbine generators	250.45	102.04			-	-
Work in Progress	138.94	131.29	157.59	188.00	13.89	4.03
Freehold Land for windmill projects	35.62	41.73	15.24	29.34	-	-
<b>Total</b>	<b>425.01</b>	<b>275.06</b>	<b>172.83</b>	<b>217.34</b>	<b>13.89</b>	<b>4.03</b>

**ANNEXURE 9: STATEMENT OF DEBTORS, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Debts outstanding for a period exceeding six months						
Considered good						
Considered doubtful	69.30	62.12	49.24	26.53	1.67	-
Considered doubtful	3.58	-	-	-	-	-
Other debts						
Considered good	1,731.84	1,040.20	433.27	88.97	38.99	67.68
Considered doubtful						
Retention monies	299.33	254.05	142.12	71.49	12.43	
Less: Provision for doubtful debts	(3.58)	-	-	-	-	-
<b>Total</b>	<b>2,100.47</b>	<b>1,356.37</b>	<b>624.63</b>	<b>186.99</b>	<b>53.09</b>	<b>67.68</b>

There are no dues from promoters and promoter groups.

**ANNEXURE 10: STATEMENT OF CASH & BANK BALANCES, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>CASH AND BANK BALANCES</b>						
Cash on hand and in Imprest accounts	4.78	1.71	7.69	0.48	0.10	0.24
With Scheduled Banks:						
in Current Accounts	228.12	161.80	3.98	25.12	9.05	3.62
in Deposit Accounts	123.03	105.82	44.56	38.03	3.64	2.29
in No Lien Accounts			1,000.00	300.00	-	-
	<b>351.15</b>	<b>267.62</b>	<b>1,048.54</b>	<b>363.16</b>	<b>12.69</b>	<b>5.91</b>
<b>Total</b>	<b>355.93</b>	<b>269.33</b>	<b>1,056.23</b>	<b>363.64</b>	<b>12.79</b>	<b>6.15</b>

**ANNEXURE 11: STATEMENT OF LOANS & ADVANCES, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Advances recoverable in cash or in kind or for value to be received	872.21	643.57	371.16	100.33	56.16	59.72
Advance payments of income-tax						
Security / Other deposits	21.38	9.18	19.22	7.80	10.30	3.36
Others	2.71	0.22	1.50	1.52	0.41	0.34
<b>Total</b>	<b>896.30</b>	<b>652.97</b>	<b>391.88</b>	<b>109.65</b>	<b>66.87</b>	<b>63.42</b>
Less: Provision for doubtful loans and advances						
<b>Total</b>	<b>896.30</b>	<b>652.97</b>	<b>391.88</b>	<b>109.65</b>	<b>66.87</b>	<b>63.42</b>

**ANNEXURE 12: STATEMENT OF CURRENT LIABILITIES AND PROVISIONS, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>CURRENT LIABILITIES</b>						
Sundry Creditors	1,005.58	612.45	167.55	56.36	29.94	33.45
Advance Payments from Customers	383.10	292.58	126.39	168.56	5.84	34.29
Bills Discounted	349.71					
Interest accrued but not due on deposits		-	0.03	1.29	-	-
Other Liabilities	52.01	54.98	31.15	14.98	2.38	1.41
	<b>1,790.40</b>	<b>960.01</b>	<b>325.12</b>	<b>241.19</b>	<b>38.16</b>	<b>69.15</b>
<b>PROVISIONS</b>						
Provision for Income Tax	43.00	20.86	19.33	0.55	0.10	0.71
Provision for Gratuity & Leave encashment	9.96	6.75	3.73	0.74	-	-
	<b>52.96</b>	<b>27.61</b>	<b>23.06</b>	<b>1.29</b>	<b>0.10</b>	<b>0.71</b>

**ANNEXURE 13: STATEMENT OF OTHER INCOME, AS RESTATED**

*(Rs. in millions)*

<b>As at</b>	<b>Period ended 30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Other income	24.26	48.56		3.01	5.25	0.05
Net profit before tax, as restated	155.72	225.88	9.70	27.26	4.34	3.16
Percentage (%)	15.58	21.50	11.40	11.03	121.02	1.51
<b>Sources of income</b>						
	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
<b>Recurring</b>						
Interest received on Bank deposits	16.97	14.83		2.16	0.30	0.05
Miscellaneous income	1.64	0.41	4.23	0.85	-	-
Sale of Power	5.65		5.47			
<b>Non Recurring</b>						
Interest received - Others		31.33	-	-	-	-
Dividend received on non-trade investments		1.99	-	-	-	-
Claims Received		-	-	-	4.95	-
<b>Total</b>	<b>24.26</b>	<b>48.56</b>	<b>9.70</b>	<b>3.01</b>	<b>5.25</b>	<b>0.05</b>

**ANNEXURE 14: STATEMENT OF CONTINGENT LIABILITIES, AS RESTATED**

<b>1. The Company has following contingent liabilities for which no provisions have been made in the books of accounts of the Company</b>	<b>As on 30.09.07</b>	<b>Rs in millions</b>
1 Letters of Guarantees issued by the Banks	568.77	
2 Letters of Credit issued by the Banks	341.07	
3 Corporate Guarantees issued by the Company	330.00	
4 Disputed Income Tax Demands contested in appeals	37.63	
5 Claims against the Company not acknowledged as debts	93.20	

**ANNEXURE 15: SEGMENT ACCOUNTING - (A) Primary**

*Rs in millions*

<b>Particulars</b>	<b>Segment Analysis</b>				
	<b>Construction Contracts</b>	<b>Windmill</b>	<b>Elimination</b>	<b>Unallocated</b>	<b>Consolidated Total</b>
	<b>30.09.07</b>	<b>30.09.07</b>	<b>30.09.07</b>	<b>30.09.07</b>	<b>30.09.07</b>
External Sales					
Intersegmental Sales	1,106.76	1,032.56			2,139.32
Total Revenue		-			
Result Segment Result	1,106.76	1,032.56	-	-	2,139.32
Less: Inter Segment Margin on capital jobs	64.67	245.94			310.61
Unallocated Coporate income/expenditure(net)	-	-	-	132.97	-
Operating Profit	64.67	245.94	-	-	177.65
Interest expenses	32.60	7.94			40.54
Interest Income	17.20	1.41			18.61
Profit before Tax	49.27	239.41	-	-	155.72
Provision for Current Tax				35.30	35.30
Provision for Deferred tax				18.90	18.90
Provision for FBT				1.90	1.90
Profit after Tax ( before extra ordinary items)	49.27	239.41	-		99.62
Other Information Segment Assets					
Unallocated Corporate Assets	1,712.00	1,535.03			3,247.03
Total Assets	-	-	-	1,071.49	1,071.49
Segment Liabilities	1,712.00	1,535.03	-	1,071.49	4,318.52
Unallocated Corporate Liabilities	1,479.77	310.58			1,790.36
Total Liabilities	1,479.77	310.58	-	708.57	708.57
Capital Expenditure	1,479.77	310.58	-	708.57	2,498.93
Unallocated Corporate Capital	154.66	9.14			163.79
		-			

Expenditure	-	-	-
Depreciation included in Segment expenses	8.34	1.94	10.28
Unallocated Corporate Depreciation	-	-	-
Noncash expenses other than Depreciation	-	-	-
<b>SECONDARY SEGMENT</b>			
Market			
Africa	-	232.52	
Thailand	-	12.28	
India	2,139.32	2,712.38	
<b>Total</b>	<b>2,139.32</b>	<b>2,957.17</b>	

**Notes:**

The company was engaged in the business of Construction Activity which was the only business segment determined in accordance with Accounting Standard – 17 on Segment Reporting issued by the Institute of Chartered Accountants of India for the years ending March 31, 2003, 2004, 2005 and 2006. The company had one geographical segment, viz., India. For the purpose of restated financial statement AS 17 has not been applied for the years ending March 31, 2003, March 31, 2004, March 31, 2005 and March 31, 2006.

**ANNEXURE 16: DETAILS OF RELATED PARTY TRANSACTIONS**

PARTICULARS		Sep-07	2006-07	2005-06	2004-05	2003-04	2002-03
<b>Associate</b>	Leitner Shriram Manufacturing Limited		Leitner Shriram Manufacturing Limited	-			-
	Hamon ThermopAck Engineers P Ltd		Hamon ThermopAck Engineers P Ltd	-			-
	Ennore Coke Limited		Ennore Coke Limited	-			-
	Orient Green Power Ltd		Orient Green Power Ltd	-			-
<b>Subsidiary</b>	Hamon Shriram Cottrell P Ltd			Shriram PPR technology P Ltd	Shriram PPR technology P Ltd	Shriram PPR technology P Ltd	Shriram PPR technology P Ltd
				Haldia Coke & Chemicals Limited	Haldia Coke & Chemicals Limited		
<b>Key Management Personnel (KMP)</b>	T.Shivaraman	Vathsala Ranganathan	M.Amjad Shariff	M.Amjad Shariff		-	-
	M.Amjad Shariff		Santhosh Kamat	Santhosh Kamat		-	-
	Vathsala Ranganathan						
<b>Relatives of KMP</b>	V.Ravi Srinivasan	V.Ravi Srinivasan					

b) Particulars of transactions								
SNo	Particulars	30.09.2007	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003	Total
<b><u>Associates</u></b>								
	Sales	97.38	235.90	-	-	-	-	333.28
	Investments made in Equity shares	0.46	172.08	-	-	-	-	172.54
	Reimbursement of expenses		9.71	-	-	-	-	9.71
	Advance made towards investments	5.04						5.04
	Lease / Service charges		0.21	-	-	-	-	0.21
	Purchases		16.56	-	-	-	-	16.56
	Amount outstanding Dr / (Cr)	186.87	-	-	-	-	-	186.87
	<b>Total</b>	<b>289.75</b>	<b>434.44</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>724.20</b>
<b><u>Subsidiaries</u></b>								
	Purchases	30.74						30.74
	Sales	0.05						0.05
	Investments made in Equity shares	37.62						37.62
	Amount outstanding Dr / (Cr)	(21.81)	-	10.70	17.30	9.69	1.92	17.80
	<b>Total</b>	<b>46.60</b>	<b>-</b>	<b>10.70</b>	<b>17.30</b>	<b>9.69</b>	<b>1.92</b>	<b>86.21</b>
<b><u>Key Management Personnel</u></b>								
	Managerial remuneration	2.57	1.16	3.03	1.94	-	-	8.70
	<b>Total</b>	<b>2.57</b>	<b>1.16</b>	<b>3.03</b>	<b>1.94</b>	<b>-</b>	<b>-</b>	<b>8.70</b>
<b><u>Relatives of KMP</u></b>								
	Rent Paid	0.22	5.00	-	-			5.22
	Others (please specify)		-	-	-			-
	<b>Total</b>	<b>0.22</b>	<b>5.00</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5.22</b>

**ANNEXURE 17: STATEMENT OF TAX SHELTER**
*(Rupees in Millions)*

<b>Year ending March 31</b>	<b>30.09.07</b>	<b>31.03.07</b>	<b>31.03.06</b>	<b>31.03.05</b>	<b>31.03.04</b>	<b>31.03.03</b>
Profit before tax as restated (A)						
Tax Rate as applicable (B)	155.72	225.88	85.08	27.26	4.47	3.03
Notional Tax at above rate (C = A x B)	33.99	33.66	33.66	36.59	35.88	36.75
	52.93	76.03	28.64	9.97	1.60	1.11
<b><u>Permanent Differences:</u></b>						
i) Donation	0.04	1.28	0.14	0.06	0.02	-
ii) Deductions under Chapter VIA of the Income Tax Act, 1961		-	(7.80)	-	-	-
iii) ROC Filing Fees / Other Filing Fees	2.00	-	0.75	-	0.26	-
iv) Disallowance under section 2(24)(x)		3.16	1.50	-	-	-
v) Disallowance under section 40A(3)	1.56	3.78	1.00	-	-	-
<b>Total Permanent Difference (D)</b>	<b>3.60</b>	<b>8.22</b>	<b>(4.41)</b>	<b>0.06</b>	<b>0.28</b>	<b>-</b>
<b><u>Timing Differences:</u></b>						
i) Disallowance u/s 43B		-	3.73	2.07	-	-
ii) Difference between depreciation as per Books and Income Tax	(56.95)	(12.33)	(7.23)	(12.82)	(4.71)	(3.49)
iii) Disallowance under section 40 (a)(ia)			7.19	-	-	-
iv) Deferred Revenue Expenditure		9.27	(8.38)	-	-	-
vi) Cost of coke oven project			(16.84)	-	-	-
vii) Gratuity Provision	1.37	4.50	-	-	-	-
viii) Expenditure Disallowed in Earliers years		(8.69)	-	-	-	-
ix) Leave salary provision	2.55					
x) Bonus provision	0.27					
xi) Improvement in leasehold premises			-	-	-	-
xii) Deduction under Section 35D	(2.97)	(5.95)	-	-	-	-
xiii) Carryforward Loss		-	-	-	-	(0.50)
<b>Total Timing Difference (E)</b>	<b>(55.73)</b>	<b>(19.46)</b>	<b>(21.53)</b>	<b>(10.75)</b>	<b>(4.71)</b>	<b>(3.99)</b>
Net Adjustments (F = D+E)	(52.13)	(11.24)	(25.94)	(10.69)	(4.43)	(3.99)
Tax Savings thereon (G = F x B)	(17.72)	(3.78)	(8.73)	(3.91)	(1.59)	(1.47)
Total Taxation (H=C+G)	35.21	72.25	19.91	6.06	0.01	(0.35)
Excess / (Short) Provision for the year (I)	0.09	1.97	(0.94)	-	0.14	0.05
Interest Under Section 234 B & 234 C (J)		3.90	0.27	-	-	-
Restated tax provision for the year (K = H+I+J)	35.30	78.12	19.24	6.06	0.15	(0.30)
Tax Effect on restatements (L)	-	(3.12)	2.76	(0.07)	0.23	0.77
Provision for Current tax as per Books of accounts (K+L)	35.30	75.00	22.00	5.99	0.38	0.47

**Notes:**

1. The permanent or timing differences have been computed considering the acknowledged copies of the income tax returns filed by the company for each of the respective years

2. The figures for the period ended September 30, 2007 and for year ended March 31, 2007 are based on the provisional computation of Total Income prepared by the Company. Since the same has not been filed, it is subject to any changes which may be made between the date of this statement and the date of filing the Income tax return with the Income tax Authorities

**ANNEXURE 18: STATEMENT OF ACCOUNTING RATIOS (ON RESTATED NUMBERS)**

	<i>(Rs. in millions)</i>					
	30.09.07	31.03.07	31.03.06	31.03.05	31.03.04	31.03.03
Networth (Rs.) (A)			1,591.61	525.02	201.35	149.39
	1,819.59	1,705.75				
Adjusted Profit after Tax (Rs.) (B)			66.54	17.93	1.98	1.28
	99.62	140.63				
No. of Shares outstanding at the end (C)	37867790	20245193	20245193	20245193	19800000	14800000
Weighted average number of shares outstanding (D)	39418489	20245193	20245193	20080533	15046575	6865753.4
Basic Earnings per Share (EPS) (Rs.) (B/D)			3.29	0.89	0.13	0.19
	2.53	6.95				
Return on Net worth (%) (B/A)			0.04	0.03	0.01	0.01
	0.05	0.08				
Net Asset Value per Share (Rs.) (A/C)			69.91	25.93	10.17	10.09
	48.05	75.55				
<b>Other Ratios</b>						
Cash Earnings per Share (Rs.)			4.26	1.35	0.20	0.29
	2.90	7.62				

**Notes:**

	1 The ratios have been computed as below:
Earnings per share (Rs)	Net profit attributable to equity shareholders Weighted average number of equity shares outstanding during the year/period
Return on net worth (%)	Net profit after tax Net worth excluding revaluation reserve at the end of the year/period
Net asset value per equity share (Rs)	Net worth excluding revaluation reserve and preference share capital at the end of the year/period Number of equity shares outstanding at the end of the year/period
	2 Net profit, as restated as appearing in the Statement of profits and losses, as restated has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the standalone (unconsolidated) restated financial statements of the Company.
	3 Earnings per share calculations are done in accordance with Accounting Standard 20 "Earnings Per Share" issued by the Institute of Chartered Accountants of India.

**Definitions of key ratios: (to be in conformity with the relevant accounting standards)**

1. EPS represents basic earnings per share calculated as per Accounting Standard 20 issued by ICAI.
2. Cash EPS represents PAT for the year plus non-cash charges divided by the number of equity shares at the end of the fiscal year. Non-cash charges comprise depreciation, amortisation of business development expenses, loss on sale of fixed assets and loss on sale of investments.
3. Return on Net Worth is arrived at by dividing PAT by total shareholders' funds (Net Worth) at the end of the year.
4. Net Asset value per share, computed as per net equity method, is arrived at as Equity net worth at the end of the year minus miscellaneous expenses not written off and divided by the number of equity shares at the end of the fiscal year.

YEAR	2002	2003	2004	2005	2006	2007
PROFIT AFTER TAX	1286885	3513261	2496076	17753401	74755186	
NO OF EQUITY SHARES	6800000	14800000	19800000	20245193	20245193	
EPS	0.19	0.24	0.13	0.88	3.69	6.49

Weighted Average

Opening 29.03.03	6800000	6800000				
	8000000	65753.4247				
		<b>6865753.42</b>				

Opening 13.03.04	14800000	14800000				
	5000000	246575.342				
		<b>15046575.3</b>				

Opening 13.08.2005	19800000	19800000				
	445193	280532.575				
		<b>20080532.6</b>				

**Cash Earnings**

Profit after tax as restated	99.62		66.54	17.93	1.98	1.28
		140.63				
Add: Depreciation	10.28		9.18	9.35	2.08	1.44
		13.68				
: Preliminary Expenses written off	0.00		10.49	-	-	1.60
		-				
: Loss on sale of assets	-		-	-	-	-
		(0.00)				
Total Cash earnings	<b>109.90</b>		<b>86.21</b>	<b>27.28</b>	<b>4.06</b>	<b>4.32</b>
		<b>154.31</b>				

**ANNEXURE 19: CAPITALIZATION STATEMENT**

	Pre-issue as at 30.09.07	Adjusted for the Public Issue
<b>Borrowing</b>		
Short - Term debt		627.67
Long-term debt		-
Total Debt		627.67
<b>Shareholders' funds</b>		
Share Capital		
- Equity		378.68
Less: Calls- in- arrears		
- Preference		-
- Employee Stock Options		17.47
Share premium		1,094.05
Reserves & surplus		328.13
Capital Reserve		1.29
Less: Miscellaneous Expenditure not written off		
Total Shareholders Funds		1,819.62

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Total Debt/Equity ratio	0.34
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**ANNEXURE 20: DETAILS OF DIVIDEND PAID BY THE COMPANY**

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With a view to conserve resources for company's expanding operations, no dividend was recommended by the Board of Directors for the financial years 2002-03 to 2006-07 and for the period ended 30.9.2007

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## SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN INDIAN GAAP AND US GAAP

Our financial statements are prepared in conformity with Indian GAAP, which differs in certain significant respects from U.S. GAAP. Such differences involve methods for measuring the amounts shown in the financial statements of the Issuer, as well as additional disclosures required by U.S. GAAP, which we have not made.

The following is a general summary of certain significant differences between Indian GAAP and U.S. GAAP.

The differences identified below are limited to those significant differences that are appropriate to our financial statements. However, they should not be construed as exhaustive as no attempt has been made by our management to quantify the effects of those differences, nor has a complete reconciliation of Indian GAAP to U.S. GAAP been undertaken by our management. Had any such quantification or reconciliation been undertaken by our management, other potential significant accounting and disclosure differences may have come to its attention, which are not identified below. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements and the notes thereto

We have not prepared financial statements in accordance with U.S. GAAP. Accordingly, there can be no assurance that the table below is complete or that the differences described would give rise to the most material differences between Indian and U.S. GAAP. In addition, the Company cannot presently estimate the net effect of applying U.S. GAAP on its results of operations or financial position.

Further, no attempt has been made to identify future differences between Indian GAAP and U.S. GAAP as a result of prescribed changes in accounting standards. Various U.S. GAAP and Indian GAAP pronouncements, including guidance provided by the U.S. Securities and Exchange Commission, have been issued for which the mandatory application date is later than March 31, 2005. Regulatory bodies that promulgate Indian GAAP and U.S. GAAP have significant projects ongoing that could affect future comparisons such as this one. Finally, no attempt has been made to identify future differences between Indian GAAP and U.S. GAAP that may affect the financial information as a result of transactions or events that may occur in the future.

Potential investors should consult their own potential advisors for an understanding of the principal differences between Indian GAAP and U.S. GAAP and how these differences might affect the Financial Statements on page 132 of this Red Herring Prospectus.

S.No.	Particulars	Indian GAAP	US GAAP
1.	Contents of financial statements	Companies are required to present balance sheets and profit and loss accounts for two years along with the relevant accounting policies and notes. Additionally all listed companies (including companies in the process of getting listed are required to present cash flow statements. A statement of stockholder's equity is not presented. There is no standard or requirement for a comprehensive income statement.	Companies are required to present balance sheets, statements of operations, statements of cash flows and statements of changes in stockholders equity for two years along with the relevant accounting policies and notes. Public companies are required to present statements of operations, statements of cash flows and statements of changes in stockholders equity for three years. They need not present the balance sheet for the third year. A statement of comprehensive income (comprising primarily of unrealized gains and losses) is required and is generally presented as part of stockholder's equity.
2.	Changes in accounting policies	The effect of a change in accounting policy must be recorded in the income statement of the period in which the change is made except as specified in certain standards where the change	The effect of a change in accounting policy is generally included (net of taxes) in the current year income statement, after extraordinary items. Pro-forma comparatives reflecting the

S.No.	Particulars	Indian GAAP	US GAAP
		resulting from adoption of the standard has to be adjusted against opening retained earnings.	impact of the change is generally disclosed.
3.	Correction of errors	The effect of correction of errors must be included in the current year income statement with appropriate disclosure as a prior period item.	The correction of material errors usually results in the restatement of relevant prior periods.
4.	Consolidation and Joint Ventures	In accordance with AS 27, "Financial reporting of Interests in joint ventures" the venturer recognizes in its separate and consolidated financial statements its share of jointly controlled assets, any liabilities it has incurred, its share of any liabilities incurred jointly with other venturers in relation to the joint venture, any income from sale or use of its share of output of the joint venture, together with its share of expenses incurred by joint venture and any expenses which it has incurred in respect of interest in joint venture.  There is no specific guidance with respect to Variable Interest Entities. For financial statements, disclosure is required for the share of interest in the Joint Venture.	Investment in Joint Ventures is generally accounted for under the equity method of accounting. Companies are required to evaluate if they have any interest in Variable Interest Entities, as defined by the standard. Consolidation of such entities may be required if certain conditions are met.
5.	Business Combinations	Restricts the use of pooling of interest method to circumstances which meet the criteria listed for an amalgamation in the nature of a merger. In all other cases, the purchase method is used.	Business combinations are accounted for by the purchase method only (except as discussed below). Several differences can arise in terms of date of combination, calculation of share value to use for purchase price, especially if the Indian GAAP method is 'amalgamation' or pooling. In the event of combinations of entities under common control, the accounting for the combination is done on a historical cost basis in a manner similar to a pooling of interests for all periods presented.
6.	Goodwill	Goodwill is computed as the excess of the purchase price over the carrying value of the net assets acquired. Goodwill is tested for impairment annually for the following categories of enterprises- a) Enterprises whose equity or debt securities are listed on a recognized stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognized stock exchange in India as evidenced by the board of directors' resolution in this regard, or b) All other commercial, industrial and business reporting enterprises, whose	Goodwill is computed as the excess of the purchase price over the fair value of the net assets acquired. Goodwill is not amortized but, tested for impairment annually.

S.No.	Particulars	Indian GAAP	US GAAP
		turnover for the accounting period exceeds Rs. 500,000 thousand. (Applicable for financial years beginning on April 1, 2005 for other than listed companies).	
		In all other cases, Goodwill is capitalized and amortized over its useful life.	
7.	Negative Goodwill (i.e., the excess of the fair value of net assets acquired over the aggregate purchase consideration)	Negative goodwill is computed based on the book value of assets (not the fair value) of assets taken over/acquired and is credited to the capital reserve account, which is a component of shareholders' funds.	Negative goodwill is allocated to reduce proportionately the fair value assigned to non-monetary assets. Any remaining excess is considered to be an extraordinary gain.
8.	Intangible assets	Intangible assets are capitalized if specific criteria are met and are amortized over their useful life, generally not exceeding 10 years. The recoverable amount of an intangible asset that is not available for use or is being amortized over a period exceeding 10 years should be reviewed at least at each financial yearend even if there is no indication that the asset is impaired.	When allocating purchase price of a business combination, companies need identify and allocate such purchase price to intangible assets, based on specific criteria. Intangibles that have an indefinite useful life are required to be tested, at least annually, for impairment. Intangible assets that have finite useful life are required to be amortized over their estimated useful lives.
9.	Construction Contracts	Contract revenue and contract costs of a construction contract should be recognized as revenue and expenses by reference to the stage of completion of the contract, when the outcome of that contract can be estimated reliably, i.e. the percentage-of-completion method. If the outcome of a contract cannot be estimated reliably, revenue should be recognized only to the extent that it is probable the contract costs incurred will be recoverable. Contract costs should be recognized as an expense in the period in which they are incurred, and any expected excess of total contract costs over total revenue for the contract should be recognized as an expense immediately.  Requires contracts to be combined when part of a package, or segregated when each contract is part of a separate proposal and when revenues & costs can be clearly identified.	The percentage-of-completion method and the completed-contract method are acceptable methods of accounting. The percentage-of-completion method is recommended when estimates of costs to complete and extent of progress toward completion of long-term contracts are reasonably dependable. Where estimates of costs to completion and the extent of progress towards completion cannot be determined with reasonable certainty, revenue is recognized only when the contract is completed or substantially completed. Losses are recognized when incurred or when the expected contract costs exceed the expected contract revenue, regardless of which accounting method is used.  Combining contracts is permitted but not required
10.	Segment Information	Segmental disclosures are required to be given by all public companies (listed or in the process of getting listed), banks, financial institutions, entities carrying on insurance business and enterprises having turnover above Rs 50 crores or borrowings above Rs 10 crores. Specific requirements govern the format and	Public companies are required to report information about operating segments in annual financial statements and selected information about operating segments in interim financial reports issued to shareholders. There are requirements for related disclosures about products and services,

S.No.	Particulars	Indian GAAP	US GAAP
		content of a reportable segment and the basis of identification of a reportable segment. The information for disclosure is to be prepared in conformity with the accounting standards used for the company as a whole.	geographic areas, and major customers. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the Chief Operating Decision Maker in deciding how to allocate resources and in assessing performance. Generally, financial information is required to be reported on the basis that it is used internally for evaluating segment performance and deciding how to allocate resources to segments.
11.	Dividends	Dividends are reflected in the financial statements of the year to which they relate even if proposed or approved after the year end.	Dividends are accounted for when approved by the board/shareholders. If the approval is after year end, the dividend is not considered to be a subsequent event that needs to be reflected in the financial statements.
12.	Property, Plant and Equipment	<p>Fixed assets are recorded at the historical costs or revalued amounts.</p> <p>Foreign exchange gains or losses relating to the procurement of property, plant and equipment can be capitalized as part of the asset.</p> <p>Depreciation is recorded over the asset's useful life. Schedule XIV of the Companies Act prescribes minimum rates of depreciation and typically companies use these as the basis for useful life.</p> <p>Interest cost on specified or identifiable borrowings is capitalized to qualifying assets during its construction period.</p>	<p>Revaluation of fixed assets is not permitted under US GAAP.</p> <p>All foreign exchange gains or losses relating to the payables for the procurement of property, plant and equipment are recorded in the income statement.</p> <p>Depreciation is recorded over the asset's useful life. Therefore the useful life may be different from the useful life based on Schedule XIV.</p> <p>The interest cost, if material, eligible for capitalization shall be the interest cost recognized on borrowings and other obligations. The amount capitalized is an allocation of the interest cost incurred during the period required to complete the asset.</p> <p>The interest rate for capitalization purposes is to be based on the rates on the company's outstanding borrowings.</p>
13.	Investment in Marketable Securities	Unrealized appreciation on available for sale securities or trading securities is not recognized. Unrealized depreciation on available for sale securities and trading securities is recognized in the income statement.	Unrealized gains and losses on available for sale securities are recorded as other comprehensive income, which is a component of stockholders' equity. Unrealized gains and losses on trading securities are recognized in the income statement.
14.	Inventory	Measured at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Reversal (limited to the amount of original write down) is required for a subsequent increase in value of inventory previously written down.	Measurement is done at lower of cost or market. Market value is defined as being current replacement cost subject to an upper limit of net realizable value (i.e. estimated selling price in the ordinary course of business less reasonably predictable costs of completion and disposal) and a lower limit of net realizable value less a normal profit margin. Reversal of a write down is prohibited, as a write down creates a new cost basis.

S.No.	Particulars	Indian GAAP	US GAAP
15.	Impairment of assets, other than goodwill	<p>Applicable for accounting periods beginning from April 1, 2004 onwards for:</p> <p>a) Enterprises whose equity or debt securities are listed on a recognized stock exchange in India, and enterprises that are in the process of issuing equity or debt securities that will be listed on a recognized stock exchange in India as evidenced by the board of directors' resolution in this regard, or</p> <p>b) All other commercial, industrial and business reporting enterprises, whose turnover for the accounting period exceeds Rs. 500,000 thousand (Applicable for financial years beginning on April 1, 2005 for other than listed companies).</p> <p>If impairment is indicated, the assets must be written down to higher of net selling price and the value in use based on discounted cash flows.</p>	<p>An impairment analysis is performed if impairment indicators exist. An impairment loss shall be recognized only if the carrying amount of a long-lived asset (asset group) is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset (asset group) is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset (asset group). An impairment loss shall be measured as the amount by which the carrying amount of a long-lived asset (asset group) exceeds its fair value (which is determined based on discounted cash flows).</p>
16.	Pension / Gratuity / Post Retirement Benefits	<p>The liability for defined benefit plans like gratuity and pension is determined as per actuarial valuation. There is no defined method of expense determination, the discount rate determination criteria, and guidance for valuation of plan assets and the choice is left to the discretion of actuary.</p> <p>Actuarial gains or losses are recognized immediately in the statement of income.</p>	<p>The liability for defined benefit schemes is determined using the projected unit credit actuarial method. The discount rate for obligations is based on market yields of high quality corporate bonds. The plan assets are measured using fair value or using discounted cash flows if market prices are unavailable.</p> <p>If at the beginning of the year, the actuarial gains or losses exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets, then such amount is not recognized immediately, but amortized over the average remaining service period of active employees expected to receive benefits under the plan.</p>
17.	Leases	<p>Leases are classified as finance or operating in accordance with specific criteria. Judgment is required to determine if the criteria are met or not.</p>	<p>The criteria to classify leases as capital or operating include specific quantitative thresholds.</p>
18.	Derivatives and other financial instruments – measurement of derivative instruments and hedging activities	<p>The accounting for derivative instruments has not clearly emerged in the Indian context. Currently what is applicable is the Guidance Note on Accounting for Equity Index and Equity Stock Futures and Options are the pronouncements, which address the accounting for derivatives.</p> <p>However, the accounting treatment recommended in the guidance note is applicable to all contracts entered into for Equity Derivative Instruments irrespective of the motive.</p>	<p>There is specific accounting guidance required for derivative instruments, including certain derivative instruments embedded in other contracts, (collectively referred to as derivatives) and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value</p>

S.No.	Particulars	Indian GAAP	US GAAP
		<p>The impact of derivative instruments are correlated with the movement of the underlying assets and liabilities and accounted pursuant to the principles of hedge accounting. The related amount receivable from and payable to the swap counter parties is included in the other assets or liabilities in the balance sheet. When there is no correlation of movements between derivatives and the underlying asset or liability, or if the underlying asset or liability specifically related to the derivative instrument is matured, sold or terminated, the derivative instrument is closed out or marked to market as an element of non interest income on an outgoing basis.</p> <p>There is no specific guidance with respect to the documentation that must be maintained for hedge accounting.</p>	<p>of a recognized asset or liability or an unrecognized firm commitment (fair value hedge), (b) a hedge of the exposure to variable cash flows of a forecasted transaction (cash flow hedge), or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency-denominated forecasted transaction (net investment hedge).</p> <p>The accounting for changes in the fair value of a derivative (that is, gains and losses) depends on the intended use of the derivative and the resulting designation.</p> <p>a) Fair value hedge: the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged.</p> <p>b) Cash Flow hedge and Net investment hedge: the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.</p> <p>c ) For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.</p> <p>An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedging derivative and the measurement approach for determining the ineffective aspect of the hedge. Those methods must be consistent with the entity's approach to managing risk</p>
19.	Deferred Taxes	Deferred tax asset/liability is classified as long term. The tax rate applied on deferred tax items is the substantively enacted tax rate.	Deferred tax asset/liability is classified as current and long-term depending upon the timing difference and the nature of the underlying asset or liability. The tax rate applied on deferred tax items is the enacted tax rate.
20.	Revenue recognition	Revenues are recognized when all significant risks and rewards of ownership are transferred.	US GAAP has extensive literature on revenue recognition topics and application of these guidelines could result in revenue recognition that is

S.No.	Particulars	Indian GAAP	US GAAP
21.	Stock based compensation	<p>There is no specific guidance on accounting for employee stock compensation under Indian GAAP.</p> <p>SEBI has issued the Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, 1999, which are effective for listed companies for all stock-option schemes established after 19 June, 1999. In accordance with these guidelines, the excess of the market price/fair valuation of underlying equity shares as of the date of grant of the options over the exercise price of the options, including up-front payments, if any, is to be recognized and amortized on a straight-line basis over the vesting period</p>	<p>different from Indian GAAP.</p> <p>Entities have a choice of accounting methods for determining the costs of benefits arising from employees stock compensation plans. They may either follow an intrinsic value method or a fair value method.</p> <p>Under the intrinsic value method, the compensation cost is the difference between the market price of the stock at the measurement date and the price to be contributed by the employee (exercise price). The measurement date is typically the date of the grant, on which date, both the number of shares and the exercise price would be known. This method is widely used in practice.</p> <p>The fair value method is based on the fair value of the option at the grant date. This is estimated using an option-pricing model. If an entity chooses to follow the intrinsic value method, it must make pro-forma disclosures of net income and earnings per share as if the fair value method had been applied.</p> <p>There is a new standard, which requires a fair value method to be used for all options (June 15, 2005 for Public companies and December 15, 2005 for Private companies).</p>
22.	Options to Non-employees	No specific guidance	Complex guidance with respect to measurement date and timing of recognition of expense. All options to non-employees are recognized at fair value.
23.	Start up costs and organization costs	No specific guidance. Companies expense start up costs.	Requires costs of start-up activities and organization costs to be expensed as incurred.
24.	Mandatorily redeemable preferred shares	Instruments characterized as preferred shares are recorded as equity, even if they are mandatorily redeemable.	Mandatorily redeemable preferred shares are classified as a liability and any payments related to them, even if characterized as a dividend, are recorded as interest expense.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion of our financial condition and results of operations together with our audited consolidated financial statements and the reports thereon and annexures thereto, which have been restated in accordance with paragraph B(1) of Part II of Schedule II to the Companies Act and with the SEBI Guidelines, and which are all included in this Red Herring Prospectus.*

*Our consolidated financial statements are prepared in conformity with Indian GAAP. Indian GAAP differs in certain significant respects from IFRS, U.S. GAAP and other accounting principles and auditing standards in other countries with which prospective investors may be familiar. The degree to which the financial statements included in this Red Herring Prospectus will provide meaningful information is dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance on the financial disclosures presented in this Red Herring Prospectus by persons not familiar with these Indian practices, law and rules should be limited. We have not attempted to explain these differences or quantify their impact on the financial data included herein, and we urge you to consult your own advisors regarding such differences and their impact on the financial data herein.*

### **Overview**

We are one of the leading service providers of integrated design, engineering, procurement, construction and project management services for renewable energy projects, process and metallurgical plants and municipal services sector projects throughout India, and one of India's leading 250KW wind turbine generator ("WTG") manufacturers. Our engineering, procurement and construction business is focused on providing integrated turnkey solutions for biomass-based power plants, bio-ethanol production plants, process and metallurgy plants (including thermal power plants), water and wastewater treatment plants, water and sewer infrastructure and pipe rehabilitation. Our WTG business has been focused on developing, manufacturing, erecting and commissioning 250KW WTGs, and is currently developing megawatt-class WTGs through one of our Subsidiaries and Associate companies.

Our core services include detailed design and engineering, material procurement and overall project and construction management services. Our businesses are categorised into two segments – engineering, procurement and construction ("EPC") projects and development, sale and maintenance of WTGs. Our EPC business focuses on renewable energy, process and metallurgy and municipal services projects. Our EPC project experience and footprint reach across 16 states in India. We have completed wind energy projects for our WTG business throughout India, particularly south India, and internationally in Zambia and France.

We also have investments in Associate companies engaged in the manufacture of WTGs, renewable power generation and manufacture of metallurgical coke, namely Leitner Shriram Manufacturing Limited, Orient Green Power Company Limited and Ennore Coke Limited, respectively.

In the years ended March 31, 2005, 2006 and 2007, our consolidated income was, Rs. 745.74 million, Rs. 1,455.04 million and Rs. 3,005.73 million, respectively, and our consolidated restated net profit was, Rs. 15.94 million, Rs. 64.92 million and Rs. 140.63 million, respectively. In the six months ended September 30, 2007, our consolidated income was Rs. 2,251.21 million and our consolidated restated net profit was Rs. 104.37 million. Our consolidated order book stood as on December 31, 2007 at Rs. 22,791.77 million.

Our Company was incorporated on 12 June 2000 for the purpose of carrying on the business of engineering, procurement and construction. Pursuant to an order dated July 22, 2005 of the High Court of Madras, Shriram Engineering Construction Company Pvt. Ltd. ("SHRENCO"), which was also engaged in the business of engineering and construction, was merged into the Company with effect from April 1, 2004. SHRENCO was originally incorporated in June 1982 as Shriram Construction Company Private Limited, which focused on civil construction works, and later changed its name to SHRENCO in April 1991. Upon the merger with SHRENCO, we became engaged in municipal services EPC projects. We have been involved in process and metallurgy EPC projects since inception and expanded into renewable energy EPC projects in 2001. We began selling 250KW WTGs sourced from third parties in fiscal 2005, and manufacturing and selling our own WTGs in fiscal 2007.

## **Factors Affecting Our Results of Operations**

Our income is generated principally from our EPC activities involving renewable energy projects, process and metallurgy plants and municipal services sectors, and the development, sale and maintenance of WTGs. Our results of operations in these business areas can be affected by a number of factors.

Income from our EPC activities is affected by multiple factors. One factor affecting such operations is the ability and willingness of relevant government agencies and non-public companies to fund expansion plans and pay for new construction through internal resources or external funding, which is generally high but can vary due to political and economic factors. Another factor affecting us is competition with other companies for the available work, which is intense. We compete with others on the basis of technology, know-how, price, timeliness of project completion, quality of construction, market knowledge, reputation and other measures of competitive strength. Another factor affecting our EPC income is the cost of providing our services. Fluctuations in the prices and timely availability of raw materials and goods, including steel, cement, petroleum products, components for wind turbine generators and other items, and delays in completing our projects caused by inclement weather can significantly affect our profitability. The cost and timely availability of skilled labour can also have a significant effect on our profitability.

Income from our WTG activities is affected by several factors affecting the demand for wind-based power in India. Changes in the prices of other sources of power, including oil, coal, natural gas and other renewable energy-based sources of power, influence the demand for wind power. Additionally, government policies and incentives, including tax benefits, relating to the wind power activities can have a significant impact on the economic viability and attractiveness of undertaking wind power projects for our potential clients. The cost of developing and manufacturing our WTGs will affect our operating results. We source raw materials and components used in manufacturing of WTGs from domestic and international suppliers. The fluctuations in prices of such raw materials and components and their availability (which is primarily driven by our suppliers' manufacturing capacities and capital expenditure plans, as the components are primarily customized for our requirements) will affect our operating results. Furthermore, competition among domestic and international WTG manufacturers is intense. We compete on the basis of technology, know-how, price, quality of manufacturing and wind farm project development expertise.

Additionally, the availability of finance at acceptable rates and for acceptable lengths of time is essential for our operations, as we must finance EPC projects and the manufacture of WTGs pending periodic payments from customers and must finance the acquisition of necessary plant and machinery, construction equipment, vehicles and other assets. Our financing capabilities can be burdened if a significant number of our customers fail to pay their bills on time.

For further discussion of factors that may affect our results of operations, see the section entitled "Risk Factors" beginning on page ix.

## **Critical Accounting Policies**

Our Company maintains its accounts on an accrual basis following the historical cost convention in accordance with Indian GAAP and in compliance with the accounting standards referred to in Section 211(3c) and other provisions of the Companies Act, 1956. Our Company seeks to apply its accounting policies consistently from period to period.

In order to prepare our financial statements in accordance with Indian GAAP, the applicable accounting standards issued by the ICAI and the relevant provisions of the Companies Act require our management to make judgments, estimates and assumptions regarding uncertainties that affect the reported amounts of our assets and liabilities, disclosures of contingent liabilities and the reported amounts of revenues and expenses during the reporting period. Our accounting policies as a whole are more fully described in the section entitled "Financial Information".

Some of our accounting policies are particularly important to the portrayal of our financial position and results of operations and require the application of significant management assumptions and estimates. Herein, we refer to these accounting policies as our "critical accounting policies". Our management uses our historical experience and analyses the terms of existing contracts, historical cost conventions, industry trends, information provided by our agents and others and information available from outside sources, as appropriate, to formulate its assumptions and estimates. However, the task is inexact, because our management is making assumptions and providing estimates on matters that are inherently uncertain. Actual results could differ from management's

assumptions and estimates. While all aspects of our financial statements and accounting policies should be understood in assessing our current and expected financial condition and results of operations, we believe that the following critical accounting policies warrant additional attention:

#### ***Principles of consolidation***

The consolidated financial statements of the Company and its Subsidiaries have been prepared on the following basis:

- The equity method of accounting has been followed for investments in Associates in accordance with AS 23 – Accounting for Investments in Associates. Under this method (i) any goodwill/capital reserve arising at the time of the acquisition of interest in an Associate and (ii) the share of profit or losses after the date of acquisition has been adjusted in investment value based on the unaudited financial statements of such Associate.
- The consolidated financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances, except in the case of certain Associates the impact of which is not quantifiable.

#### ***Use of estimates***

The preparation of financial statements in conformity with Indian GAAP requires our management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent liabilities as of the date of the financial statements. Actual results could differ from those estimated. Differences between the actual results and estimates are recognised in the period in which the results are known / materialised.

#### ***Revenue recognition***

Revenue resulting from the sale of goods is recognised at the time of transfer of title. Sales are inclusive of all taxes.

Revenue generated from EPC contracts is recognised when progressive bills are raised based on (i) measurement acceptance by customers and (ii) the terms of the relevant contract, taking into account technical estimate revision, costs of completion and stages of completion. Profits are recognised after charging corresponding proportionate costs relating to the contractual billings. Any escalation considered by management to be recoverable under the relevant contract is also recognised as and when the claims are accepted by the customer.

Provisions for anticipated losses on contracts are accounted for in the year they are established.

Dividend income from investments is accounted for when the right to receive the payment is established.

#### ***Investments***

Long term investments are valued at cost and provisions are made if the diminution in value is other than temporary in nature. Current investments are carried at cost or market value, whichever is lower.

#### ***Deferred Revenue Expenditure***

Preliminary expenses incurred in the year 2002 are amortised over a period of ten years.

#### ***Inventories***

Raw materials and stores and spares are valued at cost. Costs accounted for on a FIFO basis freight, taxes and duties net of VAT credit wherever applicable.

Work in progress relating to our wind turbine generator segment is valued at the lower of cost and net realisable value. Works in progress relating to EPC contracts are accounted for in a manner reflecting the proportionate cost of inputs and direct expenses on contracts yet to be billed.

Stock of land for wind energy projects is valued at the lower of cost and net realisable value. Cost of land includes purchase consideration, stamp duties and registration charges for transfer of title.

#### ***Accounting for taxes on income***

Provision for taxation comprises of the current tax provision, fringe benefit tax and the net change in the deferred tax asset or liability during the year. Deferred tax assets and the deferred tax liabilities are recognised so as to take reflect the future tax consequences of timing differences between carrying values of the assets and liabilities and their respective tax bases using enacted or substantially enacted tax rates. Deferred tax assets are recognised only if there is a virtual certainty that they can be realised.

#### ***Fixed Assets and Depreciation***

Fixed assets are stated at cost. Cost comprises of the purchase price and any attributable cost of bringing the assets to its working condition for its intended use. With regard to assets acquired under a finance lease, the cost of assets is capitalised while the annual charges are charged to revenue.

##### **- Tangible assets**

Depreciation is provided for using a straight line method at the rates and in the manner prescribed under Schedule XIV of the Companies Act, 1956.

Leasehold improvements are written off over the primary period of their lease.

With respect to impaired assets, the revised carrying value is depreciated over its remaining useful life.

Individual assets costing less than Rs. 5,000 each are depreciated in full in the year of addition.

##### **- Intangible assets**

Intangible assets are amortised over a period of 5 to 10 years based on estimated useful life of the asset.

#### ***Impairment of Fixed Assets***

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal and/or external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

#### ***Foreign Currency Transaction***

A foreign currency transaction is recorded at the prevailing exchange rate on the date of such transaction. At the year end, all monetary assets and liabilities denominated in foreign currency are restated at the year-end exchange rates. Exchange differences arising on actual payment/realisation are recognised in the profit and loss account or adjusted cost of the asset when it relates to a fixed asset purchased from outside India.

#### ***Retirement Benefits***

Fixed contributions to our provident fund, employees pension fund and the cost of other benefits are recognised in our accounts at the actual cost to the Company.

Liability for gratuities to employees is determined on the basis of actuarial valuation as on the balance sheet date and is recognised in the accounts.

Leave encashment is paid to employees only upon their retirement or resignation from the Company and the same is accounted for on an accrual basis.

#### **Summary of Results of Operations**

The table below sets forth our profit and loss information for the six months ended September 30, 2007 and the fiscal years ended March 31, 2007, 2006, 2005 and 2004.

*(Rs. in millions)*

	Fiscal year ended March 31,				
	Six months ended September 30, 2007	2007	2006	2005	2004
<b>INCOME</b>					
<b>Sales:</b>					
<i>Revenue from Engineering, Procurement and Construction Contracts</i>	1,192.120	1,877.38	950.26	469.90	218.59
<i>Development, Sale and Maintenance of Wind Turbine Generators <sup>(1)</sup></i>	1,032.72	1,079.79	495.08	272.83	-
<i>Other Income</i>	26.37	48.56	9.70	3.01	0.30
<b>TOTAL INCOME</b>	<b>2,251.21</b>	<b>3,005.73</b>	<b>1,455.04</b>	<b>745.74</b>	<b>218.89</b>
<b>EXPENDITURE</b>					
Raw materials & goods consumed <sup>(1)</sup>	721.66	976.54	370.18	242.00	-
Manufacturing, construction & operating expenses	1,159.28	1,644.61	767.99	530.37	180.86
(Increase)/decrease in inventory	(1.53)	(102.23)	44.52	(200.78)	9.86
Employee costs	82.98	93.36	55.99	23.37	2.73
Other costs	70.50	112.71	73.45	79.77	18.91
Interest	41.84	41.19	38.40	35.48	0.19
Depreciation	11.77	13.68	9.18	9.36	1.26
Miscellaneous expenditure written off	-	9.27	2.28	8.43	0.32
<b>TOTAL EXPENDITURE</b>	<b>2,086.50</b>	<b>2,789.12</b>	<b>1,361.99</b>	<b>728.00</b>	<b>214.13</b>
<b>NET PROFIT BEFORE TAXATION</b>	<b>164.71</b>	<b>216.61</b>	<b>93.05</b>	<b>17.75</b>	<b>4.77</b>
Provision for taxation					
- Current Tax	37.20	75.00	22.00	6.00	0.38
- Deferred Tax	21.11	6.80	(6.02)	3.33	1.98
- Fringe Benefit Tax	2.03	3.45	2.56	-	-
- Tax pertaining to earlier Years	-	-	-	-	0.13
<b>NET PROFIT AFTER TAX AS PER FINANCIAL STATEMENTS</b>	<b>104.37</b>	<b>131.36</b>	<b>74.51</b>	<b>8.42</b>	<b>2.27</b>
Adjustments on account of					
-Deferred Revenue Expenditure	-	(9.27)	9.59	(7.52)	2.19
-Amortisation of Technical Knowhow	-	-	-	-	0.83
-Income Tax earlier years	-	-	-	-	(0.13)
<b>Restated Net Profit</b>	<b>104.37</b>	<b>140.63</b>	<b>64.92</b>	<b>15.94</b>	<b>(0.62)</b>

(1) Prior to October 2006, WTGs were sourced by Company from a third party. To enable better comparison, revenue and costs in respect of both manufactured and sourced WTGs have been combined.

The table below sets forth our profit and loss information, as a percentage of total income, for the six months ended September 30, 2007 and the fiscal years ended March 31, 2007, 2006, 2005 and 2004.

(as a percentage of total income)

	Fiscal year ended March 31,					
	Six months ended September 30, 2007	2007	2006	2005	2004	2003
<b>INCOME</b>						
<b>Operating Income:</b>						
<i>Revenue from Engineering Construction Contracts</i>	53.0%	62.5%	65.3%	63.0%	99.9%	
<i>Sale &amp; Maintenance of Wind Turbine Generators</i>	45.9%	35.9%	34.0%	36.6%	-	-
<b>SUBTOTAL</b>	98.9%	98.4%	99.3%	99.6%	99.9%	
Other Income	1.2%	1.6%	0.7%	0.4%	0.1%	
<b>TOTAL INCOME</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
<b>EXPENDITURE</b>						
Raw materials & goods consumed	32.1%	32.5%	25.4%	32.5%	-	-
Manufacturing, construction & operating expenses	51.5%	54.7%	52.8%	71.1%	82.6%	
(Increase)/Decrease in Inventory	-	(3.4)%	3.1%	(26.9)%	4.5%	
Employee costs	3.7%	3.1%	3.8%	3.1%	1.2%	
Other costs	3.1%	3.7%	5.0%	10.7%	8.6%	
Interest	1.9%	1.4%	2.6%	4.8%	0.1%	
Depreciation	0.5%	0.5%	0.6%	1.3%	0.6%	
Miscellaneous expenditure written off	-	0.3%	0.2%	1.1%	0.1%	
<b>TOTAL EXPENDITURE</b>	<b>92.7%</b>	<b>92.8%</b>	<b>93.6%</b>	<b>97.6%</b>	<b>97.8%</b>	
<b>NET PROFIT BEFORE TAXATION</b>	<b>7.3%</b>	<b>7.2%</b>	<b>6.4%</b>	<b>2.4%</b>	<b>2.2%</b>	
<b>NET PROFIT AFTER TAXATION</b>	<b>4.6%</b>	<b>4.4%</b>	<b>5.1%</b>	<b>1.1%</b>	<b>1.0%</b>	
<b>RESTATED NET PROFIT</b>	<b>4.6%</b>	<b>4.7%</b>	<b>4.5%</b>	<b>2.1%</b>	<b>(0.3)%</b>	

**Breakdown of Income and Expenditure by Business Segment**

The tables below set forth our income, expenditures and profit before taxation for the six months ended September 30, 2007 and the fiscal years ended March 31, 2007, 2006, 2005 and 2004 broken down among the two business segments that we have operated during those periods.

(Rs. in millions)

	ENGINEERING, PROCUREMENT AND CONSTRUCTION CONTRACTS				
	Fiscal year ended March 31,				
	Six months ended September 30, 2007	2007	2006	2005	2004
<b>Revenue</b>					
- Renewable Energy	507.56	502.66	407.65	147.86	63.81
- Process & Metallurgy	597.56	1,176.25	309.11	61.63	154.78
- Municipal Services	87.00	198.47	233.49	260.41	-
<b>Total EPC Revenue</b>	<b>1,192.12</b>	<b>1,877.38</b>	<b>950.25</b>	<b>469.90</b>	<b>218.59</b>
<b>Operating Expenditure</b>					
Manufacturing, construction & operating expenses					

- Renewable Energy	438.59	503.68	294.92	136.92	48.69
- Process & Metallurgy	521.47	954.82	251.52	112.86	132.12
- Municipal Services	136.22	186.11	221.55	280.59	-
Total Manufacturing, construction & operating expenses	1,096.27	1,644.61	767.99	530.37	180.81
<b>(Increase)/decrease in inventory</b>					
- Renewable Energy	50.31	(49.38)	32.55	(24.09)	2.86
- Process & Metallurgy	(32.16)	(36.54)	3.37	(18.28)	7.00
- Municipal Services	(25.79)	28.47	11.59	(62.41)	-
Total (Increase) / decrease in inventory	(7.65)	(57.45)	47.50	(104.77)	9.86
<b>Total Operating Expenditure</b>	<b>1,088.62</b>	<b>1,587.16</b>	<b>815.50</b>	<b>425.59</b>	<b>190.67</b>
<b>Gross Profit</b>					
- Renewable Energy	18.67	48.36	80.18	35.03	12.26
- Process & Metallurgy	108.26	257.97	54.22	(32.97)	15.64
- Municipal Services	(23.43)	(16.11)	0.35	42.23	-
<b>Total Gross Profit</b>	<b>103.50</b>	<b>290.22</b>	<b>134.75</b>	<b>44.30</b>	<b>27.892</b>

(Rs. in millions)

**DEVELOPMENT, SALE AND MAINTENANCE OF WIND  
TURBINE GENERATORS**

	<b>Fiscal year ended March 31,</b>				
	<b>Six months ended September 30, 2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	
<b>Operating Income</b>	1,032.72	1,079.79	495.08	272.83	-
<b>Operating Expenditure</b>					
Raw materials & goods consumed	933.08	976.54	370.18	242.00	-
(Increase) / Decrease in inventory	(142.30)	(44.78)	(3.00)	(96.00)	-
<b>Total Operating Expenditure</b>	<b>790.78</b>	<b>931.76</b>	<b>367.18</b>	<b>146.00</b>	<b>-</b>
<b>Gross Profit</b>	<b>241.94</b>	<b>148.03</b>	<b>127.88</b>	<b>126.83</b>	<b>-</b>

**Income**

Our operating income consists of revenue from engineering, procurement and construction contracts and development, sale and post-sale maintenance fees from wind turbine generators. In connection with engineering, procurement and construction contracts, we bill clients on a periodic basis for our progress on their construction projects following their certification to the extent of the progress made. However, under some contracts, the payment terms could include reduced advance payment schedules that are back-ended or require retention money to be set aside resulting in an increased requirement of working capital requirements. In connection with wind turbine generator projects, we bill clients one time, either upon delivery of our wind turbine generators to the client or installation of the wind turbine generators at the site, depending on the terms of the particular contract. Post-sale maintenance fees are generally billed on a yearly basis in advance of services to be performed.

Our other income includes interest earned from bank deposits and advances paid, dividends received on investments made, miscellaneous income and penalties recovered. Our other income fluctuates principally depending upon the investments we make in various securities and the dividends declared on them. In addition, our other income during the six-month period ended September 30, 2007 includes proceeds received from the sale of electricity generated from certain WTGs installed for clients, but operated by us pending final delivery to the client, during the period.

Our revenues are dependent on energy industry, industrial (including process and metallurgy) and water and sewer infrastructure sector projects undertaken by our clients and there can be no assurance regarding whether

or when we shall be granted a contract. Accordingly, our income from different industry/project segments and from the different geographic regions may vary from period to period.

Our revenues are also dependent on the stage of the project and the nature and level of activity involved during each stage. In addition, revenue from development, sale and maintenance of wind turbine generators is generally concentrated around the middle and end of each fiscal year, when clients are more inclined to purchase wind turbine generators due to income tax incentives. Furthermore, our operations are also adversely affected during summer months by difficult working conditions and extremely high temperatures and during monsoon, which restrict our ability to carry out construction activities and fully utilise our resources. Accordingly, revenues recorded in the first half our financial year between April and September are traditionally lower than revenues recorded during the second half of our financial year. During periods of curtailed activity, due to adverse weather conditions or otherwise, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced.

### *Expenditure*

Our total expenditure consists principally of: raw materials and goods consumed, manufacturing, construction and operating expenses, (increase)/decrease in inventory, employee costs, other costs, interest, depreciation and miscellaneous expenditure written off.

#### *Raw materials and goods consumed*

Raw materials and goods consumed principally include the cost of materials used in the manufacture of wind turbine generator parts, such as nacelles and blades, and the cost of components used in the assembly of wind turbine generators, such as towers, hubs, gear boxes, generators, transformers and cables.

#### *Manufacturing, construction and operating expenses*

Manufacturing, construction and operating expenses comprise of raw materials and components costs, service charges, commercial taxes and other expenses directly attributable to the engineering, procurement and construction contracts that we undertake. The raw materials, bought out items, equipment and materials used for our projects principally consist of motors, pumps, boilers, generators, turbines, steel, cement, bearings, gears, electrical equipment, pipes, air pollution control systems, and fabricated material handling systems and components. We have taken various measures to help reduce the costs of our manufacturing, construction and operating expenses, including adopting practices to help minimize inventory, developing and improving strong relationships with certain major suppliers and vendors and implementing effective project management practices.

Manufacturing, construction and operating expenses also include (i) contractor charges paid to sub-contractors to whom we have contracted a part of our project responsibilities, including the cost of contract and other temporary workers on construction sites, (ii) site expenses incurred for execution of projects, including the cost of land purchased for wind turbine generator projects and civil works required to build the foundation and power substation, (iii) infrastructure development charges to electricity boards and fees relating to regulatory licenses, (iv) repair and maintenance costs of our equipment and facilities, (v) freight and cartage costs and (vi) hire charges paid for hire of equipment from third parties.

#### *Employee Costs*

Employee costs consist of (i) salaries, wages and bonuses, (ii) the Company's contribution to provident funds; (iii) worker and staff welfare costs, (iv) group insurance and gratuity, and (v) and remuneration to Directors.

#### *Other Costs*

Other costs include traveling and conveyance, legal and professional charges, advertising and sales promotion expenses, rent, repairs and maintenance, insurance (machinery, vehicles and premises), communication expenses, printing and stationery, rates and taxes, remuneration to auditors and miscellaneous expenses.

#### *Interest*

Interest expenses principally consist of bank interest charges, bank guarantee commission charges, service charges, other interest charges and letter-of-credit charges.

### *Depreciation*

Depreciation includes depreciation on building, plant and machinery, vehicles, furniture and fixtures, computers and office equipment and other fixed assets. Depreciation on our fixed assets is charged on a written-down value basis, at the rates specified in Schedule XIV of the Companies Act, which are based on the useful lives of the assets. The Company follows a straight-line method of depreciation calculation.

### *Miscellaneous Expenditure Written Off*

Miscellaneous expenditure written off includes preliminary expenses incurred in the year 2002 that has been amortised over a period of ten years.

## **Results of Operations**

Due to the nature of the engineering, procurement and construction projects and development, sale and maintenance of WTG activities undertaken by us, the completion schedules of our projects, the way we recognize revenue, the nature of expenditure involved in a particular project, the specific terms of a particular project contract or order to supply WTGs (including payment terms) and other factors that affect our income and expenditures on specific projects, our results of operations may vary significantly from period to period.

### *Six Months Ended September 30, 2007*

*Operating Income.* Our total operating income was Rs. 2,224.84 million in the six months ended September 30, 2007. Of this amount, revenue from the development, sale and maintenance of wind turbine generators accounted for Rs. 1,032.72 million, or 46.4% of total operating income and revenue from EPC contracts accounted for Rs. 1,192.12 million, or 53.6% of total operating income.

Our total income from EPC contracts included revenue from process and metallurgy plants projects, which accounted for Rs. 597.56 million in the six months ended September 30, 2007. We also derived revenues of Rs. 507.56 million and Rs. 87.00 million in the six months ended September 30, 2007 from renewable energy projects and municipal services projects, respectively. Process and metallurgy project revenue in the six months ended September 30, 2007 reflected revenues from a substantial number of projects being executed by us for steel plants, including the Durgapur and Bokaro steel plants of the Steel Authority of India Limited. Renewable energy project revenue during the period reflected revenue recognized from biomass plant projects for SCUF, ETA and Mahavir. Revenue from municipal services projects was relatively lower during the period principally due to delays of finalisation of a large contract and weather conditions in Delhi, Mumbai and Mangalore.

Our total income from the development, sale and maintenance of wind turbine generators was Rs 1,032.72 million in the six months ended September 30, 2007, which was principally derived from the sale of WTGs and fees from post-sale maintenance contracts. In the six months ended September 30, 2007, we supplied and installed 50 WTGs to customers located in India.

*Operating Expenditure.* Our total operating expenditure was Rs. 1,879.41 million in the six months ended September 30, 2007. As a percentage of total income, total operating expenditure was from 83.5% in the six months ended September 30, 2007. Total operating expenditure principally comprised of expenditures relating to our EPC projects and the growth in our development, sale and maintenance of WTGs business.

Our total expenditure for EPC contracts was Rs. 1,088.625 million in the six months ended September 30, 2007. As a percentage of total EPC contract income, total EPC contract expenditure was 91.3% in the six months ended September 30, 2007. EPC contract expenditure was principally affected by an increase in the number of projects handled, particularly renewable energy and process and metallurgy projects. For renewable energy projects, operating expenditure was Rs. 488.89 million, or 96.3% of our total renewable energy project revenue, in the six months ended September 30, 2007. For process and metallurgy projects, operating expenditure was Rs. 489.30 million, or 81.9% of our total process and metallurgy project revenue, in the six months ended September 30, 2007. For municipal services projects, operating expenditure was Rs. 110.43 million in the six months ended September 30, 2007 as compared with municipal services project revenue of Rs. 87.00 million for the same period. Our municipal services project operating expenditure exceeded revenues primarily due to higher start-up costs for some new projects.

The following table summarises our EPC contract revenues and gross profits by project type for the six months ended September 30, 2007.

<i>(Rs. in millions)</i>			
Segment	Renewable Energy	Process & Metallurgy	Municipal Services
Six months ended September 30, 2007			
Revenues	507.56	597.56	87.00
Total expenditure	(488.89)	(489.30)	(110.43)
Gross Profit	18.67	108.26	(23.43)

Our total wind turbine generator expenditure was Rs. 790.78 million in the six months ended September 30, 2007, which was 76.6% of our total income from the development, sale and maintenance of wind turbine generators over the same period. Our wind turbine generator expenditure principally comprised of the cost of raw materials, particularly steel required for the manufacture of nacelles and blades, and components used in the assembly of WTGs, such as towers, hubs, gear boxes, generators, transformers and cablessteel.

*Gross profit.* Our Company's gross profit was Rs. 345.43 million in the six months ended September 30, 2007. Our Company's gross margin was 15.5% in the six months ended September 30, 2007.

Gross profit in our EPC contracts segment was Rs. 103.50 million in the six months ended September 30, 2007. The gross margin for this segment was 8.7% in the six months ended September 30, 2007.

Gross profit in our WTG business segment was Rs. 241.94 million in the six months ended September 30, 2007. The gross margin for this segment was 23.4% in the six months ended September 30, 2007.

*Other income.* Other income was Rs. 26.37 million in the six months ended September 30, 2007, which principally comprised of interest income on bank deposits and proceeds from the sale of electricity from the WTGs installed for clients, but operated by us pending final delivery to the client, during the period..

*Other expenditure.* Other expenditure was to Rs. 207.09 million in the six months ended September 30, 2007. Other expenditure principally comprised of employee costs, other costs and interest charges. During the six months ended September 30, 2007, we hired additional employees to meet the requirements of our growing business. Other costs principally comprised of payments for the rental of office premises, traveling and conveyance, professional fees, advertising and sales promotion expenses, repairs and maintenance, communications, insurance and other miscellaneous expenses incurred in the six months ended September 30, 2007.

*Profit Before Taxation.* Our profit before taxation was Rs. 164.71 million in the six months ended September 30, 2007. Our profit before taxation as a percentage of total income was 7.3% in the six months ended September 30, 2007.

*Taxes.* Taxes include income tax, fringe benefit tax and deferred tax charges. In the six months ended September 30, 2007, we incurred an aggregate of Rs. 60.34 million in taxes. This resulted in an effective tax rate for us of 36.6% for the six months ended September 30, 2007.

*Profit After Taxation.* Our profit after taxation was Rs. 104.37 million in the six months ended September 30, 2007. Our profit after taxation as a percentage of total income was 4.6% in the six months ended September 30, 2007.

#### ***Fiscal Year Ended March 31, 2007 compared with Fiscal Year Ended March 31, 2006***

*Operating Income.* Our total operating income increased to Rs. 2,957.17 million in fiscal 2007 from Rs. 1,445.33 million in fiscal 2006, an increase of Rs. 1,511.84 million, or 104.6%. Of this increase, revenues from the development, sale and maintenance of wind turbine generators grew by Rs. 584.71 million and revenues from EPC contracts increased by Rs. 927.12 million.

Our total income from EPC contracts increased to Rs. 1,877.38 million in fiscal 2007, from Rs. 950.25 million in fiscal 2006, an increase of Rs. 927.12 million, or 97.6%. This increase was principally due to increases in revenue from process and metallurgy plants projects, which grew by 280.5% from Rs. 309.11 million in fiscal 2006 to Rs. 1,176.25 million in fiscal 2007, and increases in revenues from renewable energy projects, which

grew by 23.3% from Rs. 407.65 million in fiscal 2006 to Rs. 502.66 million in fiscal 2007. Process and metallurgy project revenue in fiscal 2007 reflected an increase in the number of projects being executed by us, including substantial revenues from the execution of an aluminum smelting plant project and a gas cleaning project in Zambia for Konkola Copper Mines plc. Additionally, we established a dedicated office for process and metallurgy projects in Kolkata in fiscal 2007 that helped to secure additional business from the Kolkata area. The increases in revenue from EPC contracts were partially offset by a decline in revenue from municipal services projects, which decreased from Rs. 233.49 million in fiscal 2006 to Rs. 198.47 million in fiscal 2007, or 15.0%, as a result of continued sluggishness in order finalizations by customers.

Our total income from the development, sale and maintenance of wind turbine generators was Rs. 1,079.79 million in fiscal 2007, compared to Rs. 495.08 million in fiscal 2006, an increase of 118.1%. This increase was principally due to an increase in order volume for our 250KW WTGs. In fiscal 2007, we supplied and installed 96 WTGs to customers located in Tamil Nadu, compared with 37 WTGs supplied and installed by us in fiscal 2006.

*Operating Expenditure.* Our total operating expenditure increased to Rs. 2,518.92 million in fiscal 2007, from Rs. 1,182.69 million in fiscal 2006, an increase of Rs. 1,336.23 million, or 113.0%. As a percentage of total income, total operating expenditure increased from 81.3% in fiscal 2006 to 83.8% in fiscal 2007. The increase in total operating expenditure was principally the result of increased expenditures relating to our EPC project activities and the growth in our development, sale and maintenance of WTGs business.

Our total expenditure for EPC contracts increased to Rs. 1,587.16 million in fiscal 2007 from Rs. 815.50 million in fiscal 2006, an increase of Rs. 771.66 million, or 94.6%, which was less than the rate of increase of our total income from EPC contract activities over the same period. As a percentage of total EPC contract income, total EPC contract expenditure decreased from 85.8% in fiscal 2006 to 84.5% in fiscal 2007. As a percentage of total income, total EPC contracts expenditure decreased from 56.0% in fiscal 2006 to 52.8% in fiscal 2007. The increase in EPC contract expenditure was principally due to increases in process and metallurgy project and renewable energy project activities. For process and metallurgy projects, operating expenditure increased by Rs. 663.39 million, or 260.3%, in fiscal 2007 compared to fiscal 2006. For renewable energy projects, operating expenditure increased by Rs. 126.83 million, or 38.7%, in fiscal 2007 compared to fiscal 2006, which was principally due to increases in the cost of raw materials and components as well as a relative inability to increase contract pricing as a result of intensifying competitive pressures.

The following table summarises EPC contract revenues and gross profits by project type in fiscal 2006 and 2007, and the year-on-year growth of the same.

(Rs. in millions)

Segment	Renewable energy		Process & Metallurgy		Municipal Services	
	2007	2006	2007	2006	2007	2006
Revenues	502.66	407.65	1,176.25	309.11	198.47	233.49
% growth over previous year	23.3%		280.52%		-15%	
Total expenditure	454.30	327.47	918.27	254.89	214.57	233.13
% growth over previous year	38.7%		260.3%		-8%	
Gross Profit	48.36	80.18	257.98	54.22	-16.1	0.35
% growth over previous year	39.7%		375.8%		-	

Our total wind turbine generator expenditure increased to Rs. 931.76 million in fiscal 2007 from Rs. 367.18 million in fiscal 2006, an increase of Rs. 564.58 million, or 153.8%, which was higher than the rate of increase of our total income from the development, sale and maintenance of wind turbine generators over the same period principally as a result of increases in the cost of raw materials and components for WTGs in fiscal 2007, particularly components made of steel. Total wind turbine generator expenditure was 86.3% of total income from the development, sale and maintenance of wind turbine generators in fiscal 2007 as compared with 74.2% in fiscal 2006. As a percentage of total income, total wind turbine generator expenditure increased from 25.2% in fiscal 2006 to 31.0% in fiscal 2007.

*Gross profit.* As a result of the foregoing, our Company's gross profit increased from Rs. 262.65 million in fiscal 2006 to Rs. 438.25 million in fiscal 2007, an increase of Rs. 175.60 million, or 66.9%. Our Company's gross margin was 18.2% in fiscal 2006 and 14.8% in fiscal 2007.

Gross profit in our EPC contracts segment increased from Rs. 134.75 million in fiscal 2006 to Rs. 290.22 million in fiscal 2007, an increase of Rs. 155.47 million, or 115.4%. The gross margin for this segment was 14.2% in fiscal 2006 and 15.5% in fiscal 2007.

Gross profit in our WTG business segment increased from Rs. 127.90 million in fiscal 2006 to Rs. 148.03 million in fiscal 2007, an increase of Rs. 20.13 million, or 15.7%. The gross margin for this segment was 25.8% in fiscal 2006 and 13.7% in fiscal 2007.

*Other income.* Other income increased to Rs. 48.56 million in fiscal 2007 from Rs. 9.70 million in fiscal 2006, an increase of Rs. 38.86 million, or 400.6%, which was principally the result of increased interest income from bank deposits and the receipt of dividend income from investments, which was partially offset by a decrease in fees received for certain consultancy services rendered. Such consultancy fees are non-recurring in nature.

*Other expenditure.* Other expenditure increased to Rs. 270.21 million in fiscal 2007 from Rs. 179.30 million in fiscal 2006, an increase of Rs. 90.91 million, or 50.7%. The increase in other expenditure was principally due to increases of Rs. 37.37 million and Rs. 39.26 million in employee costs and other costs, respectively. During fiscal 2007, we hired additional employees to meet the requirements of our growing business. The increase in other costs was principally the result of increases in rent paid for office premises, traveling and conveyance, professional fees, advertising and sales promotion expenses, repairs and maintenance, communications, insurance and other miscellaneous expenses incurred in fiscal 2007 as our overall business has grown.

*Profit Before Taxation.* Principally for the reasons discussed above, our profit before taxation increased to Rs. 216.61 million in fiscal 2007 from Rs. 93.05 million in 2006, an increase of Rs. 123.56 million, or 132.8%. Our profit before taxation as a percentage of total income was 7.20% in fiscal 2007, compared to 6.40% in fiscal 2006.

*Taxes.* Taxes include income tax, fringe benefit tax and deferred tax charges. In fiscal 2007, we incurred an aggregate of Rs. 85.25 million in taxes, which is an increase of 359.8% over the aggregate of Rs. 18.54 million in taxes incurred in fiscal 2006. This resulted in effective tax rates for us of 19.9% and 39.4% for fiscal 2007 and fiscal 2006, respectively. These changes from period to period were principally due to higher profits earned from our EPC contracts business and our wind turbine generator business, an increase in deferred tax charges liabilities resulting from a shift in certain assets to liabilities in fiscal 2007.

*Profit After Taxation.* Principally for the reasons discussed above, our profit after taxation increased to Rs. 131.36 million in fiscal 2007 from Rs. 74.51 million in fiscal 2006, an increase of Rs. 56.85 million, or 76.3%. Our profit after taxation as a percentage of total income was 4.37% in fiscal 2007, compared to 5.12% in fiscal 2006.

*Adjustments.* In fiscal 2007, a write-back of Rs. 9.27 million was made to account for deferred revenue expenses that were written off as other expenditures. Such deferred revenue expenses pertain to preliminary expenses incurred in fiscal 2002.

*Restated Net Profit.* As a result of the foregoing, our restated net profit increased to Rs. 140.63 million in fiscal 2007 from Rs. 64.92 million in fiscal 2006, an increase of Rs. 75.71 million, or 116.6%.

#### ***Fiscal Year Ended March 31, 2006 compared with Fiscal Year Ended March 31, 2005***

*Operating Income.* Our total operating income increased to Rs. 1,445.33 million in fiscal 2006 from Rs. 742.73 million in fiscal 2005, an increase of Rs. 702.60 million, or 94.6%. Of this increase, revenues from EPC contracts increased by Rs. 480.35 million and revenues from the development, sale and maintenance of wind turbine generators increased by Rs. 222.25 million.

Our total income from EPC contracts increased to Rs. 950.26 million in fiscal 2006 from Rs. 469.90 million in fiscal 2005, an increase of Rs. 480.35 million, or 102.2%. This increase was principally due to increases in revenue from process and metallurgy plants projects, which grew by 401.6% from Rs. 61.63 million in fiscal 2005 to Rs. 309.11 million in fiscal 2006, and increases in revenues from the renewable energy projects, which increased from Rs. 147.86 million in fiscal 2005 to Rs. 407.65 million in fiscal 2006, or 175.7%. For process and metallurgy projects, the increases were principally due to strong growth in revenues from the cooling towers business and an increase in the number of process and metallurgy projects executed during fiscal 2006. In the case of renewable energy projects, the increase in the number of biomass-based power plant projects being undertaken and the contract pricing that we were able to obtain on certain projects, particularly the biomass-based power plant project for Shriram Investments Limited. These increases were partially offset by a decline in revenue from municipal services projects, which decreased from Rs. 260.41 million in fiscal 2005 to Rs. 233.49 million in fiscal 2006, or 10.3%, as a result of continued sluggishness in order finalizations by customers.

Our total income from the development, sale and maintenance of wind turbine generators was Rs. 495.08 million in fiscal 2006, compared to Rs. 272.83 million in fiscal 2005, an increase of 81.5%. This increase was principally due to an increase in order volume for our 250KW WTGs. In fiscal 2006, we supplied and installed 37 WTGs to customers located in Tamil Nadu, compared with 25 WTGs supplied and installed by us in fiscal 2005.

*Operating Expenditure.* Our total operating expenditure increased to Rs. 1,182.69 million in fiscal 2006, from Rs. 571.59 million in fiscal 2005, an increase of Rs. 611.10 million, or 106.9%. As a percentage of total income, operating expenditure increased from 76.6% in the fiscal 2005 to 81.3% in the fiscal 2006. The increase in total expenditure was principally the result of increased expenditures relating to our EPC project activities and the growth in our development, sale and maintenance of WTGs business in fiscal 2006.

Our total expenditure for EPC contracts increased to Rs. 815.50 million in fiscal 2006 from Rs. 425.59 million in fiscal 2005, an increase of Rs. 389.91 million, or 91.6%, which was less than the rate of increase of our total income from EPC contract activities over the same period. As a percentage of total EPC contract income, total EPC contract expenditure decreased from 90.6% in fiscal 2005 to 85.8% in fiscal 2006. As a percentage of total income, total EPC contracts expenditure decreased from 57.1% in fiscal 2006 to 56.0% in fiscal 2006. The increase in EPC contracts operating expenditure was principally due to increases in renewable energy project and process and metallurgy project activities, and higher expenditures for our municipal services projects. For renewable energy projects, operating expenditure increased by Rs. 214.64 million, or 190.2%, in fiscal 2006 compared to fiscal 2005, as the cost of raw materials and components increased. For process and metallurgy projects, operating expenditure increased by Rs. 160.31 million, or 169.5%, in fiscal 2007 compared to fiscal 2006. Even though our municipal services project revenue decreased in fiscal 2006, the operating expenditure for municipal services projects increased by Rs. 14.96 million, or 6.9%, in fiscal 2006 compared to fiscal 2005 principally because increases in the cost of raw materials, particularly steel and HDPE/PVC. Such increased costs could not be passed onto customers with fixed price contracts.

The following table summarises EPC contract revenues and gross profits by project type in fiscal 2005 and 2006, and the year-on-year growth of the same.

*(Rs. in millions)*

Segment	Renewable energy		Process & Metallurgy		Municipal Services	
	2006	2005	2006	2005	2006	2005
Revenues	407.65	147.86	309.11	61.63	233.49	260.41
% growth over previous year	175.7%		401.6%		-10.3	
Total expenditure	327.47	112.83	254.89	94.59	233.13	218.18
% growth over previous year	190.2%		169.5%		6.9%	
Gross Profit	80.18	35.03	54.22	-32.96	-0.36	42.23
% growth over previous year	128.9%		-		-	

Our total wind turbine generator expenditure was Rs. 367.18 million in fiscal 2006, compared to Rs. 146.00 million in fiscal 2005, an increase of Rs. 221.18 million, or 151.5%. The cost of sourcing WTGs from third parties increased in fiscal 2006 due to higher raw materials and component pricing. Additionally, we began sourcing certain components from a higher-cost supplier in fiscal 2006 that provided greater reliability of supply. Total wind turbine generator expenditure was 74.2% of total income from the development, sale and maintenance of wind turbine generators in fiscal 2006 as compared with 53.5% in fiscal 2005. As a percentage of total income, total wind turbine generator expenditure increased from 19.6% in fiscal 2005 to 25.2% in fiscal 2006.

*Gross profit.* As a result of the foregoing, our Company's gross profit increased from Rs. 171.14 million in fiscal 2005 to Rs. 262.65 million in fiscal 2006, an increase of Rs. 91.51 million, or 53.5%. Our Company's gross margin was 23.0% in fiscal 2005 and 18.2% in fiscal 2006.

Gross profit in our EPC contracts segment increased from Rs. 44.31 million in fiscal 2005 to Rs. 134.75 million in fiscal 2006, an increase of Rs. 90.44 million, or 204.1%. The gross margin for this segment was 9.4% in fiscal 2005 and 14.2% in fiscal 2006.

Gross profit in our WTG business segment increased from Rs. 126.83 million in fiscal 2005 to Rs. 127.90 million in fiscal 2006, an increase of Rs. 1.07 million, or 0.8%. The gross margin for this segment was 46.5% in fiscal 2005 and 25.8% in fiscal 2006.

*Other income.* Other income increased to Rs. 9.70 million in fiscal 2006 from Rs. 3.01 million in fiscal 2005, an increase of Rs. 6.69 million, or 222.3%, which was principally the result of increased interest income from bank deposits and an increase of miscellaneous income from fees received for certain consultancy services rendered.

*Other expenditure.* Other expenditure increased to Rs. 179.30 million in fiscal 2006 from Rs. 156.41 million in fiscal 2005, an increase of Rs. 22.89 million, or 14.6%. The increase in other expenditure was principally due to an increase of Rs. 32.62 million in employee costs resulting from the hiring of additional employees to meet the requirements of our growing business. The increase employee costs was partially offset by a decrease in other costs of Rs. 6.32 million, which was principally the result of decreases in advertising and sales promotion expenses and sundry expenses, which were partially offset by increases in rent paid for office premises, professional fees, insurance and repairs and maintenance expenses in fiscal 2006.

*Profit Before Taxation.* Principally for the reasons discussed above, our profit before taxation increased to Rs. 93.05 million in fiscal 2006, from Rs. 17.75 million in fiscal 2005, an increase of Rs. 75.30 million, or 424.5%. Our profit before taxation as a percentage of total income was 6.40% in fiscal 2006, compared to 2.38% in fiscal 2005.

*Taxes.* In fiscal 2006, we incurred an aggregate of Rs. 18.54 million in taxes, which is an increase of 98.7% over the aggregate of Rs. 9.33 million in taxes incurred in fiscal 2005. This resulted in effective tax rates for us of 19.9% and 52.6% in fiscal 2006 and fiscal 2005, respectively. The increase in current tax liabilities from period to period was principally due to taxes payable on increased income from our EPC contracts business and sales of WTGs. In fiscal 2006, consequent to a shift in deferred tax liabilities into assets, we had a deferred tax write back of Rs. 6.02 million in comparison with a deferred tax charge of Rs 3.33 million in fiscal 2005.

*Profit After Taxation.* Principally for the reasons discussed above, our profit after taxation increased to Rs. 74.51 million in fiscal 2006 from Rs. 8.42 million in fiscal 2005, an increase of Rs. 66.09 million, or 784.9%. Our profit after taxation as a percentage of total income was 5.1% in fiscal 2006, compared to 1.1% in fiscal 2005.

*Adjustments.* In fiscal 2006, an adjustment of Rs. 9.59 million was made to reflect the amortization of preliminary expenses incurred in fiscal 2004.

*Restated Net Profit.* As a result of the foregoing, our restated net profit increased to Rs. 64.92 million in fiscal 2006 from Rs. 15.94 million in fiscal 2005, an increase of Rs. 48.98 million, or 307.5%.

#### ***Fiscal Year Ended March 31, 2005 compared with Fiscal Year Ended March 31, 2004***

*Operating Income.* Our total operating income increased to Rs. 742.73 million in fiscal 2005 from Rs. 218.59 million in fiscal 2004, an increase of Rs. 524.14 million, or 239.8%. Of this increase, revenues from EPC contracts increased by Rs. 251.31 million. Additionally, we commenced our development, sale and maintenance of WTGs business in fiscal 2005, which contributed Rs. 272.83 million in revenues in fiscal 2005.

Our total income from EPC contracts increased to Rs. 469.90 million in fiscal 2005 from Rs. 218.59 million in fiscal 2004, an increase of Rs. 251.31 million, or 115.0%. As a result of the merger of the business of SHRENCO with the Company in fiscal 2005, our municipal services project revenue began to be consolidated with our Company's financial statements in fiscal 2005, contributing Rs. 260.41 million. Revenues from renewable energy EPC projects, which comprised of the execution of biomass-based power plant projects, increased from Rs. 63.81 million in fiscal 2004 to Rs. 147.86 million in fiscal 2005, or 131.7%. The increased revenues contributed by our renewable energy and municipal services projects were partially offset by a decrease in revenues from process and metallurgy projects of Rs. 93.15 million, or 60.2%, from Rs. 154.78 million in fiscal 2004 to Rs. 61.63 million in fiscal 2005, which was principally due to the completion of the EPC project for MALCO in 2004. We were not awarded any significant process and metallurgy EPC contracts in fiscal 2004 and 2005 that could be executed in fiscal 2005. There was also a decline in orders for material handling systems during this period, which at that time comprised a major source of business for process and metallurgy projects.

Our income from the development, sale and maintenance of WTGs in fiscal 2005 was Rs. 272.83 million. We commenced our WTG business in fiscal 2005. Accordingly, we did not have any revenues from our WTG business in fiscal 2004.

*Operating Expenditure.* Our total operating expenditure increased to Rs. 571.59 million in fiscal 2005 from Rs. 190.67 million in fiscal 2004, an increase of Rs. 380.92 million, or 199.8%. As a percentage of total income, operating expenditure decreased from 87.1% in fiscal 2004 to 76.6% in fiscal 2005. The increase in total expenditure was principally the result of increased expenditures relating to our EPC project activities and the commencement of our development, sale and maintenance of WTGs business in fiscal 2005.

Our total expenditure for EPC contracts increased to Rs. 425.59 million in fiscal 2005 from Rs. 190.67 million in fiscal 2004, an increase of Rs. 234.92 million, or 123.2%, which was higher than the rate of increase of our total income from EPC contract activities over the same period. As a percentage of total EPC contract income, total EPC contract expenditure increased from 87.3% in fiscal 2004 to 90.6% in fiscal 2005. As a percentage of total income, total EPC contract decreased to 57.1% in fiscal 2005 from 87.1% in fiscal 2004. The increase in EPC contract expenditure in fiscal 2005 was principally due to increases in manufacturing, construction and operating expenses resulting from increased EPC project activities and a build-up of inventories of Rs. 200.78 million in respect of EPC contracts under execution.

The following table summarises EPC contract revenues and gross profits by project type in fiscal 2004 and 2005, and the year-on-year growth of the same.

Segment	<i>(Rs. in millions)</i>					
	Renewable energy		Process & Metallurgy		Municipal Services	
	2005	2004	2005	2004	2005	2004
Revenues	147.86	63.81	61.63	154.70	260.41	-
<i>% growth over previous year</i>	<i>131.7%</i>		<i>-60.2%</i>			
Total expenditure	112.83	51.55	94.59	139.12	218.18	-
<i>% growth over previous year</i>	<i>118.8%</i>		<i>-32.0%</i>			
Gross Profit	35.03	12.26	-32.96	15.58	42.23	-
<i>% growth over previous year</i>	<i>187.9%</i>		-		-	

Our total expenditure from the development, sale and maintenance of WTGs in fiscal 2005 was Rs. 146.00 million. Total wind turbine generator expenditure was 53.5% of total income from the development, sale and maintenance of wind turbine generators in fiscal 2005. As discussed above, our WTG business commenced in fiscal 2005. Accordingly, we did not have any expenditures relating to our WTG business in fiscal 2004.

*Gross profit.* As a result of the foregoing, our Company's gross profit increased from Rs. 27.87 million in fiscal 2004 to Rs. 171.14 million in fiscal 2005, an increase of Rs. 143.27 million, or 514.0%. Our Company's gross margin was 12.8% in fiscal 2004 and 23.0% in fiscal 2005.

Gross profit in our EPC contracts segment increased from Rs. 27.87 million in fiscal 2004 to Rs. 44.31 million in fiscal 2005, an increase of Rs. 16.44 million, or 58.9%. The gross margin for this segment was 12.8% in fiscal 2004 and 9.4% in fiscal 2005.

Gross profit in our WTG business segment was Rs. 126.84 million in fiscal 2005. The gross margin for this segment was 46.5% in fiscal 2005.

*Other income.* Other income increased to Rs. 3.01 million in fiscal 2005 from Rs. 0.30 million in fiscal 2004, an increase of Rs. 2.71 million, or 903.3%, which was principally the result of increased interest income from bank deposits and fees received from consultancy services rendered in fiscal 2005.

*Other expenditure.* Other expenditure increased to Rs. 156.41 million in fiscal 2005 from Rs. 23.41 million in fiscal 2004, an increase of Rs. 133.00 million, or 568.1%. The increase in other expenditure was principally due to an increase of Rs. 35.29 million in interest paid on bank and hire purchase borrowings, Rs. 20.64 million in employee costs resulting from the hiring of additional employees to meet the requirements of our growing business and Rs. 60.86 million in other costs, which principally comprised increases in traveling and conveyance, advertising and sales promotion expenses, legal and professional fees, sundry expenses and communication expenses in fiscal 2005 as a result of the growth of our business activities, including our expansion into the WTG business and the commencement of our municipal services business following the merger of SHRENCO into the Company.

*Profit Before Taxation.* Principally for the reasons discussed above, our profit before taxation increased to Rs. 17.75 million in fiscal 2005, from Rs. 4.77 million in fiscal 2004, an increase of 272.3%. Our profit before taxation as a percentage of total income was 2.4% in fiscal 2005, compared to 2.2% in fiscal 2004.

*Taxes.* In fiscal 2005, we incurred an aggregate of Rs. 9.33 million in taxes, which is an increase of 274.7% over the aggregate of Rs. 2.49 million in taxes incurred in fiscal 2004. This resulted in effective tax rate of 52.6% and 52.2% in fiscal 2005 and fiscal 2004, respectively. The relatively high effective tax rates are due to deferred tax liabilities of Rs. 3.33 million in fiscal 2005 and Rs. 1.98 million in fiscal 2004.

*Profit After Taxation.* Principally for the reasons discussed above, our profit after taxation increased to Rs. 8.42 million in fiscal 2005 from Rs. 2.27 million in fiscal 2004, an increase of 270.9%. Our profit after taxation as a percentage of total income was 1.1% in fiscal 2005, compared to 1.0% in fiscal 2004.

*Adjustments.* In fiscal 2004, an adjustment of Rs. 2.19 million was made to reflect the amortization of preliminary expenses incurred in fiscal 2004.

*Restated Net Profit.* As a result of the foregoing, our restated net profit was Rs. 15.94 million in fiscal 2005, as compared with a restated net loss of Rs. 0.62 million in fiscal 2004, an increase of Rs. 16.56 million.

### Liquidity and Capital Resources

Historically, our principal liquidity and capital resources requirements have been to finance our working capital needs and our capital expenditures. Our business requires a significant amount of working capital to finance the purchase of raw materials and goods and the performance of engineering, procurement, construction and other work on our EPC projects and the manufacture of WTGs before payment is received from clients. For our EPC projects, we tend to receive payments on an irregular basis as work is completed and only after the client certifies the extent of the progress made on the particular project. For wind turbine generator development and sales, we generally do not receive payments until units are completed, supplied and installed. For wind turbine generator maintenance fees, we tend to receive a lump sum payment for one year's service in advance of provision of services. To the extent that the proportion of larger-scale projects becomes a larger proportion of our project portfolio, we may be required to increase our borrowing in order to meet the higher levels of working capital requirements that would be required to undertake such projects.

To fund our capital needs, we have relied on short-term and long-term borrowings with one to five year terms, working capital financing and cash flows from operating activities. Out of the net proceeds of the Issue, we intend to use Rs. [690.26] million to finance investments in our Subsidiary and Associate companies. Out of the remainder of the net proceeds of the Issue, we intend to use Rs. [76.69] million for the purchase of plant and equipment of pipe rehabilitation projects and Rs. [•] million for general corporate purposes. In the future, as we expand our engineering, procurement construction and wind turbine generator businesses, and the businesses of our Associate companies expand, our capital needs will increase and we may need to raise additional capital through further debt finance and additional issues of Equity Shares to fund our operations and/or make investments in our Associate companies.

### Cash Flows

The table below sets forth our cash flows for the periods indicated.

	Six months ended September 30, 2007	(Rs. In millions)			
		Fiscal year ended March 31,			
		2007	2006	2005	2004
Net cash from / (used in) operating activities	(120.56)	(290.45)	(457.16)	(144.78)	3.12
Net cash from / (used in) investing activities	(160.32)	(172.65)	(17.05)	(23.96)	(49.36)
Net cash from / (used in) financing activities	381.05	(324.30)	1,164.84	521.71	52.18
Net increase / (decrease) in cash and cash equivalents	100.18	(787.39)	690.63	352.98	5.94

### Cash Flows from / (Used in) Operating Activities

Our net cash used in operating activities in the six months ended September 30, 2007 was Rs. 120.56 million, although our operating profit before working capital changes for that six month period was Rs. 213.49 million. The difference was mainly attributable to adjustments made for working capital changes due to increases in

sundry debtors, inventories and loans and advances, which were partially offset by the adjustment made for an increase in current liabilities and provisions.

Our net cash used in operating activities in fiscal 2007 was Rs. 290.45 million, although our operating profit before working capital changes for that year was Rs. 235.09 million. The difference was mainly attributable to adjustments made for working capital changes due to increases in sundry debtors, inventories and loans and advances, which were partially offset by the adjustment made for an increase in current liabilities and provisions. For engineering, procurement and construction projects, we generally invoice a substantial portion of our projects in the last quarter of the fiscal year, which results in higher levels of sundry debtors as at March 31 of each fiscal year than at other times during the year. As our engineering, procurement and construction and wind turbine generator businesses grow, we expect that our inventory and sundry debtor levels to increase proportionately.

Our net cash used in operating activities in fiscal 2006 was Rs. 457.16 million, although our operating profit before working capital changes for that year was Rs. 138.68 million. The difference was attributable to adjustments made for working capital changes due to increases in sundry debtors and loans and advances, which were partially offset by the adjustments made for an increase in current liabilities and provisions and a decrease in inventories.

Our net cash used in operating activities in fiscal 2005 was Rs. 144.78 million, although our operating profit before working capital changes for that year was Rs. 68.85 million. The difference was attributable to adjustments made for working capital changes due to increases in inventories, sundry debtors, and loans and advances, which were partially offset by an adjustment made for an increase in current liabilities and provisions.

#### *Cash Flows (Used in) Investing Activities*

Our net cash used in investing activities in the six months ended September 30, 2007 was Rs. 160.32 million. Our net cash used in investing activities during this period reflects acquisitions of fixed assets, particularly the 1.35MW WTG demonstration model, and investments in subsidiaries and Associate companies and the receipt of interest from bank deposits.

Our net cash used in investing activities in fiscal 2007 was Rs. 172.65 million. Our net cash used in investing activities during this period reflects our investments in Hamon Shriram, a subsidiary of our Company, and Leitner Shriram, an Associate company, the purchase of land, buildings, and various plant and machinery assets and investment in technical know-how, which were partially offset by proceeds from the sale of investments in Haldia Coke and Chemicals Limited and Shriram PPR Technology Private Limited and interest received on bank deposits. During the period, we procured machinery and equipment for our pipe rehabilitation business, such as bursting heads and ancillary equipment, and certain other machinery required for the execution of our renewable energy, process and metallurgy and pipe rehabilitation projects.

Our net cash used in investing activities in fiscal 2006 was Rs. 17.05 million. Our net cash from investing activities during this period reflects the purchase of fixed assets consisting of various plant and machinery, vehicles, computers and other assets and the amortization of preliminary expenses incurred by us in fiscal 2002.

Our net cash used in investing activities in fiscal 2005 was Rs. 23.96 million. Our net cash from investing activities during this period reflects the purchase of technical know-how from SHRENCO upon its merger into our Company, fixed assets consisting of various plant and machinery, computers, vehicles and other assets, which was partially offset by an investment in SHRENCO.

#### *Cash Flows from / (Used in) Financing Activities*

Our net cash from financing activities in the six months ended September 30, 2007 was Rs. 381.05 million. This cash flow reflects net bank and hire purchase borrowings of Rs. 422.89 million and interest payments on bank and hire purchase borrowings of Rs. 41.84 million.

Our net cash used in financing activities in fiscal 2007 was Rs. 324.30 million. This cash flow reflects the net repayment of bank and hire purchase borrowings by our Company of Rs. 246.43 million, interest payments on bank and hire purchase borrowings of Rs. 48.13 million and expenses incurred in connection with the issue of Equity Shares to Bessemer in fiscal 2006 of Rs. 29.74 million.

Our net cash from financing activities in fiscal 2006 was Rs. 1,164.84 million. This cash flow reflects proceeds of Rs. 1,000.00 million from the issue of Convertible Preference Shares to Bessemer in March 2006 and Rs. 203.24 million from bank, hire purchase and other short-term borrowings, and interest payments of Rs. 38.40 million.

Our net cash from financing activities in fiscal 2005 was Rs. 521.71 million. This cash flow reflects proceeds of Rs. 305.05 million from the issue of Equity Shares to UNO Investments and Rs. 252.13 million from bank borrowings, term loans and hire purchase finance, and interest payments of Rs. 35.48 million.

### ***Capital Expenditures***

We need to make capital expenditures on a regular basis in order to acquire needed machinery and vehicles. In the six months ended September 30, 2007 we invested Rs. 164.84 million in plant and machinery, primarily consisting of a 1.35MW WTG demonstration model, estimated to cost Rs. 135.40 million, vehicles and other equipment. In fiscal 2007, we invested Rs. 99.07 million in land, buildings, various plant and machinery, vehicles and other equipment, which mainly consisted of land and buildings for a blade manufacturing unit for our WTG business, estimated to cost Rs. 37.03 million. In fiscal 2006, we invested Rs. 9.19 million in machinery, vehicles and other equipment. In fiscal 2005, we invested Rs. 65.71 million in technical know-how, plant, machinery, vehicles and other equipment. We do not intend to use any portion of the net proceeds of the Issue to fund capital expenditures. We expect in future years to continue to make capital expenditures for machinery and technology on a regular basis, and at possibly an increasing rate. We propose to finance these expenditures principally through secured and unsecured loans from banks and financial institutions and internal accruals.

### ***Balance Sheet Items***

***Fixed Assets.*** Our fixed assets consist of plant and machinery, land, computers and software, buildings, office equipment, furniture and fixtures, motor vehicles and intangible assets. Our fixed assets are increasing gradually as we procure additional construction-related and WTG manufacturing assets. We have also imported some machinery for the execution of large contracts. Our total fixed assets after depreciation were Rs. 348.86 million as at September 30, 2007, as compared with Rs. 176.10 million as at March 31, 2007 and Rs. 91.02 million as at March 31, 2006. The increase in fixed assets in the six months ended September 30, 2007 was principally attributable to the acquisition of the 1.35MW WTG demonstration model, which was installed in September 2007. In fiscal 2007, the increase in net assets was principally attributable to the acquisition of plant and machinery relating to our municipal services business, and land, buildings and plant and machinery for a blade manufacturing unit for our WTG business.

***Investments.*** We have invested in Associate companies, namely Leitner Shriram, Orient Green Power and Ennore Coke. In addition, we hold approximately Rs. 11.00 million in mutual fund securities as at September 30, 2007. Our total investments were Rs. 163.53 million as at September 30, 2007.

***Loans and Advances.*** Our total loans and advances as at September 30, 2007, March 31, 2007 and March 31, 2006 were Rs. 909.12 million, Rs. 713.72 million and Rs. 432.57 million, respectively. Loans and advances, which include advances paid to suppliers and vendors, advance payments of income tax and other advances recoverable in cash or in kind for value to be received, and deposits for tenders and security deposits, have increased as our EPC project activity as increased.

***Current Assets.*** Our current assets as at September 30, 2007, March 31, 2007 and March 31, 2006 were Rs. 2,995.51 million, Rs. 2,614.47 million and Rs. 2,286.74 million, respectively. Our current assets include inventories, receivables from our engineering, procurement and construction projects and development, sale and maintenance of wind turbine generators, and cash and bank balances. Our receivables, which are generally paid on a 30-45 day period, were Rs. 2,172.20 million as at September 30, 2007, which consisted principally of receivables of Rs. 1,918.15 million and retention monies of Rs. 299.33 million, which are paid to us by the client on the submission of a bank guarantee for satisfactory performance of the project. Our receivables as at March 31, 2007 and March 31, 2006 were Rs. 1,356.37 million and Rs. 624.63 million, respectively. Our inventories as at September 30 2007 were Rs. 442.63 million, which consisted principally of manufactured parts and components held for assembly of wind turbine generators and work in progress in respect of for our engineering, procurement and construction projects. Our inventories as at March 31, 2007 and March 31, 2006 were Rs. 275.06 million and Rs. 172.83 million, respectively.

*Current Liabilities.* Our current liabilities as at September 30, 2007, March 31, 2007 and March 31, 2006 were Rs. 1,837.24 million, Rs. 960.01 million and Rs. 325.12 million, respectively. Our current liabilities include sundry creditors, advances from customers, bill discounting and other liabilities. Our current liabilities increased from Rs. 325.12 million as at March 31, 2006 to Rs. 960.01 million as at March 31, 2007 to Rs. 1,837.24 million as at September 30, 2007 principally because of increases in sundry creditors and advances from customers. Our sundry creditors as at September 30, 2007, March 31, 2007 and March 31, 2006 were Rs. 1,030.86 million, Rs. 612.45 million and Rs. 167.55 million, respectively, which consisted principally of amounts owed to suppliers of materials and components required by the Company for the manufacture of WTGs and for procurement of materials, components and services for the execution of EPC projects. Our raw materials and components sourcing requirements have increased as our WTG business has expanded. Advances from customers as at September 30, 2007, March 31, 2007 and March 31, 2006 were Rs. 391.36 million, Rs. 292.58 million and Rs. 126.39 million, respectively. Advances from customers increases are in line with the increases in our order book. For our engineering, procurement and construction projects, we typically require customers to pay us a certain amount in advance of commencement of work against a bank guarantee, which is credited against progress payments. Bills discounted as at September 30, 2007 was Rs. 353.84 million, which consisted principally of discounting of vendor invoices.

*Secured Loans.* Secured loans include bank borrowings for working capital and hire purchase financing. Our secured loans as at September 30, 2007, March 31, 2007 and March 31, 2006 were Rs. 628.43 million, Rs. 199.53 million and Rs. 440.96 million, respectively. In order to meet our growing working capital requirements, our secured loan borrowings increased from Rs. 158.56 million as at March 31, 2005 to Rs. 628.43 million as at September 30, 2007. The increase in secured loans in the six months ended September 30, 2007 was principally due to increased borrowings to fund the increase in our WTG business activities and increased working capital requirements of our process and metallurgy projects business during this period. Our secured loans decreased from March 31, 2006 to March 31, 2007 due to the repayment of a portion of our secured loans using the proceeds from the Rs. 1,000.00 million raised from the issue of Convertible Preference Shares to Bessemer in March 2006. All of our secured bank loans are comprised of revolving credit facilities, which are payable within one year. Due to increases in the funds raised through issuance of capital, the Company has paid down a portion of its secured loan borrowings during fiscal 2007. We did not have any unsecured indebtedness as of September 30, 2007.

The following table sets forth our repayment obligations under the terms of our other secured indebtedness (i.e., hire purchase financing) as of September 30, 2007.

*(Rs. In millions)*

Payments due during the year ending March 31,				
Indebtedness	2008	2009	2010	After 2010
<b>Other secured (hire purchase)</b>	1.72	1.86	-[ ]	-[ ]

Most of our financing arrangements are secured by our present and future current assets and certain of our movable and immovable assets. Our accounts receivable and inventories are subject to charges created in favor of lenders for the working capital facilities provided.

Many of our financing agreements contain conditions and restrictive covenants that require us to obtain the prior permission of such banks or financial institutions or to inform them with respect to various activities, including, inter alia, alteration of our capital structure, raising of fresh capital or debt, payment of dividend, undertaking any merger or amalgamation, restructuring, change in management, undertaking guarantee obligations, transferring shares held by majority shareholders / promoter directors to third parties, making investments, lending and advancing funds and placing deposits. These financing agreements further permit the concerned lenders to seek early repayments of, or recall the said loans or enhance the interest rates applicable thereto. Additionally, certain financing agreements require us to meet and maintain identified financial ratios. Furthermore, our financing arrangements may contain cross default provisions which could automatically trigger defaults under other financing arrangements, in turn magnifying the effect of an individual default.

#### ***Contingent Obligations***

Our contingent liabilities consist of guarantees given by banks in support of our bids and ongoing engineering, procurement and construction project activities, letters of credit issued by banks and corporate guarantees given by us in favour of Grasim Industries Limited (Birla White Cement Division), Lakshmi Overseas Industries Limited and Union Bank of India on behalf of Ennore Coke Limited, an Associate company. As at September 30, 2007, an aggregate amount of Rs. 909.84 million of bank guarantees and letters of credit was outstanding.

Other contingent obligations include Rs. 330.00 million in corporate guarantees given by us on behalf of Ennore Coke Limited to Union Bank of India to secure term loans and to Grasim Industries Limited and Lakshmi Overseas Industries Limited towards due performance of the contracts awarded to the Company.

### Top Five Customers

Set forth below are our top five customers, measured by amounts billed, for each of the periods indicated.

*(Rs. in millions, except for percentage data)*

Six months ended September 30, 2007		
Name of Customer	Billed Amount	% of total sales
Bharat Wind farm	453.41	20.38
Daddanavar Brothers	370.50	16.65
Fair Deal	206.85	9.30
Shriram City Union Finance Ltd.	187.53	8.43
SAIL – Durgapur	155.65	6.99

*(Rs. in millions, except for percentage data)*

Fiscal 2007		
Name of Customer	Billed Amount	% of total sales
Lakshmi Overseas Industries Ltd.	314.56	7.26
Grasim Industries Ltd.	288.01	9.74
Uniply Industries Ltd	256.00	8.66
Goa International School	248.00	8.39
Konkola Copper Mines	232.52	7.86

*(Rs. in millions, except for percentage data)*

Fiscal 2006		
Name of Customer	Billed Amount	% of total sales
Shiram Investments Ltd.	303.07	20.83
Vedanta Alumina	94.91	6.53
Grasim Industries Ltd.	73.02	5.02
Shriram Towertech Ltd – Neyveli Lignite	45.57	3.13
Sea Bird	40.76	2.80

*(Rs. in millions, except for percentage data)*

Fiscal 2005		
Name of Customer	Billed Amount	% of total sales
Shriram City Union Finance Ltd.	226.36	30.35
Ravikiran Power Projects Ltd.	155.06	20.79
Delhi Jal Board	81.90	10.98
AUDA	59.66	8.00

**Inflation**

In recent years, although India has experienced fluctuations in inflation rates, inflation has not had a material impact on our business and results of operations. According to the CIA World Factbook, the estimated inflation rate in India was approximately 5.4%, 3.8%, 4.2%, 4.2% and 5.3% in the years 2003, 2004, 2005, 2006 and 2007, respectively.

**Unusual or Infrequent Events or Transactions**

Except as described in this Red Herring Prospectus, there have been no other events or transactions that, to our knowledge, may be described as “unusual” or “infrequent”.

**Known Trends or Uncertainties**

Except as described in “Risk Factors”, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

**Future Relationship between Cost and Income**

Except as described in “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, to our knowledge there are no known factors that will have a material adverse impact on our operations and finances.

**Competitive Conditions**

Please refer to the sections titled “Our Business – Competition”, “Industry” and “Risk Factors” in this Red Herring Prospectus for discussions regarding competition.

**Significant Developments after September 30, 2007**

Except as stated elsewhere in this Red Herring Prospectus, to our knowledge no circumstances have arisen since September 30, 2007, which is the date of the most recent financial statements included in this Red Herring Prospectus, which materially and adversely affect or are likely to affect our profitability, our financial condition or our ability to pay our material liabilities within the next 12 months.

Except as stated elsewhere in this Red Herring Prospectus, there are no subsequent developments after the date of the Auditor’s report dated January 4, 2008 that we believe are expected to have material impact on our reserves, profits, earnings per share or book value.

## FINANCIAL INDEBTEDNESS

Our aggregate borrowings as of March 31, 2007 are as follows:

(In Rs million)

S. No.	Nature of Borrowing	Amount
1.	Secured Borrowings	199.53
2.	Unsecured Borrowings	Nil

Following are the details of our borrowings as of December 31, 2007:

- **Sanction Letter dated April 13, 2007 issued by the Bank of Maharashtra: Cash Credit and Bank Guarantee Facility including a Letter of Credit Sub Limit<sup>1,2</sup>**

Sanctioned Amount (Rs. In million))	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total limit of Rs.300.00 Million including a cash credit limit of Rs.150.00 million and a Bank Guarantee limit of Rs.150.00 million including a letter of credit sub-limit.	Cash Credit amount is Rs. 147,370,963.60; Bank Guarantee amount is Rs. 142,971,864.	<ul style="list-style-type: none"> <li>• cash credit facility available for a period of one year, extension being subject to further review.</li> <li>• maximum drawing is Rs 200 million by earmarking cash credit.</li> <li>• interest 1.5% below bank prime lending rates of 11.5%</li> <li>• margin Rate is 25% for the cash credit facility</li> <li>• margin Rate for bank guarantee is 10%</li> <li>• commission on bank guarantee is 1.5% per annum.</li> <li>• commission on letter of credit is 50% of the bank charges</li> <li>• rate of interest for bank guarantee is 17.2% per annum</li> </ul>

- **Sanction Letter dated November 30, 2006 issued by the Hong Kong and Shanghai Banking Corporation<sup>8</sup>**

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total guarantee limit of USD 1,336,000.	USD 1,336,000	<ul style="list-style-type: none"> <li>• facility valid for a period of 12 months</li> </ul>

- **Sanction Letter dated February 19, 2007 issued by Indian Bank: Cash Credit, Letter of Credit and Bank Guarantee<sup>1,4</sup>**

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total Limit of Rs 300 million including a open cash credit facility of Rs 100 million and letter of credit interchangeable with a bank guarantee for Rs 200 million.	Open cash credit amount is Rs. 90,374,888.00; Letter of credit is Rs. 197,156,164.00	<ul style="list-style-type: none"> <li>• facility valid for a period of 12 months</li> <li>• rate of interest for the cash credit facility is 1 % below the bank prime lending rate</li> <li>• rate of interest for letter credit is 50% of normal charges and for bank guarantee is 1%</li> <li>• margin rate for bank guarantee is 10%</li> </ul>

- **Sanction Letter dated April 26, 2007 and sanction letter enhancing the limit of the bank guarantee dated September 26, 2007 issued by Oriental Bank of Commerce : Cash Credit facility, Letter of Credit and Bank Guarantee,**<sup>1,2,3</sup>

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates And Interest Rates
Total limit of Rs. 868 .00 .00 million including a cash credit limit of Rs.148.00 million, a bank guarantee limit of is Rs 500 .00 million and a letter of credit limit of Rs. 220 million	Cash credit amount is Rs. 90,031,939.73 ; Letter of Credit is Rs. 173,611,851.00 ; Bank Guarantee Rs. 262,466,576.00	<ul style="list-style-type: none"> <li>• interest payable for cash credit is at 1% below specified bank lending</li> <li>• facility valid for 12 months upto April 30, 2008</li> <li>• margin rate for the cash credit facility is 25%</li> <li>• rate of interest for letter of credit is 25%</li> <li>• bank guarantee facility valid upto September 30, 2008</li> <li>• commission charges for bank guarantee is 1.5% per annum</li> </ul>

- **Sanction Letter dated April 4, 2006 issued by the Yes Bank: Cash Credit facility and Letter of Credit<sup>1</sup>**

Sanctioned Amount (Rs. In million)	Amount outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total limit of Rs 150 million including a cash credit facility of Rs 100 million and a letter of credit of Rs 50 million	Rs. 87,393,924.71	<ul style="list-style-type: none"> <li>• rate of interest for cash credit facility is 2% below the bank prime-lending rate of 12.5%</li> <li>• rate of commission for letter of credit is 1.5% per annum</li> <li>• rate of interest for bank guarantee is 1.5% per annum</li> <li>• margin for cash credit is 10%</li> <li>• cash credit facility repayable on demand</li> <li>• bank guarantee is valid for a period of 24 months</li> </ul>

- **Sanction Letter dated June 11, 2007 issued by Axis Bank: Cash Credit facility, Bank Guarantee including a Letter of Credit and a Loan Equivalent Risk facility.**<sup>1,2,6,7</sup>

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total limit of Rs 510 million including a cash credit facility of Rs 150 million, bank guarantee including a letter of credit of Rs 350 million and a loan equivalent risk on forward contracts of Rs 10 million.	Cash Credit amount is Rs. 134,048,263.30; Letter of credit amount is Rs 159,262,682.00; Bank Guarantee amount is Rs. 334,694,410.00	<ul style="list-style-type: none"> <li>• rate of interest for cash credit is 3.5% below bank prime lending rate</li> <li>• cash credit facility is repayable of demand</li> <li>• bank guarantee is valid for a maximum period of 36 months</li> <li>• loan equivalent risk is valid for a maximum of three years</li> <li>• rate of commission for letter of credit and bank guarantee is 1.75%</li> <li>• margin rate is 10%</li> </ul>

- **Sanction Letter dated June 5, 2007 issued by HDFC Bank: Cash Credit facility, Bank Guarantee including a letter of credit sub limit.**<sup>1</sup>

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total Limit of Rs 351 million including a working capital limit of Rs 200 million, a bank guarantee including a letter of credit sub limit of 100 million and a memo exposure limit of Rs 51 million.	working capital amount is Rs. 140,000,000; letter of credit is Rs. 51,000,000	<ul style="list-style-type: none"> <li>working capital facility repayable on demand</li> <li>bank guarantee utilization upto Rs 50 million is valid for 2 years and beyond that is valid for 18 months</li> <li>rate of interest is 10.5% per annum</li> <li>margin rate for the working capital limit is 25%</li> <li>margin rate for the bank guarantee is 5%</li> <li>commission rate is 1% per annum</li> </ul>

- **Sanction Letter dated March 11, 2006 issued by the Global Trade Finance Limited: Trade Finance Facility**

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total trade finance facility limit of Rs 63.25 million including domestic factoring funds limit of Rs 38.25 million and reverse factoring funds limit of Rs 25.00 million.	Rs. 357,381,479.03	<ul style="list-style-type: none"> <li>Discount rate of 9.5% to be deducted upfront</li> </ul>

- **Sanction Letter dated December 17, 2007 issued by Centurion Bank of Punjab Limited: Letter of Credit Facility.<sup>9</sup>**

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total facility of Rs. 500 million including a non fund based facility of treasury limit of Rs. 50 million.	Rs. 350,000,000	<ul style="list-style-type: none"> <li>Facility is valid for a period of twelve months</li> <li>Bank guarantee is interchangeable with letter of credit.</li> <li>Bank guarantee facility is valid for a period of two years</li> <li>Total tenor of letter of credit not to exceed six months for raw materials and one year for capital goods.</li> <li>Facility for treasury limit valid for a period of one year.</li> <li>Cash margin rate is 5%.</li> </ul>

- **Facility Agreement, dated November 19, 2007 between our Company and L&T Infrastructure Finance Company Limited<sup>10</sup>:**

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total Term Loan facility of Rs. 400 million	Rs. 350,000,000	<ul style="list-style-type: none"> <li>Facility valid for a period of nine months</li> <li>Interest rate will be 13% payable monthly</li> <li>Penalty at the rate of 2% per annum in case of any default.</li> <li>Company's right to drawl shall cease at the end of three months from the date of execution of the facility</li> <li>Repayment will be in 3 equal monthly installments at the end of 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> month.</li> </ul>

- **Sanction Letter dated November 30, 2007 issued by Axis Bank: One time Import Letter of Credit facility<sup>5, 11, 12</sup>**

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total one time import letter of credit of Rs. 260 million.	Nil	<ul style="list-style-type: none"> <li>• Maximum usance upto 180 days</li> <li>• Margin rate is 10%</li> <li>• Penalty at the rate of 2% in case of default in payment.</li> </ul>

- *Sanction Letter dated December 12, 2007 issued by the Industrial Bank of India: Short term loan including purchase bill discounting<sup>13,14</sup>*

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total short term loan facility of Rs.100 million including purchase bill discounting	Rs.100,000,000	<ul style="list-style-type: none"> <li>• Tenure not to exceed 90 days.</li> <li>• Interest rate to be decided at the time of draw down</li> <li>• Repayable on due date</li> </ul>

- *Sanction Letter dated December 7, 2007 issued by Development Credit Bank Limited: Short Term Loan<sup>15</sup>*

Sanctioned Amount (Rs. In million)	Amount Outstanding	Tenure of Individual Facility/ Repayment Dates and Interest Rates
Total short term loan facility of Rs. 50 million	Rs. 50,000,000	<ul style="list-style-type: none"> <li>• Interest at the rate of 2.5% below the bank prime lending rate</li> <li>• Repayment at the end of 3 months from the date of disbursement</li> <li>• Penalty at the rate of 2% on the outstanding amount</li> </ul>

**References:**

1. Loan secured by a pari-passu charge on present and future current assets pertaining to all divisions.
2. Loan secured by a counter-guarantee given by the Company.
3. Loan secured by hypothecation of revolving stocks and other movable assets and also present and future debts.
4. Loan secured by plant and machinery and other fixed assets of the Company.
5. Loan secured by title to the goods under the letter of credit.
6. Loan secured by assets of the company covered under a comprehensive insurance policy.
7. Loan secured by an application cum indemnity letter.
8. Loan secured by an exclusive charge on stocks and receivables to be procured through the Konkola Copper Mines, Zambia.
9. Loan secured by hypothecation charge on the specific assets of the project for which the letter of credit and bank guarantee is issued.
10. Loan secured by first charge by way of hypothecation of all the wind energy generators and allied infrastructure, assignment of all contracts for sale of wind electric generators, charge on all the Company's EPC contract receivables, assignment of EPC contract and documents relating to power plant, assignment of insurance policies, promissory note in favour of the lender and post dated cheques for interest and principal payments for the entire facility.
11. Loan secured by a hypothecation agreement for specific charge on the machinery.
12. Loan secured by purchase bill discounting for the amount.
13. Loan secured by subservient charge on current assets.
14. Loan secured by transaction backed post dated cheques.
15. Loan secured by 4,500,000 equity shares of face value of Rs. 10 each of Ennore Coke Limited held by Shriram Auto Finance

**Other critical covenants in our loan Agreements include the following:**

- The lender shall have the right to inspect/ inspect the books, stocks and premises of our company from time to time by any officials of the lender or by external auditors/technical persons / stock auditors.

- The company shall not declare any dividends for any year except out of profits for the relevant year, after all the provisions are made and there are no defaults in any obligations.
- Our company shall not undertake any guarantee obligations without reference to the lender
- Our company shall declare financial results as and when and such will have to be disclosed to the lender
- The lender shall have absolute rights as regards disclosures as per CIBIL.
- The company and shall pay an additional interest at the rate of 2% in case of any default.
- The lender is entitled to close current account at any time and ask the Company to pay the outstanding amount along with the accrued interest.
- In the event of the Company committing a default in making due payment of any bill drawn under the credit or a demand of any payment made by the bank for our company or any amount due to the lender, the lender shall be entitled to without prejudice to any of the rights of our company to sell the security co covered.
- Any changes in capital structure, schemes of amalgamation/reconstruction must be agreed by the lender prior to being undertaken by the company.
- The company must not invest by way of share capital in, or lend, advance funds to, place deposits with or undertake guarantee obligations on behalf of any other concern. Normal trade credits and security deposits are not covered by this clause.
- The Company must not enter into borrowing arrangements of any sort with any other lender, financial institution, Company or otherwise, save and except to the extent of working capital arrangements approved by the exiting consortium of banks and term loans sanctioned by banks/ financial institutions.
- The Company shall at all times maintain sufficient long term funds to cover all long term assets and a minimum of 25% of current assets.
- Promoter directors/ majority shareholders shall not sell/pledge their shares to third parties without the lender's prior approval.
- If any changes are made in the structure of ownership/management of the company it shall be promptly informed to the lender.
- The total debt should not exceed three times.
- The Company cannot undertake any new project/any further expansion without prior approval of the lender.
- The Company cannot extend finance to associate concerns during the currency of the lender's advance without the lender's prior written consent.
- The Company can declare dividend only after obtaining approval from the lender (in case of default in payment of interest/instalment of loan).
- Letter of credit wil not be established in favour of associate/group companies/firms.
- The Company shall not appoint/reappoint/remove any person having substantial powers of management without the approval of the lender.
- The Company to maintain an escrow and no –lien account with a bank agreeable to the lender and shall ensure that all the receivables are paid into the designated account.
- If the Company commits a default in payment of any two consecutive installments of principal amounts or the interest, then the lender shall have the right to convert at its option the whole or part of the defaulted amount into fully paid –up equity shares of the Company.
- The Company shall not appoint/reappoint/remove any person having substantial powers of management without the approval of the lender.
- The Company shall notify the lender if its auditors cease to act as auditors and appoint another firm as auditors with 15 days prior written notice to the lender.
- The Company cannot undertake any new project, or diversification or any substantial expansion, or engage in any new business or activities either alone or with any other person, or enter into any arrangement with any other person whereby the Company's income/profits may be shared
- The Company cannot make or permit any material amendments or termination of any material contracts documents
- The Company cannot enter into any contract or arrangement whereby its business or operations are managed by some other person.
- The lender shall be entitled to appoint from time to time, a whole time director on the Board of Directors of the Company.
- The lender may without the consent of the Company, assign all or any part of its rights and benefits to any person including bank, financial institution or public financial institution.
- Guarantee of Shriram Auto Finance
- The Promoters/directors cannot alienate, transfer, dispose or dilute their shareholding

As of December 31, 2007, the Company had availed loans from the following lenders for the purchase of vehicles against such vehicles as collateral security as provided below:

<b>Loan No.</b>	<b>Name of the lender</b>	<b>Amount Outstanding (In Rs.)</b>
A4K-003-5483336	Citi Bank	976,729.3
A1I-003-5486245	Citi Bank	646,768.93
A4K-003-5486689	Citi Bank	688,658.69
A4K-003-5487499	Citi Bank	579,352.3
CEI-003-1575717	Citicorp Maruti Financial Limited	560,000
CEI-003-1545847	Citicorp Maruti Financial Limited	378,889.33
A4K-003-5488021	Citi Bank	942,270.99
A4K-003-5487502	Citi Bank	681,936.15
CEK-0003-1314775	Citicorp Maruti Financial Limited	349,811.44
CEK-003-1355074	Citicorp Maruti Financial Limited	387,481.25
CEI-003-1320134	Citicorp Maruti Financial Limited	158,978.93
CEI-003-1414715	Citicorp Maruti Financial Limited	270,053.95
CEK-003-1314763	Citicorp Maruti Financial Limited	524,709.26

The loan agreements and sanction letters provide for certain negative and restrictive covenants that must be observed by the Company during the currency of loan. These include:

- Vehicle against which the loan has been taken has been hypothecated as security
- Insurance Company has the right to transfer loan or assign it to anyone
- Bank has lien over any property or account of the borrower or guarantor, in its possession
- Guarantor is given 2 days time after receiving notice from the Bank of default by the borrower to make entire payment

## SECTION VI: LEGAL AND OTHER INFORMATION

### OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Directors, our Promoters, the promoter group, members forming part of our promoter group and our Subsidiaries and there are no defaults, non payment of statutory dues, overdues to banks/financial institutions/small scale undertaking(s), defaults against banks/financial institutions/small scale undertaking(s), defaults in dues payable to holders of any debentures, bonds or fixed deposits or arrears on preference shares issued by the Company, the Directors, the Promoters, the promoter group companies and the Subsidiaries, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company, the Directors, the Promoters, the promoter group and the Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Directors, our Promoters, the promoter group, members forming part of our promoter group and our Subsidiaries that would result in a material adverse effect on our consolidated business taken as a whole.

Our Company, our Subsidiaries, Promoters, individuals and entities constituting the Promoter group have not been detained as willful defaulters by the RBI or any government authority and there have been no violations of securities laws in the past or pending against them.

For details of contingent liabilities of our Company and our Subsidiaries, please refer to the financial statements of the Company and the Subsidiaries on page 132 of this Red Herring Prospectus.

#### **Cases filed against the Company**

##### ***Criminal case filed against the Company***

A Criminal Case No. 2247 of 2000 and 2248 of 2000 dated May 5, 2000 was filed before Judicial Magistrate 1<sup>st</sup> Class, Nasik by Maharashtra Small Scale Industries Development Corporation, Limited (“MSIDC”) under Section 138 of the Negotiable Instrument Act against the Chairman, Managing Director and certain other employees of Shriram Engineering and Construction Company Limited (“SHRENCO”). SHRENCO had entered into a contract with Maharashtra Small Scale Industries Development Corporation for the supply of PVC pipes and had issued certain post dated cheques of amounts of Rs. 1,407,268. MSIDC alleged that the cheques were dishonoured. Our Company filed an application dated December 13, 2005 for return of Wrong Summons on the ground that they were not impleaded as an accused and that it was only due to the amalgamation of SHRENCO with our Company that the address was transferred and that since after the said amalgamation the posts of Managing Director and the Chairman do not exist, the service is bad in law. The court passed an order rejecting the application filed by our Company on February 2, 2006. The court issued a non- bailable warrant on July 4, 2006 against the accused persons. The Company filed an application dated July 5, 2006 against the said order. However the said application was disallowed by the order of the court dated September 9, 2006. Against this order our Company has filed a Criminal Revision Application bearing No 496 of 2006 seeking the quashing or stay of the non-bailable warrant. The court by its order dated October 13, 2006 has stayed the proceeding pending hearing of the application. The matter has been posted for final arguments on October 6, 2007. The court has on December 29, 2007 dismissed the Criminal Revision Petition. The Company proposes to file an appeal against the said order.

##### ***Civil cases filed against the Company***

1. A civil suit bearing number O.S. 584 of 2000 was filed by M/s Senthil Pile Foundation against Shriram Engineering and Construction Company Limited (“SHRENCO”) before the District Munsiff of Tiruchirapalli claiming alleged non- payment of bills by the respondent aggregating Rs 7, 86,065 in relation to the work order executed between the parties for the construction of four infiltration wells in the Cauvery and Colloron rivers. Our Company filed a reply stating that it had been awarded a contract by TWAD board, for executing detailed engineering, execution, commissioning of water supply improvements scheme to Trichy City Corporation. We had sub-contracted a part of the work to the petitioners. The contract was subsequently awarded to IDEB with the concurrence of the petitioners. The petitioners were directed to receive payments from IDEB. The petitioners withdrew the suit and filed an arbitration application dated March 16, 2005 before the arbitral tribunal, Chennai. Our

Company filed a reply in June 2005 stating that the petitioner had delayed the completion of the order and failed to perform several other commitments of the contract. The arbitral tribunal on September 30, 2006 awarded the decision in favour of the petitioners directing our Company to pay the said sum of Rs 7, 86,064.50 with interest at the rate of 18% per annum from March 03, 2002 to September 30, 2005. Our Company has filed an appeal bearing number O.P number 652 of 2007 dated December 20, 2006 before the High Court of Chennai challenging the award. The Court on September 13, 2007 issued a notice to the respondents. The respondents have been directed to respond to the notice by October 22, 2007. The next date of hearing has not been fixed as yet.

2. A petition bearing number O.P. 433 of 2002 by M/s IDEB Construction Projects Private Limited against SHRENCO for the appointment of an arbitrator and the High Court appointed an arbitrator., The Tamil Nadu Water Supply and Drainage Board awarded commissioning of water supply improvement scheme to SHRENCO, a portion of which was sub-contracted to M/s IDEB Construction Projects Private Limited. M/s IDEB Construction Projects Private Limited claimed an aggregate amount of Rs. 90,284,555 on the ground of additional work, overhead expenses and additional investment to be made due to the extra work as the actual work carried out by them was in excess of the scope of the contract. Our Company filed a reply stating that a subsequent agreement had been entered into between the parties, whereby the petitioners had agreed to execute the whole contract. Our Company subsequently filed an OP No. 876 of 2005 before the High Court of Madras under Section 14 and 15, read with Section 11 of the Arbitration and Conciliation Act, 1996 seeking the removal of the arbitrator and a appointment of a new arbitrator on the ground that the fees charged by the said arbitrator was high. In view of the pending petition the arbitration proceedings have not yet progressed.
3. A civil suit bearing O.S number 1TTT of 2007 has been filed by M/s Test Steel Suppliers before the City Civil Judge, Chennai against our Company. The petitioners allege that the Company had placed an order with it for the supply of steel materials. The petitioners claim that even though we had paid the amount due, we still had not issued a Form C, which is required by the petitioners to claim Sales Tax exemption and so as a result the petitioners had to pay Rs 23, 813. The petitioners filed a suit for non issuance of Form C and prayed for judgment and decree to pay a sum of Rs. 24,620 together with interest at the rate of 24 % per annum on Rs 23,813 till realization. The matter has been posted on January 10, 2008.
4. R.C.A number 621 of 1996 has been filed by Mr. V. Sukumar against SHRENCO before the small causes judge, Chennai for fixation of fair rent. The courts vide its order dated January 23, 1998 fixed the fair rent at Rs, 92,413. The appellant filed an appeal to the rent control appellate court bearing number 508 of 1998 against the order. SHRENCO also filed a cross appeal against the said order bearing appeal number 613 of 1998. Our Company had submitted its written submissions in March 2007. The court reduced the fair rent to Rs. 50,901. We have filed a civil revision petition dated October 30, 2007 before the high court of Madras and the matter is yet to be numbered.
5. Fifteen suits have been filed in the Principal District Munsif Court, Tenkasi against our Company and others, in relation to the land we have acquired for the development and sale of WTG's. The contentions of the various plaintiffs include, the land being agricultural land, breach of the agreement entered into by the Company with certain plaintiffs, installation of the wind mills by the Company in contravention of the applicable rules, partition of the disputed property. In all the suits, the plaintiffs have prayed for, injunction against the Company from erecting any windmills, partition of the said property and to remove the existing installations erected by the Company on the said land. Our Company has filed its written statements in response to the suits.

#### ***Writ Petitions filed against the Company***

1. A writ petition bearing No 13930 of 2007 has been filed by M/s Bloom Power Systems Private Limited before the High Court of Madras against the Company. The petitioners allege that the Company is trying to commission windmill towers in contravention of the existing laws and regulations. It is the contention of the petitioners that the Company has set up windmill towers adjacent to the petitioners site, thus affecting the total scope of the petitioners project and flouting the prevalent laws on the same. The petitioners have prayed for an interim injunction restraining our Company from setting up further windmills. The writ petition has been admitted but has not yet been listed.

#### **Cases by Our Company**

### *Civil Cases filed by our Company*

1. A Special Civil Suit, bearing No 332 of 2000 dated November 10, 2000 was filed by SHRENCO against Maharashtra Jeevan Pradhikaran (“MJP”), ICICI Bank and Federal Bank before the Civil Judge Senior division Nashik. SHRENCO had entered into a contract dated April 9, 1999 with Maharashtra Jeevan Pradhikaran (“MJP”) for the completion of a project involving a regional rural water supply scheme for 26 villages in the Sinnar Taluka for a sum of Rs.121, 807,277 for which necessary bank guarantees were executed by SHRENCO with ICICI Bank and the Federal Bank to the extent of Rs.12, 000,000 for receiving advance payment for the project. MJP invoked the bank guarantee even though there was no breach of contract by the Company. Aggrieved by this, our Company filed a suit against MJP restraining them from invoking the bank guarantee. We have also claimed compensation and damages aggregating Rs. 12 crores. The Court by order dated November 13, 2000 issued a show cause notice to the defendants to show cause asking them as to why the said petition should not be allowed and maintained the status quo of the disputed bank guarantees. The matter has been posted for hearing on January 22, 2008. An arbitration application-bearing number 976 of 1998 was filed by SHRENCO before the arbitral tribunal, Chennai against Madras Fertilizers Limited. SHRENCO and Madras Fertilizers Limited had entered into a contract under which SHRENCO was required to construct quarters for the Central Industrial Security Force. A dispute arose as to the outstanding bills aggregating Rs 32, 37,626.65. The arbitration award was given in favour of SHRENCO by an order dated October 01, 2001. The respondents filed an appeal before the High Court against the said order in O.P No 787/2002. The High Court on July 26, 2006 set aside the said arbitration award. An appeal against the setting aside of the award has been filed by the Company before the Division Bench. On October 26, 2007 the appeal was admitted by the Court and the notice was issued to the Madras Fertilizers Limited and the next date of hearing has not been fixed as yet.
2. Original suit bearing number 143 of 2000 filed by SHRENCO against Karnataka State Industrial Development Corporation Limited (“KSIDC”) before the District Court for appointment of an arbitrator. SHRENCO had been pre-qualified by KSIDC for the construction work of 5 water treatment plants at Kannur, Kerala vide a tender dated December 10, 1997. The said tender was accepted by KSIDC and SHRENCO deposited Rs 2 lakhs as security deposit. Our Company carried out the work and the aggregate cost was more than Rs. 3.5 lakhs. The respondent unilaterally terminated the contract and forfeited the security deposit. Against the unilateral termination, our Company had filed the suit. The said suit was dismissed on January 5, 2006. Our Company filed the present suit bearing number 115 of 2006 before the Subordinate Judge, Thiruvananthapuram praying for the order of the defendant to be declared illegal and without authority and also prayed for payment of Rs. 3.50 lakhs towards the value of work carried out and Rs. 5.85 lakhs towards the value of the material procured and further to recover the amount deposited as security deposit along with interest at the rate of 6% per annum with effect from May 13, 1999. The court did not admit the counter claim filed by the respondent on the ground that the respondent had to take prior permission of the court before filing of the counter claim. The matter is now posted on February 1, 2008 for further hearing.
3. Our Company had entered into equipment, procurement and construction contract with Bansal contractors, whereby the contractors agreed to supply, construct and erect a 2 X 15 MW Bio Mass based Co-generation Power Plant for M/s Lakshmi Energy and Foods Limited. They were not able to perform their part of the contract in a satisfactory manner and delayed the execution of the contract thus exposing the Company to heavy damages by M/s Lakshmi Energy and Foods Limited. Our Company had filed an application for arbitration on May 27, 2006 before the Arbitration Tribunal and had requested the respondents to appoint an arbitrator in terms of the ‘ Dispute Resolution Clause of the contract The respondents did not appoint any arbitrator and instead filed petition under section 9 of the Arbitration and Conciliation Act, 1996 seeking an injunction and restraining the our Company from interfering with the peaceful progress of the civil construction work at Khamano Punjab. Our Company then filed a petition under before the high court of Chennai bearing no 3737 of 2007 and praying for an injunction restraining the respondent from interfering with the smooth functioning of the activities at the site and also to appoint an advocate commissioner to take stock of the inventory of machines and tools belonging to the respondent. The High Court passed an order dated April 27, 2007 directing the commissioner to take inventory of all the machines and tools belonging to the Bansals contractor. The site is yet to be inspected. The Court vide order dated August 17, 2007 directed the assistant commissioner to inspect the site and file the report on or before September 14, 2007. The advocate commissioner has filed his report and the matter is yet to be listed. We have further filed an application bearing number O.P.659 of 2007 under Section 11 of the Arbitration and Conciliation Act, 1996 seeking appointment of a third arbitrator. The court admitted the said petition on September 10,

2007. The case has been posted for hearing on October 12, 2007 and the Court appointed the third arbitrator and the matter has been posted for hearing on January 24, 2008.

4. Our Company had entered into an EPC contract on September 9, 2002 with M/s Ravikiran Power Projects (P) Limited for setting up 6 MW biomass power plant at Gangavathi, Karnataka for Rs. 18.82 crores. The contract was subsequently modified on November 12, 2002, whereby the contract price was increased to Rs. 23.78 crores. We had issued a legal notice dated March 6, 2007 to Ravikiran Power Projects (P) Limited for non-payment of our dues. We have subsequently filed a winding up petition before the high court of Andhra Pradesh dated December 6, 2007 under Sections 433 (e) and (f) and 434 (1)(a) and (c) and Section 439 of the Companies Act, 1956 seeking leave of the court to proceed with the winding up in respect of Rs. 3.47 crores due from Ravikiran Power Projects (P) Limited and that an official liquidator be appointed, and pending the final disposal of the petition, the official liquidator be appointed as the provisional liquidator of the assets, properties and income of the company.

Further the high court had directed us to issue a personal notice to the respondent and we had complied with the order by issuing a personal notice on December 17, 2007. However this was returned with an endorsement "addressee left". The court directed us to issue a fresh notice and to publish the same in a newspaper. The notice has been published on January 5, 2008 and the next date of hearing is January 24, 2008.

### **Taxation related matters**

#### ***Cases against our company***

1. An assessment order against our Company dated March 30, 2006 under Section 143(3) by the Income Tax Department, Chennai for the year 2003-04. The order dismissed the claim of SHRENCO seeking an exemption under Section 80 1A and further disallowed the deduction for subcontracting charges, inflation of purchases and leave travel allowance. It also imposed a penalty under Section 271 (1)( c) of the Income Tax Act. The total tax due was Rs. 1, 44, 61,324. An appeal bearing number 210/05-06 dated May 3, 2006 has been filed before the Commissioner of Income Tax (Appeals). The matter has been posted for hearing on January 23, 2008.
2. A notice of demand against SHRENCO dated December 18, 2006 under Section 143 (3) of the Income Tax Act, 1961 for Rs 26, 24,280 for the assessment year 2004-05. An assessment order had been passed on December 18, 2006 dismissing our claim of deduction under Section 80 1A and other deductions including disallowance of remuneration to directors including out of subcontracting charges. Further penalty proceedings initiated were under Section 271 (1)(c) of the Income Tax Act. Interest under Section 234 B was also charged. An appeal bearing number 507/06-07 dated January 19, 2007 has been filed before the Commissioner of Income Tax (Appeals). The matter has been posted for hearing on January 23, 2008.
3. A notice of demand against our Company dated March 30, 2005 under Section 143 (3) of the Income Tax Act, 1961 for a sum of Rs 7, 71,162 for the assessment year 2002-03. The order withdrew the deduction granted on depreciation claimed in respect of the technical knowledge acquired by our Company.. Our Company had filed an Appeal against the order before the Office of the Commission of Income Tax on May 03, 2005. The appeal was dismissed on September 11, 2006 and the demand was confirmed. An appeal bearing No 332/07 dated February 5, 2007 has been filed before the Income Tax Appellate Authority. The matter has not yet been taken up for hearing.
4. Order dated March 27, 2006, against SHRENCO issued by the Commissioner of Income Tax under Section 263 of the Income Tax Act, 1961 for the Assessment Year 2000-01. The Income Tax Office raised a demand of Rs 1,65,76482 (inclusive of the interest). The order withdrew the deduction allowed under Section 801A (4) of the Income Tax Act, 1961. The Assessing officer further added an interest under Section 234 B. On August 24, 2006 an additional interest of Rs 5, 98,463 was charged under Section 220(2). An appeal bearing number 277/06 dated August 17, 2006 against the said order has been filed before the Commissioner (Appeals) of Income Tax. We have also filed an appeal before the Income Tax Appellate Authority bearing number 1359/06 dated May 29, 2006. This is yet to be taken up for hearing. The matter has been posted for hearing on February 14, 2008. The appeal before the Commissioner (Appeals) of Income Tax has been kept pending till the disposal of appeal before the Income Tax Appellate Authority

5. Order dated July 3, 2006 against SHRENCO giving effect of the Commissioner of Income Tax order under Section 263 of the Income Tax Act, 1961 for the Assessment Year 2001-02. The order withdrew the deduction allowed under Section 801 A (4) of the Income Tax Act, 1961 and also disallowed the deductions made under Section 43B thus raising a demand of Rs 19, 04,666. He further disallowed the commission payment of Rs.2, 50,000. The assessing officer further imposed an interest of Rs 5, 23,834 under Section 220(2). An appeal bearing number 278/06-07 dated August 18, 2006 has been filed before the Commissioner of Income Tax (Appeals). We have also filed an appeal before the Income Tax Appellate Authority bearing number 1360/06 dated May 29, 2006. It is yet to be taken up for hearing. The matter has been posted for hearing on February 14, 2008. The appeal before the Commissioner (Appeals) of Income Tax has been kept pending till the disposal of appeal before the Income Tax Appellate Authority
6. Order dated March 30, 2004 against SHRENCO issued under Section 143 (3) of the Income Tax Act, 1961 for the Assessment Year 2001-02 withdrawing the deduction allowed under Section 80 1A of the Act, delayed payment of provident fund and interest thus raising a demand of Rs 19,95,937 and imposed an interest under Section 243 D of Rs 99, 795. An appeal bearing number 145/04-05 dated April 28, 2004 has been filed before the Commissioner (Appeals) of Income Tax. The matter has been kept pending till the disposal of appeals bearing numbers 1359/06 and 1360/06 before the Income Tax Appellate Authority.
7. Order dated March 31, 2003 against SHRENCO issued under Section 143(3) of the Income Tax Act, 1961 for the Assessment Year 2000-01 withdrawing the deduction allowed under Section 80 I A of the Income Tax Act. The order made an addition of to the Provident Fund and other contributions and further disallowed the commission payment amounting to Rs 20, 37, 889. It also disallowed the warranty charges and liquidity damages. It thus raised a total demand of Rs 53, 70,625. An appeal bearing number 472/05-06 has been filed before the Commissioner (Appeals) of Income Tax. The matter has been kept pending till the disposal of appeals bearing numbers 1359/06 and 1360/06 before the Income Tax Appellate Authority.

#### **Cases involving our subsidiaries**

##### ***Hamon Shriram Cottrell Private Limited***

*Caveat Application filed by Hamon Shriram Cottrell Private Limited.*

Our Subsidiary, Hamon Shriram Cottrell Private Limited, filed a caveat bearing number 1417 of 2007 on August 28, 2007 before the High Court of Bombay. It is apprehended by Hamon Shriram that GEI Industrial Systems Limited may file a suit against it, and that GEI Industrial Systems Limited may pray for an urgent interim ex-parte order against Hamon Shriram. The caveat has been filed, praying the court not to allow any ex-parte order to be passed against Hamon, Shriram without giving atleast 72 hours prior notice to them and an opportunity of being heard. On November 2, 2007, GEI Industrial Systems Limited filed a complaint with SEBI for return/ cancellation of the Draft Red Herring Prospectus due to the non-disclosure of the risk factor regarding the suit filed by it against Compagnie Financiere Hamon and others. GEI Industrial Systems Limited had filed a petition before the Company Law Board against Compagnie Financiere Hamon and others, praying for restraining Hamon/or any subsidiary or group company from entering into any new joint venture and cancellation/termination of any existing joint venture. We filed our reply with SEBI on November 19, 2007 stating that our knowledge of the dispute was limited to the fact that a petition had been filed, however they were not aware of the details and facts of the petition. We have also filed a reply with GEI Industrial Systems Limited dated December 10, 2007 stating that the petition filed by GEI Industrial Systems Limited has specifically only impleaded Compagnie Financiere Hamon and others and that neither our Company nor Hamon Shriram have been made party to the petition.

#### **Cases involving our Directors**

There are no pending litigations involving our Directors.

#### **Details of past penalties imposed on our Company or any of our Directors**

*Our Company had not appointed a whole time Company Secretary in contravention of Section 383(A) of the Companies Act*

Our Company was in default of Section 383 A of the Companies Act, as we had not appointed a whole time Company Secretary since August 11, 2001 till September 10, 2007. We have now appointed a whole time Company Secretary by a resolution of the Board at the meeting held on September 10, 2007. We have further also filed a compounding application with the Registrar of Companies. The said application was approved by the Registrar of Companies on November 30, 2007 and a service request number A23200058 has been granted to us.

*Our Company had accepted public deposits in the year 2005 and had not filed the return of deposits with the Registrar of Companies.*

Our Company had accepted two public deposits in March 2005 amounting to Rs. 40,000, under Rule 3(2)(i) of the Companies (Acceptance of Deposits) Rules, 1975 ("Rules"). We had repaid both the public deposits by September 2005. We had not filed the return of deposit in 2005 and 2006 with the Registrar of Companies and the Reserve Bank of India. Thus we were in contravention of rule 10 of the Rules. We have subsequently filed the return of deposits with the Registrar of Companies. We had filed the forms for the return of deposits for the years 2005 and 2006 on September 21, 2007. Subsequently we filed the rectified forms on October 30, 2007. The said applications were approved by the Registrar of Companies and service request numbers A22727671 and A 22727176 have been granted to us.

Except as stated above, there are no past penalties imposed on our Company or any of our Directors.

#### **Cases involving our Promoters and Promoter group**

##### ***Shriram Industrial Holdings Private Limited.***

The RBI in its letter on May 15, 2000 passed an order stating that SIHPL had filed an application dated July 2, 1997 with the RBI for grant of certificate of registration for carrying on business of a non-banking financial institution, under S. 45 IA of the Reserve Bank of India Act, 1934. SIHPL on December 3, 1999 withdrew the application for registration as a Non Banking Financial Company. The RBI in the May 15, 2000 order rejected the July 2, 1997 application as withdrawn and ordered SIHPL not to carry on the business of a non-banking financial institution and to dispose of all its financial assets within a period of three years. It further ordered SIHPL to convert into a non-banking non-financial institution or to wind up. SIHPL in its letter dated May 26, 2000 stated that it is a private limited company classified as an investment company since 1989. The letter further stated that the company has not accepted any public deposits and had filed an application dated December 3, 1999 withdrawing its application for registration as a Non Banking Financial Company. On July 3, 2007, the RBI issued a letter to SIHPL asking it to submit a compliance report on its present status within a period of 15 days. SIHPL filed a reply dated August 30, 2007 requesting the RBI to classify it as a holding company. The letter stated that SIHPL has disposed off all its financial assets and is now operating as a holding company and that not less than 90% of its total investments are in the shares of the investee companies. It further stated that it is not trading in these shares, except for block sale and is not trading in any other financial activity and has also not accepted any public deposit.

The RBI issued a letter to SIHPL on October 23, 2007 asking SIHPL to furnish additional information and rectify the deficiencies in the earlier response. SIHPL filed a reply on the same date, furnishing the additional information and rectifying the deficiencies as indicated by the RBI in its letter. On December 14, 2007, the RBI sent a letter to SIHPL stating that as SIHPL has not accepted public deposits and is functioning as a holding company with 99% of its total assets invested in other companies for the purpose of stake holding, it does not need registration under Section 45-1A. Further the letter stipulated that SIHP has not traded in the shares and is not carrying on any other financial activity as contemplated under Section 45-1A. The letter further requires SIHPL to submit a certificate from its statutory auditors every year with reference to its financial position as on March 31 to ensure that SIHPL continues to act as non-banking financial institution.

Except as stated above, there are no pending cases filed by or against our Promoters.

There are no pending cases filed by or against our Promoter Group.

There are no pending litigations, defaults, etc. in respect of companies/ firms/ ventures with which the Promoters were associated in the past but are no longer associated.

There are no cases involving any of the Promoters or any of the companies forming part of the Promoter Group, which involve a violation of any statutory regulations, criminal offence.

Further, there are no pending proceedings initiated for economic offences against the Promoters or companies promoted by the Promoters.

**Details of past penalties imposed on our Promoters or individuals and companies forming part of our Promoter Group.**

Except as disclosed above, there have been no instances in the past of any penalties that have been imposed on our Promoter by any statutory authorities.

**Details of pending proceedings initiated for economic offences against our Company or any of our Directors**

There are no pending proceedings initiated for economic offences against our Company or our Directors.

**Details of violations of securities laws or willful defaults by our Company, Directors and Promoters**

Our Company, Promoters and Directors have further confirmed that they have not been declared as willful defaulters by the Reserve Bank of India or any other Governmental authority and, as disclosed above in this section in relation to lawsuits, there are no violations of securities laws committed by them in the past or are pending against them.

**Amounts owed to Small Scale Undertakings**

As per March 31, 2007, the Company owes Rs. 25.45 lakhs to small scale industries.

**Material Developments**

There have been no material developments, since the date of the last balance sheet otherwise than as disclosed in the section 'Management's Discussion and Analysis of Financial Condition and Results of Operations' on page 198.

## GOVERNMENT APPROVALS

In view of the approvals listed below, we can undertake this Issue and our current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue our business activities. Unless otherwise stated, these approvals are all valid as of the date of this Red Herring Prospectus.

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 Issue

1. In Principle Approval from the National Stock Exchange dated November 1, 2007
2. In Principle Approval from the Bombay Stock Exchange dated October 23, 2007

### Approvals to carry on our Business

#### A. *Reserve Bank of India Approvals*

1. Letter bearing number Che.FED.FID/3046/25.19.235/2006-07 issued by Reserve Bank of India dated February 23, 2007 in respect to declaration of FC-GPR (foreign currency- gross payment receipt) allotting registration number FC.2007 MAR: 034 for the foreign investment by M/s. UNO Investments to the tune of Rs. 50,000,000 (Rupees fifty million).
2. Letter bearing number CHE.FED.FID/ issued by Reserve Bank of India dated February 12, 2007 in respect to declaration of FC-GPR (foreign currency- gross payment receipt) allotting registration no. FC.2007 MAR: 034 for foreign investment by Bessemer Venture Partners Trust to the tune of Rs 126,225,970 (Rupees one hundred and twenty six million, two hundred and twenty five thousand and nine hundred and seventy only).

#### B. *Corporate Approvals*

3. Certificate of Incorporation dated June 12, 2000 bearing number. 18-45167 of 2000 issued by the registrar of companies, Tamil Nadu evidencing the incorporation of our company under the Companies Act, 1956.
4. Certificate for Commencement of Business dated June 13, 2000 bearing number. 18-45167 issued by the registrar of companies, Tamil Nadu evidencing the commencement of business of our company.

#### C. *Tax Related Approvals*

##### *Income Tax & Service Tax Approvals*

5. Permanent Account Number. AAFCS1410C issued by the commissioner of income Tax, Tamil Nadu to our company.
6. Service Tax registration certificate dated March 20, 2007 evidencing grant of service tax code number AAFCS1410CST001.
7. Permanent account number AA ACT2254Q dated June 13, 2007 granted to Hamon Shriram Cottrell Private Limited.
8. Tax deduction number MUMH07026F dated June 22, 2007 granted to Hamon Shriram Cottrell Private Limited
9. Allotment of service tax code dated July 25, 2007 to Hamon Shriram Cottrell Private Limited for its property situated at Goregaon Mumbai, Maharashtra. The service tax code number is AA ACT2254QST003.

10. Allotment of service tax code dated June 22, 2007 to Hamon Shriram Cottrell Private Limited for its property situated at Umargaon Gujarat. The service tax code number is AA ACT2254QST002.

*Value Added Tax, Central Sales Tax Act and Export related Approvals*

11. Certificate of registration dated March 22, 2005 issued by the commercial taxes department, Government of Andhra Pradesh granting registration under Section 18 (1)(a) and Rule 10 (a) & 12 of the Andhra Pradesh Value Added Tax Act for our premises situated at C-208, Punjagutta, Hyderabad. The taxpayer identification number is 28550110562.
12. Certificate of registration dated January 10, 2007 granted by the commercial tax department of the Government of Tamil Nadu under the Tamil Nadu Value Added Tax Act, 2006 for our premises situated at 36, College Road, Chennai. The Taxpayer Identification Number is 33640541242.
13. Certificate of registration dated May 17, 2001 granted under Section 7(1) and 7 (2) of The Central Sales Tax Act, 1956 for our place of business situated at No 36, College Road, Chennai in Tamil Nadu. The registration number is 696756. The certificate is valid until cancelled.
14. Certificate of registration dated February 2, 2005 under the Central Sales Tax (Registration and Turnover) Rules, 1957 for our premises at Main Road, Maniguda, Orissa. The Taxpayer Identification Number is 11051602003.
15. Certificate of registration dated February 4, 2005 granted under Section 7 (1) and 7 (2) of the Central Sales Tax Act, 1956 for our premises at Main Road, Maniguda, Orissa. The registration number is KOCII- 933.
16. Certificate of registration dated April 25, 2003 under the Karnataka Tax on Occupation, profession, property and work rules, 1957 for our premises at No 29A, 2<sup>nd</sup> floor, Kengal, Hanumantaiah Road, Shanti Nagar, Bangalore 560 027. The registration number is ACCT-30/CDVN-IV/2003-04.
17. Certificate of registration dated April 25, 2003 granted under the Karnataka Sales Tax Act, 1957 for our premises at No 29A, 2<sup>nd</sup> floor, Kengal, Hanumantaiah Road, Shanti Nagar, Bangalore 560 027. The registration number is 92912266.
18. Certificate of registration dated April 25, 203 granted under the Central Sales Tax and Sales Rules, 1957 for our premises at No 29A, 2<sup>nd</sup> floor, Kengal, Hanumantaiah Road, Shanti Nagar, Bangalore 560 027. The registration number is 92962269.
19. Certificate of registration dated June 20, 2003 granting registration under section 7(1) and 7 (2) of the Central Sales Tax, Act 1956 for our premises situated at 21/22 III Floor, New Bapu Bazaar Udaipur, Rajasthan.
20. Certificate of registration under the Delhi Value Added Tax Act for our premises at 7, Local Shopping Centre SEC-C, Pocket 6&7 Vasant Kunj, New Delhi granted by the Sales Tax Department of the Government of Delhi to our Company with effect from April 1, 2005. The Tax Identification Number is 07482012473.
21. Certificate of registration issued under the Central Sales Tax, 1956 dated October 13, 2004 bearing no 16299/ PRC evidencing the registration of our Company with the principle place of business at 4/4 Thirubuvanai & RS No. 95/3 &4 Sanyasikuppam Village, Mannadipet Commune, Pondicherry 60510, as a dealer under the said enactment effective from October 12, 2004. .
22. Certificate of registration issued under the Pondicherry General Sales Tax dated October 13, 2004 bearing number D1/106334/2004-2005 PRC evidencing the registration of our Company with the principle place of business at 4/4 Thirubuvanai & RS No. 95/3 &4 Sanyasikuppam Village, Mannadipet Commune, Pondicherry 60510, as a dealer under the said enactment effective from October 12, 2004 till March 31, 2005. The certificate was renewed on May 2, 2007.
23. Certificate of registration bearing reference number.P/CST/7876 dated June 30, 2006 issued to our company evidencing registration under the Goa Value Added Tax Act, 2005 for our premises

- situated at Deshpande Constructions, Usha Kinara Church Taleigao, Tiswadi, Goa. The Taxpayer identification number is 30320105695/3541.
24. Certificate of registration under the Central Sales Tax (Registration and Turnover) Rules, 1957 dated November 11, 2006 evidencing the registration of our Company s a dealer under the said enactment
  25. Certificate of registration dated November 16, 2006 granted by the commercial taxes department, Government of Jharkhand for our premises at with the principle place of business at Plot No. 141, Co-operative Colony, B.S City, Jharkhand a under the Value Added Tax Act. The Tax Identification Number is 20901405286.
  26. Certificate of registration dated June 2, 2006 granted under the Central Sales Tax Act, 1956 for our premises at Chandigarh Ludhiana Highway, Khamano, district Fategarh Sahib, Punjab. The registration number is 03092017458.
  27. Certificate of registration dated June 2, 2006 under the Punjab Value Added Tax, 2005 for our premises at Chandigarh Ludhiana Highway, Khamano, district Fategarh Sahib, The registration number is 03092017458.
  28. Certificate of registration dated February 2, 2006 granted under the Gujarat Value Added Tax Act, 2003 for our premises situated at 12, Moti Park Society, Near Umiya Vijay Society Satellite, Ahmedabad, Gujarat.
  29. Certificate of registration dated July 25, 2006 granted under the Gujarat Sales Tax Act for our premises situated at 12, Moti Park Society, Near Umiya Vijay Society Satellite, Ahmedabad, Gujarat. The registration number is 24073802916.
  30. Certificate of registration dated November 14, 2006 granted under Section 7 (1) and 7(2) of the Central Sales Tax for our premises situated at 12, Moti Park Society, Near Umiya Vijay Society Satellite, Ahmedabad, Gujarat. The registration number is 24573802916.
  31. Certificate of registration dated January 1, 2005 granted under the Chattisgarh Commercial Tax Act, 1994 for our premises situated at LIG-243 Padmanabhapur, Durg. The registration number is 13/01/5859/8/S.
  32. Certificate of registration dated January 1, 2005 granted under the Central Sales Tax, 1956 for our premises situated at LIG-243 Padmanabhapur, Durg. The registration number is 13/01/DRG/3201-C.
  33. Certificate of registration dated January 28, 2007 granted under the Central Sales Tax Act for our premises situated at 104/1A Sarat Bose Road, Kolkatta 700 026. The registration number is 19414509261.
  34. Certificate of registration dated August 24, 2006 granted under the Central Sales Tax ( Registration and Turnover) Rules, 1957 for our premises situated at 104/1A Sarat Bose Road, Kolkatta 700 026. The registration number is 19414509261.
  35. Certificate of Importer- Exporter Code dated April 1, 1988 issued to Hammon Thermopack Engineers Private Limited. The Importer –Exporter Code number is 0388114410.
  36. Certificate of registration dated August 1, 1975 under the Maharashtra State Tax on Professions, Trades, Callings and Employments Act, 1975 to Thermopack Engineers Private Limited. The registration number is PT/R/1/1/29/25. Subsequent to the change in name to Hamon Shriram Cottrell Private Limited, they have filed an application dated October 10, 2006 to accordingly modify the certificate of registration.
  37. Certificate under the Engineering Export Promotion Council to Hamon Thermopack Engineers Private Limited. The membership code is H11290. Subsequent to the change in the name of the Company, they have filed an application dated June 8, 2007 to accordingly modify the membership certificate.

38. Certificate evidencing registration cum membership issued by the Engineering Export Promotion Council dated May 22, 2007 to Leitner Shriram Manufacturing Limited for export of wind mills. The No is EPC/REG/CEN/SIA/539/2007-08.
39. Certificate of registration under the Central Excise Rules, 2002 dated May 07, 2005 granted to Leitner Shriram Manufacturing Limited. The registration No is AABCL2825NXM001.
40. Certificate of registration dated May 15, 2007 granted by the commercial taxes department under the Tamil Nadu Value Added Tax Act, 2006 to Leitner Shriram Manufacturing Limited. The Tax Identification Number is 33150541851. The certificate has been granted for the manufacture and processing of windmill components, raw material for blades, electrical items and parts.
41. Certificate of registration dated May 15, 2007 granted by the commercial taxes department under the Central Sales Tax Act, 1956 to Leitner Shriram Manufacturing Limited. The registration No is 822785. The certificate has been granted for the manufacture and processing of windmill components, raw material for blades, electrical items and parts.
42. Certificate of registration dated May 18, 2007 granted by the commercial taxes department under the Tamil Nadu Value Added Tax Act, 2006 to Leitner Shriram Manufacturing Limited. The Tax Identification Number is 33940541853. The certificate has been granted for the manufacture and processing of steels and other electrical items.
43. Certificate of registration dated May 18, 2007 granted by the commercial taxes department under the Central Sales Tax Act, 1956 to Leitner Shriram Manufacturing Limited. The registration No is 822787. The certificate has been granted for the manufacture and processing of steels and other electrical item.
44. Certificate of registration dated October 12, 2004 granted under the Central Sales Tax Act, 1956 to the Company. The registration number is 16299/PRC/Dt.12-10-2004.
45. Certificate of registration dated March 7, 2002 granted under the Delhi Sales Tax Act on Works Contract Act, 1999 to Southern Powertech Equipments Private Limited. The registration number is F 4921 W. C/W-4/2000.
46. Certificate of registration dated July 20, 2007 granted under the Central Excise Rules, 2002 to Hamon Shriram Cottrell Private Limited for their premises situated at Umergaon. Gujarat. The registration number is AA ACT2254QXM001.
47. Certificate of registration dated April 1, 2006 granted under the Central Sales Tax Act to Hamon Thermopack Engineers Private Limited. The registration number is 27360254181C. Subsequent to the change in the name of the Company they filed an application dated June 8, 2007 to accordingly modify the certificate of registration.
48. Certificate of registration dated April 1, 2006 granted under the Value Added Tax Act to Hamon Thermopack Engineers Private Limited. The registration number is 27360254181V. Subsequent to the change in the name of the Company they filed an application dated June 8, 2007 to accordingly modify the certificate of registration.
48. Certificate of Importer- Exporter Code dated May 22, 2007 issued to Leitner Shriram Manufacturing Limited. The Importer –Exporter Code number is 0407005315.

**C. Labour and Industrial approvals.**

49. Letter from the Office of the Assistant Provident Fund Commissioner, Employees Provident Fund Organization, Tamil Nadu dated September 2, 2004 evidencing the allotment of code Number TN/65572.
50. Certificate of registration dated June 28, 2004 under section 2(12) & 1(5) of the Employees State Insurance Act, 1948 granted to Shriram Engineering Construction Company Limited. The

registration number is 51-55727-101. A letter dated March 16, 2007 has granted permission to us to use the same registration code with effect from July 1, 2005

51. Certificate of registration dated August 24 2006 granted under Shop and Establishment Rules 1948 for our office situated at No. 9, Vanagaram Road, Ayanambakkam, Chennai.. The of registration number is 320/06
52. Certificate of registration dated June 28, 2007 granted by the government of Tamil Nadu under Section 7(2) of the Contract Labour (Regulation & Abolition Act), 1970 to Leitner Shriram Manufacturing Limited.
53. Certificate issued by the Assistant Inspector of Labour, Chennai dated July 13, 2007 allotting Permanent registration No 278/07 under the Shops and Establishment Act, 1948 to Leitner Shriram Manufacturing Limited.
54. Certificate issued by the Direct Assessment Services dated April 11, 2007 granting the Company ISO 9001 approval required for the manufacture, supply, installation, commissioning, maintenance of wind turbines and development of wind farms.
55. Certificate issued by DEWI-OCC dated March 26, 2007 certifying that the wind turbine confirms to the requirements under the type certificate and granting the Company the certification required for the wind turbines. The certificate is valid until August 16, 2008.
56. Certificate of registration dated December 1, 2006 under the Bombay Shops and Establishment Act, 1948 granted to Hammon Thermopack Engineers Private Limited. The registration number is 0269623. Subsequent to the change in the name of the Company they have filed an application dated August 8, 2007 with the municipal corporation to accordingly modify the certificate
57. Certificate of registration dated April 19, 1974 granted to Thermo Pack Engineers Private Limited under the Employee Provident Fund Act 1952. The registration code is MH 14023. Subsequent to the change in the name of the Company we have filed an application dated June 12, 2007 with the regional provident fund commissioner to accordingly modify the certificate.
58. Certificate of registration dated December 4, 1979 under the Employees State Insurance Act, 1948 granted to Thermopack Engineers Private Limited. The registration number is (31-20412-102). Subsequent to the change in the name of the company they have filed an application dated June 8, 2007 with the regional manager, Employees State Insurance Corporation to accordingly modify the certificate of registration.
59. Certificate of registration dated July 23, 2007 under section 2(12) & 1(5) of the Employees State Insurance Act, 1948 granted to Orient Green Power Limited. The registration code is 51-87375-64.
60. Trading license dated February 25, 2006 issued by the Kolkatta Municipal Corporation under the Calcutta Municipal Corporation Act 1980 for our premises situated at 104/1A Sarat Bose Road, Kolkatta 700 026. The license number is 0002.
61. Certificate of Enrollment granted to our Company under the West Bengal State Tax on Professions, Trades, Callings and Employments Act 1979. The enrollment number is ECS 0517657.
62. Certificate of registration dated November 7, 2006 granting registration as a small scale undertaking to our factory at R.S. Number 4/4 Thirubhuvanai, R.S. No 95/3&4, R.S. No 4/4, 95/3&4 Sanyasikuppam, Pondicherry for the manufacturing/ assembling of wind mills and parts of wind mills. The registration number is 34/02/29002.
63. We have applied on September 14, 2007 for single window industrial clearance for our premises situated at R.S. Number 4/4 Thirubhuvanai, R.S. No 95/3&4, R.S. No 4/4, 95/3&4 Sanyasikuppam, Pondicherry. Under the application, we have applied for a registration under the Contract Labour (Abolition and Regulation) Act. Further we have applied for permission to install the machinery and other equipments at the site.
64. Letter bearing number 11/60/96-97/J(E)/IL dated April 1, 1997 from the agricultural department of Pondicherry and Ref No. I-15/181/IND/ADA/A6/97. Industries Department and Ground Water

Authority granting permission to our Company to construct a bore well for our premises situated Pondicherry. The registration number is 7074/RC/PGWA/06-07.

65. Certificate of registration dated October 11, 2007 granted under the West Bengal Shops and Establishment Act 1963 for our premises situated at 104/1A, Sarat Bose Road, Kolkatta. The registration number is Kor/Bhow/P-II/42715.

***D. Environmental Approvals***

66. Consolidated consent certificate bearing number PC/CCA-VSD-633/32632 dated September 9, 2004 granted under the Water Act 1974, Air Act, 1981 and Hazardous rules, 1989 by the Gujarat Pollution Control Board to Hamon Shriram Cottrell Limited (formely known as Hammon Thermopack Engineers Private Limited).

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

#### *Authority from the Company*

The Issue has been authorized by a resolution of our Board dated September 10, 2007 and by a special resolution of our shareholders passed pursuant to Section 81(1A) of the Companies Act, at the EGM of our Company held on September 20, 2007.

### Prohibition by SEBI

Our Company, our Directors, our Promoter and Promoter Group and companies with which our Company's Directors are associated as directors or promoters and directors of our Promoters 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.

None of the Company, the Subsidiary, the Directors, the directors of the Subsidiary, the Promoter, the Promoter Group and the companies in which the Directors are associated as directors or promoters and directors of our Promoters, have been declared as willful defaulters by the RBI or any other governmental authority and there has been no violation of any securities law committed by any them in the past and no such proceedings are pending against any of them.

### Eligibility for the Issue

We are eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under Clause 2.2.1 of the SEBI Guidelines states as follows:

*"2.2.1 (An unlisted company 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 all the following conditions:*

*(a) The company has net tangible assets of at least Rs. 3 crores in each of the preceding 3 full years (of 12 months each), of which not more than 50% is held in monetary assets:*

*Provided that if more than 50% of the net tangible assets are held in monetary assets, the company has made firm commitments to deploy such excess monetary assets in its business/project;*

*(b) The company has a track record of distributable profits in terms of Section 205 of the Companies Act, 1956, for at least three (3) out of immediately preceding five (5) years;*

*Provided further that extraordinary items shall not be considered for calculating distributable profits in terms of Section 205 of Companies Act, 1956;*

*(c) The company has a net worth of at least Rs. 1 crore in each of the preceding 3 full years (of 12 months each);*

*(d) In case the company has changed its name within the last one year, atleast 50% of the revenue for the preceding 1 full year is earned by the company from the activity suggested by the new name; and*

*(e) The aggregate of the proposed issue and all previous issues made in the same financial year in terms of size (i.e., offer through offer document + firm allotment + promoters' contribution through the offer document), does not exceed five (5) times its pre-issue networth as per the audited balance sheet of the last financial year.)"*

According to the certificate issued by Deloitte Haskins & Sells dated September 25, 2007, the Auditors have certified that:

- As required by clause 2.2.1 (a) of the SEBI DIP Guidelines, the net tangible assets of the Company for the three preceding full years (of 12 months each) of the Company exceeds Rs. 30 million for three preceding

years and the monetary assets as a percentage of net tangible assets is not more than 50% of the monetary assets for the year 2006 - 2007 only;

- As required by clause 2.2.1 (b) of the SEBI DIP Guidelines , the Company has distributable profits (without considering extraordinary items) in terms of Section 205 of the Companies Act, 1956 for atleast three out of immediately preceding five years;
- The Company has a net worth of at least Rs. 10 million in each of the preceding three years (of 12 months each) in compliance of clause 2.2.1 (c) of the SEBI DIP Guidelines;
- The Company has not changed its name within the last one year and hence clause 2.2.1 (d) of the SEBI DIP Guidelines is not applicable;
- The distributable profits of the Company as per Section 205 of the Companies Act, 1956, and its net worth for the last five financial years as per the restated financial statements of the Company are as under:

*(Rs. in Million)*

Particulars	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
Distributable Profits	131.36	74.75	17.75	2.49	3.51
Restated Net Worth	1,705.73	1,591.60	525.05	-	-
Net Tangible Assets	1,683.09	1,939.90	671.19	-	-
Monetary Assets	269.33	1,056.23	363.64	-	-
Monetary Assets as a % of Net Tangible Assets	16%	54.45%	54.17%	-	-

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.

Further the Issue is subject to the fulfillment of the following provisions of the SCRR

- A minimum of 2,000,000 equity shares (excluding reservations, firm allotments and promoter contribution) are offered to the public.
- The Issue size is a minimum of Rs. 1000 Million and
- The issue is made through the Book Building Method with the allocation of 60% of the Issue size to QIB's.

#### **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 ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AS FOR THE TIME BEING IN FORCE. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER, THE BOOK RUNNING LEAD MANAGER AND THE CO-BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE THE GLOBAL CO-ORDINATOR AND BOOK RUNNING LEAD MANAGER, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, THE BOOK RUNNING LEAD MANAGER, ICICI SECURITIES LIMITED, AND THE CO-BOOK RUNNING LEAD MANAGER, MOTILAL OSWAL INVESTMENT ADVISORS PRIVATE LIMITED HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED SEPTEMBER 28, 2007 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, MORE PARTICULARLY REFERRED TO IN THE ANNEXURE, IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.
- (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 ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY, WE CONFIRM THAT:
- A) THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
- B) ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND
- C) THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL-INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE.
- (III) We Confirm that BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND THAT TILL DATE SUCH REGISTRATIONS ARE VALID.
- (IV) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.
- (V) WE CERTIFY THAT WRITTEN CONSENT FROM THE SHAREHOLDERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SECURITIES AS PART OF PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN AND THE SECURITIES PROPOSED TO FORM PART OF THE PROMOTER’S CONTRIBUTION SUBJECT TO LOCK-IN, WILL NOT BE DISPOSED/SOLD/TRANSFERRED BY THE PROMOTER DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SEBI TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.”

The filing of this 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 issue. SEBI, further reserves the right to take up at any point of time, with the Global Co-ordinator and Book Running Lead Manager, Book Running Lead Manager, and the Co- Book Running Lead Manager any irregularities or lapses in the Red Herring Prospectus.”

The Global Co-ordinator and Book Running Lead Manager, Book Running Lead Manager, and the Co-Book Running Lead Manager and our Company accepts no responsibility for statements made otherwise than in the 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/her own risk.

All legal requirements pertaining to the Issue will be complied with at the time of registration of the Red Herring Prospectus and Prospectus with the Registrar of Companies in terms of section 56, section 60 and section 60B of the Companies Act.

**Disclaimer from the Company, the GCBRLM, the BRLM and the CBRLM**

Investors who bid in the Issue will be required to confirm and will be deemed to have represented to the Company and the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not issue, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

### **Caution**

Our Company, the Directors, the GCBRLM, the BRLM and the CBRLM accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our instance and anyone placing reliance on any other source of information, including our web site [www.shriramepc.com](http://www.shriramepc.com), would be doing so at his or her own risk.

The GCBRLM, the BRLM and the CBRLM accept no responsibility, save to the limited extent as provided in the MOU entered into between the GCBRLM, the BRLM, the CBRLM and our Company dated September 27, 2007, and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by us, the GCBRLM, the BRLM and the CBRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither our Company nor the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

### **Disclaimer in Respect of Jurisdiction**

This Issue is being made in India to persons resident in India including Indian nationals resident in India who are not minors, 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 non-residents including FVCIs, multilateral and bilateral developmental financial institutions, FIIs registered with SEBI and eligible NRIs provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This 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 Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Chennai, Tamil Nadu 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 the Draft Red Herring Prospectus has been submitted to SEBI to its observations. 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 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 US Securities Act of 1933 (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**

**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 the Draft Red Herring Prospectus has been submitted to BSE. BSE has through its letter ref: DCS/IPO/PS/IPO-IP/1152/2007-08 dated October 23, 2007, given permission to our Company to use the Exchange’s name in this Offer Document as one of the stock exchanges on which our securities are proposed to be listed. The Exchange has scrutinised this offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. The Exchange does not in any manner:

1. Warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; or
2. Warrant that our Company’s securities will be listed or will continue to be listed on the BSE; or
3. Take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company; and it should not for any reason be deemed or construed to mean that the offer document has been cleared or approved by the BSE.

Every person who desires to apply for or otherwise acquires any securities of this Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such Person consequent to or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

#### **Disclaimer clause of the NSE**

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has through its letter ref:NSE/LIST/59550-U dated November 1, 2007, given permission to us to use NSE’s name in the offer document as one of the stock exchanges on which our securities are proposed to be listed. The NSE has scrutinised the draft offer document for its limited internal purpose of deciding on the matter of granting the aforesaid permission to us. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed to mean that the offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the offer document; nor does it warrant that our securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of our Company, its promoters, its management or any scheme or project of our Company.

Every person who desires to apply for or otherwise acquire any of our securities may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against NSE whatsoever by reason of any loss which may be suffered by such person consequent to, or in connection with such subscription/acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **Filing**

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No. C4-A, “G” Block, Bandra Kurla Complex, Bandra (East), Mumbai 400 051.

A copy of this Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Ministry of Corporate Affairs, Block No. 6, B Wing, Second Floor, Shastri Bhavan, 26, Haddows Road, Chennai 600 006.

### **Listing**

Applications have been made to the BSE and NSE for permission to deal in and for an official quotation of our Equity Share being issued and sold in this Issue. BSE will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in and for an official quotation of our Equity Shares are not granted by any of the Stock Exchanges, our Company will forthwith repay, without interest, all moneys received from the applicants in pursuance of this Red Herring Prospectus. If such money is not repaid within 8 days after our Company become liable to repay it, i.e. from the date of refusal or within 15 days from the Bid/Issue Closing Date, whichever is earlier, then the Company and every Director of the Company who is an officer in default shall, on and from such expiry of 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.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 7 working days of finalization of the basis of Allotment for the Issue.

### **Impersonation**

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

**“Any person who:**

- (a) Makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or**
- (b) Otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name**

**shall be punishable with imprisonment for a term which may extend to five years.”**

### **Consents**

Consents in writing of: (a) the Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to the Company, the Bankers to the Issue; and (b) the Global Co-ordinator and Book Running Lead Manager, the Book Running Lead Manager, the Co- Book Running Lead Manager, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under Sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act, and the SEBI Guidelines, Deloitte Haskins and Sells, the Company’s Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

As the offered Equity shares have not been and will not be registered under the US Securities Act of 1933, Deloitte Hasskins and Sells, Chartered Accountants have not issued and the Company has not filed consent under the US Securities Act of 1933.

CRISIL Limited, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue have given their written consent to the inclusion of their report in the form and context in which it will appear in this Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

### Expert Opinion

Except for the report of CRISIL in respect of the IPO grading of this Issue annexed herewith and except as stated in this Red Herring Prospectus, we have not obtained any expert opinions.

### Expenses of the Issue

The expenses of this Issue include, among others, underwriting and management fees, selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees.

The estimated Issue expenses are as under:

Activity	<i>(Rs. in million)</i>		
	Expenses * (Rs. in million)	% of Issue size	% of Issue Expense
Lead management fee and underwriting commissions	[•]	[•]	[•]
Advertising and Marketing expenses	[•]	[•]	[•]
Printing and stationery	[•]	[•]	[•]
IPO Grading fees	[•]	[•]	[•]
Others (Monitoring agency fees, Registrars fee, legal fee, etc.)	[•]	[•]	[•]
<b>TOTAL</b>	<b>[•]</b>	<b>[•]</b>	<b>[•]</b>

\* Will be incorporated after finalisation of the Issue Price

### Fees Payable to the Global Co-ordinator and Book Running Lead Manager, the Book Running Lead Manager, the Co- Book Running Lead Manager and Syndicate Members

The total fees payable to the Global Co-ordinator and Book Running Lead Manager, the Book Running Lead Manager, the Co- Book Running Lead Manager and the Syndicate Member (including underwriting commission and selling commission) will be as stated in the engagement letters dated July 23, 2007, September 5, 2007 and September 24, 2007 for the GCBRLM, the BRLM and the CBRLM, respectively, a copy of which is available for inspection at our Registered Office.

### Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the Memorandum of Understanding dated September 24, 2007 signed with our Company, a copy of which is available for inspection at our Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

### Particulars regarding public or rights Issues during the Last Five Years

We have not made any public or rights issues during the last five years.

### Previous issues of shares otherwise than for cash

Except as stated in “Capital Structure” on page 25 and “History and Certain Corporate Matters” on page 96, our Company has not issued any Equity Shares for consideration otherwise than for cash.

### Commission and Brokerage paid on previous issues of the Equity Shares

There has been no public issue in the past of our Company’s Equity Shares. Thus, 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 the Equity Shares since our Company's inception.

#### **Companies under the Same Management**

We do not have any companies under the same management within the meaning of section 370(1)(B) of the Companies Act.

#### **Promise v/s performance**

Neither our Company nor any Promoter Group or entities have made any previous public or rights issues.

#### **Outstanding Debentures or Bonds**

Our Company does not have any outstanding debentures or bonds as of the date of filing of this Red Herring Prospectus.

#### **Outstanding Preference Shares**

Our Company does not have any outstanding preference shares as of the date of filing of this Red Herring Prospectus.

#### **Stock Market Data of our Equity Shares**

This being an initial public issue of the Company, the Equity Shares are not listed on any stock exchange.

#### **Purchase of Property**

Except as stated in "Objects of the Issue" on page 34, there is no property which has been purchased or acquired or is proposed to be purchased or acquired which is to be paid for wholly or partly from the proceeds of the present Issue or the purchase or acquisition of which has not been completed on the date of this Red Herring Prospectus, other than property, in respect of which:

- The contract for the purchase or acquisition was entered into in the ordinary course of business, nor was the contract entered into in contemplation of the Issue, nor is the issue contemplated in consequence of the contract; or
- The amount of the purchase money is not material.

Except as stated in this Red Herring Prospectus, the Company has not purchased any property in which any of its Promoter and/or Directors, have any direct or indirect interest in any payment made thereunder.

#### **Mechanism for Redressal of Investor Grievances**

The Memorandum of Understanding between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of letters of allotment, demat credit, refund orders, or, where made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

#### **Disposal of Investor Grievances by the Company**

We estimate that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be ten working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

We have appointed Mr. K. Suresh, as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

**Mr. K. Suresh**

No. 5, T.V. Street, Chetput  
Chennai 600 031  
Tamil Nadu  
India]  
Tel: (91 44) 2836 1817  
Fax: (91 44) 2836 3518  
Email: investors@shriramepc.com

**Changes in Auditors**

On July 3, 2000, M/S Y. Prabhu & Co., Chartered Accountants were appointed as the Auditors of our Company. There was no change in the Auditors till fiscal 2003. On November 8, 2003, M/S K.S. Kalyanasundaram & Co., Chartered Accountants, was appointed. There was no further change in the Auditors till fiscal 2005. Thereafter, on July 11, 2006, Deloitte Haskins and Sells were appointed as statutory auditors of our Company.

**Capitalisation of Reserves or Profits**

Our Company has not capitalized our reserves or profits during the last five years, except as stated in “Capital Structure” on page 25.

**Revaluation of Assets**

The Company has not revalued its assets in the last five years.

**Payment or benefit to officers of our Company**

Except as stated otherwise in this Red Herring Prospectus, no amount or benefits has been paid, or is intended to be paid or given, to any of the Company’s officers except normal remuneration rendered as Directors, officers or employees. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

**Other Disclosures**

Except as disclosed in this Red Herring Prospectus, the Promoter Group, the directors of the Promoters, any member of the Promoter Group or the directors of the Company and its Subsidiaries have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

## **SECTION VII: ISSUE INFORMATION**

### **TERMS OF THE ISSUE**

The Equity Shares being issued and offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this 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 Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the GoI, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

#### **Authority for the Issue**

##### ***Authority from the Company***

The Issue has been authorized by a resolution of our Board dated September 10, 2007 by special resolution passed pursuant to Section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on September 20, 2007.

#### **Ranking of Equity Shares**

The Equity Shares being issued shall be subject to the provisions of our Memorandum and Articles and shall rank pari-passu 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 Issue 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 dividends to our shareholders as per the provisions of the Companies Act.

#### **Face Value and Issue Price**

The face value of the Equity Shares is Rs. 10 each, the Floor Price is Rs. 290 per Equity Share and the Cap Price is Rs. 330 per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares.

The Floor Price is 29 times of the face value and the Cap Price is 33 times of the face value.

#### **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, subject to any statutory and other preferential claims being satisfied,
- 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 of Association

For a detailed description of the main provisions of our Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, refer to "Main Provisions of Our Articles of Association" on page 280.

### **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 the 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 Issue will be only in electronic form in multiples of 1 Equity Share subject to a minimum Allotment of 20 Equity Shares.

### **Jurisdiction**

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai Tamil Nadu India.

### **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 such person 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 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

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 the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with 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 our Company does not receive the minimum subscription of 90% of the Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under Section 73 of the Companies Act.

Further, in terms of Clause 2.2.2A of the SEBI Guidelines, we 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 US Securities Act of 1933 (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 promulgated under 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 promulgated under the Securities Act.**

**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.**

#### **Arrangement for disposal of Odd Lots**

There are no arrangements for disposal of odd lots.

#### **Restriction on transfer of shares**

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting except as provided in our Articles. See “Main Provisions of our Articles of Association” on page 280

#### **Withdrawal of the Issue**

**The Company, in consultation with the GCBRLM, the BRLM and the CBRLM, reserve the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges.**

## ISSUE STRUCTURE

The present Issue of 5,000,000 Equity Shares, at a price of Rs. [●] for cash aggregating Rs. [●] million, is being made through the 100% Book Building Process.

Public issue of 5,000,000 Equity Shares of Rs. 10 each the Company or the “Issuer” for cash at a price of Rs. [●] per Equity Share aggregating Rs. [●] million.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	At least 3,000,000 Equity Shares	Not less than 500,000 Equity Shares or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 1,500,000 Equity Shares or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue size available for allotment/allocation	At least 60% of Issue being allocated. However, up to 5% of the QIB Portion shall be available for allocation proportionately to Mutual Funds only.	Not less than of Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than of Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) 150,000 Equity Shares shall be allocated on a proportionate basis to Mutual Funds; and (b) 3,000,000 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 20 Equity Shares.	Such number of Equity Shares that the Bid Amount exceeds Rs. 100,000 and in multiples of 20 Equity Share	20 Equity Shares and in multiples of 20 Equity Share thereafter.
Maximum Bid	Such number of Equity Shares not exceeding the size of the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the size of the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	20 Equity Shares in multiples of 20 Equity Shares	20 Equity Shares in multiples of 20 Equity Shares	20 Equity Shares in multiples of 20 Equity Shares
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	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies and trusts.	Individuals, including resident Indian individuals, HUF (in the name of Karta), Eligible NRIs applying for Equity Shares such that the Bid Amount per individual Bidder does not exceed Rs. 100,000 in value.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
	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.		
Terms of Payment	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 Issue Price. In terms of Rule 19 (2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue capital, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the **Issue** 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 Issue Price. If at least 60% of the **Issue** cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the **Issue** will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the **Issue** will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price. 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 in consultation with the GCBRLM, the BRLM and the CBRLM 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.

### **Withdrawal of the Issue**

The Company, in consultation with the GCBRLM, the BRLM and the CBRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply only for after Allotment, and (ii) the final ROC approval of the Prospectus after it is filed with the Stock Exchanges

### **Bidding/ Issue Programme**

<b>BID/ISSUE OPENS ON</b>	<b>January 29, 2008</b>
<b>BID/ISSUE CLOSES ON</b>	<b>February 1, 2008</b>

Bids and any revision in Bids will only be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned in the Bid cum Application Form **except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10 a.m. and 3 p.m.** (Indian Standard Time) and uploaded until (i) 5.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders; and (ii) until such time as permitted by the BSE and the NSE, in case of Bids by Retail Individual Bidders. Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 3.00 p.m (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large

number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in public offerings, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days.

The Company reserves the right to revise the Price Band during the Bidding /Issue Period in accordance with SEBI Guidelines. The cap on the Price Band shall 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 disclosed in the Red Herring Prospectus.

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

## ISSUE PROCEDURE

### Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue capital of the Company, therefore, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue 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 Issue Price. If at least 60% of the Issue cannot be allocated to QIBs, then the entire application money will be refunded forthwith. Further, no less than 10% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the GCBRLM, the BRLM and the CBRLM and/or their affiliates. Further, QIB Bids can be submitted only through GCBRLM, the BRLM and the CBRLM. In case of QIB Bidders, the Company in consultation with the GCBRLM, the BRLM and the CBRLM, as the case may be, 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 our Company would only have the right to reject the Bids only on technical grounds.

Investors should note that Allotment to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting Allotment in physical form. The Equity Shares, on Allotment, shall be traded only in the dematerialised segment of the Stock Exchanges.

### Bid cum Application Form

Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of this Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allocation of Equity Shares, dispatch of the 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 our Company to make the necessary changes in the Red Herring Prospectus and the Bid cum Application Form as would be required for filing the Prospectus with the RoC and as would be required by RoC after such filing, without prior or subsequent notice of such changes to the Bidder.

The prescribed colour of the Bid cum Application Form for various categories, is as follows:

Category	Colour of Bid cum Application Form
Indian public, Eligible NRIs applying on a non-repatriation basis	White
Non-Residents, Eligible NRIs, FVCIs, FIIs etc applying on a repatriation basis	Blue

### Who can Bid?

- Persons eligible to invest:
- Indian nationals resident in India who are not minors, 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 s, 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 *Kart*". 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;

- Eligible NRIs on a repatriation basis or on a non-repatriation basis subject to applicable laws. NRIs other than eligible NRIs are not eligible to participate in this Issue;
- Indian Financial Institutions, commercial banks, excluding foreign banks regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Guidelines and regulations, as applicable);
- FIIs registered with SEBI;
- Venture Capital Funds and Foreign Venture Capital Funds registered with SEBI;
- State Industrial Development Corporations;
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to Trusts/societies and who are authorised under their constitution to hold and invest in equity shares;
- Scientific and/or Industrial Research Organisations authorised to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Subject to the applicable law, 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;
- Multilateral and Bilateral Development Financial Institutions; and
- Pursuant to the existing regulations, OCBs are not eligible to participate in the Issue.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law.**

**Note:** The GCBRLM, the BRLM and the CBRLM shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the Global Co-ordinator and Book Running Lead Manager, the Book Running Lead Manager, the Co- Book Running Lead Manager, and Syndicate Members may subscribe to Equity Shares in the Issue either in the QIB Portion or in Non Institutional Portion as may be applicable to such investors, where the allocation is on a proportionate basis.

**The information below is given for the benefit of the Bidders. The Company, the GCBRLM, the BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.**

#### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 150,000 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 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. These limits would have to be adhered to by the mutual funds for investment in the Equity Shares.

In case of a mutual fund, a separate Bid can be made in respect of each scheme of the mutual fund registered with SEBI and such Bids in respect of more than one scheme of the mutual fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

Under the SEBI Guidelines 5% of the QIB portion i.e. 150,000 Equity Shares has been specifically reserved for Mutual Funds.

#### **Bids by NRIs**

1. Bid cum application forms have been made available for NRIs at our registered office, members of the Syndicate of the Registrar to the Issue.
2. NRI applicants shall note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI category. The NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the form meant for Resident Indians.

#### **Bids by 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-Issue issued capital (i.e. 10% of 42, 267, 790 Equity Shares of Rs. 10 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.

In accordance with the foreign exchange limits applicable, the aggregate FII holding in us cannot exceed 24% of our total issued capital. The said 24% limit can be increased up to 100% by passing a resolution by the Board followed by passing a special resolution to that effect by the shareholders of our Company. However, as on this date, no such resolution has been recommended to the shareholders of the Company for adoption.

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, and pursuant to SEBI's press release number 286 of 2007 dated October 25, 2007 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 on 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. Associates and affiliate of the Underwriters including the GCBRLM, the BRLM, the CBRLM and Syndicate, that are FIIs may issue off shore derivative instruments against Equity Shares allocated to them in the Issue.

#### **Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Investors**

*As per the current Funds regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:*

The SEBI (Venture Capital) Regulations, 1996, and the SEBI (Foreign Venture Capital Investors) Regulations, 2000 prescribe investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI. Accordingly, whilst the holding by any venture capital fund registered with SEBI in one Venture Capital Undertaking should not exceed 25% of the corpus of the venture capital fund, a Foreign Venture Capital Investor can invest its entire funds committed for investments into India in one company. Further, Venture Capital Funds and Foreign Venture Capital Investors can invest only up to 33.33% of the investible funds by way of subscription to an initial public offer.

Pursuant to the SEBI Guidelines, the shareholding of SEBI registered Venture Capital Funds and Foreign Venture Capital Investors held in a company prior to making an initial public offering are exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing this Red Herring Prospectus with SEBI.

### **Information for the Bidders:**

- (a) The Company will file the Red Herring Prospectus with the RoC at least 3 (three) days before the Bid/Issue Opening Date.
- (b) The Company, the GCBRLM, the BRLM and the CBRLM shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the RoC and also publish the same in two national newspapers (one each in English and Hindi and in a widely circulated Tamil newspaper). This advertisement, subject to the provisions of Section 66 of the Companies Act shall be in the format prescribed in Schedule XX – A of the SEBI DIP guidelines, as amended by SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 date November 11, 2005. This advertisement shall contain the salient features of the Red Herring Prospectus in the nature of the specifications under Form 2A of the Companies Act, the method and process of bidding and the names and addresses of the GCBRLM, the BRLM and the CBRLM, and the Syndicate Members and their bidding centers. The GCBRLM, the BRLM, the CBRLM and Syndicate Members shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (c) The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
- (d) 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 and should approach any of the GCBRLM, the BRLM, the CBRLM or Syndicate Members or their authorized agent(s) to register their Bids.
- (e) The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement.
- (f) 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.
- (g) The Bidding/Issue Period shall be for a minimum of three working days and not exceeding seven working days. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for three additional days after revision of Price Band subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in two national newspapers (one each in English and Hindi) and one widely circulated Tamil newspaper, and also by indicating the change on the websites of the GCBRLM, the BRLM and the CBRLM and at the terminals of the Syndicate Members.
- (h) The Price Band has been fixed at Rs. 290 to Rs. 330 per Equity Share of Rs. 10 each, Rs. 290 being the lower end of the Price Band and Rs. 330 being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Re. 1 (One).
- (i) The Company in consultation with the GCBRLM, the BRLM and the CBRLM reserves the right to revise the Price Band, during the Bidding/Issue 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 the Red Herring Prospectus.
- (j) The Company in consultation with the GCBRLM, the BRLM and the CBRLM can finalise the Issue Price within the Price Band, without the prior approval of, or intimation, to the Bidders.

### **Maximum and Minimum Bid Size**

- (a) **For Retail Individual Bidders:** The Bid must be for a minimum of 1,500,000 Equity Shares and in multiples of 20 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 Issue 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 20 Equity Shares thereafter. A Bid cannot be submitted for more than the Issue. 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/Issue 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. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

**Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.**

Refund amounts following a permitted withdrawal of a bid shall be paid in the manner described under "Payment of Refunds"

#### **Method and Process of Bidding**

- (a) 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 257) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.
- (b) 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 Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph titled "Bids at Different Price Levels and Revision of Bids" on page 257.
- (c) 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.
- (d) During the Bidding/Issue 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.
- (e) 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 264.

#### **Bids at Different Price Levels and Revision of Bids**

- (a) The Price Band has been fixed at Rs. 290 to Rs. 330 per Equity Share of Rs. 10 each, Rs. 290 being the Floor Price and Rs. 330 being the Cap Price. The Bidders can bid at any price within the Price Band, in

multiples of Re.1.

- (b) In accordance with SEBI Guidelines, the Company, in consultation with the GCBRLM, the BRLM and the CBRLM, reserve the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The Company, in consultation with the GCBRLM, the BRLM and the CBRLM, can finalise the Issue Price without prior approval of, or intimation to, the Bidders. 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 disclosed in the Red Herring Prospectus.
- (c) 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 and Non-Institutional Bidders bidding in excess of Rs. 100,000 and such Bids shall be rejected.
- (d) 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 Issue multiplied by the Issue Price), the Retail Individual Bidders, who Bid at Cut off Price, shall receive the refund of the excess amounts from the Escrow Account.
- (e) 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. 1,00,000 for Retail Individual Bidders, if such Bidder wants to continue to bid at Cut-off Price), with the Syndicate Members 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 Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the higher end of the Price Band prior to revision, the number of Equity Shares bid for shall be adjusted downwards for the purpose of Allotment, such that the no additional payment would be required from such Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
- (f) 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.
- (g) In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 20 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.
- (h) During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.
- (i) 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.
- (j) The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate through whom he or she had placed the original Bid.
- (k) 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.

- (l) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Red Herring Prospectus. In case of QIB Bidders, the GCBRLM, the BRLM and/or their affiliates 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.
- (m) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the members of the Syndicate. **It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.**

**Bids and revisions of Bids must be:**

- (a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians, blue colour for NRIs and FIIs applying on a repatriation basis).
- (b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
- (c) For Retail Individual Bidders, the Bid must be for a minimum of 20 Equity Shares and in multiples of 20 Equity Shares, thereafter subject to 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 Amount exceeds Rs. 100,000 and in multiples of 20 Equity Shares thereafter. Bids cannot be made for more than the Issue Size. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws or regulations.
- (e) Eligible NRIs bidding up to Rs. 100,000 would be considered under the Retail Portion for the purposes of allocation and bidding 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 20 Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.
- (f) Bids by Non Residents, Eligible NRIs, FVCIs, FIIs etc. on a repatriation basis shall be 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 Eligible NRIs) or their nominees.
- (g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
- (h) 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.

**This is not an issue for sale within the United States of any equity shares or any other security of the Company. Securities of the Company, including any offering of its equity shares, may not be offered or sold in the United States in the absence of registration under U.S. securities laws or unless exempt from registration under such laws.**

**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 Issue. This facility will be available on the terminals of the Members of the Syndicate and their authorised agents during the Bidding Period. Syndicate Members 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/ Issue Closing Date, the members of the Syndicate shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the GCBRLM, the BRLM and the CBRLM on a regular basis. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

- (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 centers and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centers during the Bidding /Issue 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. Bidders should ensure that the name given in the Bid cum Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid cum Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.
  - Investor Category: Individual, Corporate, FVCI, FII, NRI, Mutual Fund, Employee, QIB eligible 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/allotment either by the members of the Syndicate or our Company.
- (f) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (g) In case of QIB Bidders, the GCBRLM, the BRLM, the CBRLM and/or their affiliates have the right to accept the bid or reject the Bids. 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, Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed on page 267.
- (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 and/or the GCBRLM, the BRLM, the CBRLM 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 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 Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and NSE.
- (j) Only bids that are uploaded on the online IPO system of the NSE and BSE shall be considered for allocation/ Allotment. In case of discrepancy of data between the BSE or the NSE and the members of the Syndicate, the decision of the GCBRLM, the BRLM and the CBRLM based on the physical records of Bid Application Forms shall be final and binding on all concerned.

## GENERAL INSTRUCTIONS

### Do's:

- a) Check if you are eligible to apply having regard to all applicable laws, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus,
- b) Ensure that your Bid is within the Price Band;
- c) Read all the instructions carefully and complete the Resident Bid cum Application Form (white in colour) or Non-Resident Bid cum Application Form (blue in colour);
- d) Ensure that the details about Depository Participant and Beneficiary Account are correct as allotment of Equity Shares will be in the dematerialized form only;
- e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;
- f) Ensure that you have been given a TRS for all your Bid options;

Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

- g) SEBI vide circulars MRD / DoP / SE / Cir-8/2006 dated July 13, 2006 and MRD / DoP / Dep/ Cir-09/06 dated July 20, 2006 and MRD / DoP / Dep /SE / Cir-13/2006 dated September 26, 2006 has, with effect from July 2, 2007, declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of the transaction.
- h) Ensure that the Demographic Details (as defined herein below) 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 for bid amount in excess of Rs. 100,000);
- (g) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- (h) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground;
- (i) Do not bid at Bid Amount exceeding Rs 100,000, in case of Bid by a Retail Individual Bidder; and

- (j) Do not submit the Bid without the QIB margin, in case of Bids by a QIB.

### **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.

### **Bidder's Depository Account and Bank Details**

**Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as 'Demographic Details'). These Bank Account details would be used for giving refunds (including through physical refund warrants, direct credit, ECS, NEFT and RTGS) to the Bidders. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM nor the CBRLM nor the Company or the registrar or the Escrow Collection Banks nor the Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.**

**IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN 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.**

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/Allocation Advice and printing of Bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**In case of Bidders receiving refunds through electronic transfer of funds, delivery of refund orders/allocation advice/CANs may get delayed if the same once sent to the address obtained from the depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidders sole risk and neither the Company, nor the Registrar, Escrow Collection Bank(s) nor the GCBRLM, nor the BRLM nor the CBRLM 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, 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 Company in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar that for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice/ refunds through electronic transfer of funds, the Demographic Details given on the Bid cum Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar shall use Demographic Details as given in the Bid cum Application Form instead of those obtained from the depositories.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.**

**As per the RBI regulations, OCBs are not permitted to participate in the Issue.**

**All applicants will be treated on the same basis with other categories for the purpose of allocation.**

#### **Bids under Power of Attorney**

- a. 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, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.
- b. In case of Bids made pursuant to a power of attorney by FIIs, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.
- c. In case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form. Failing this our Company reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.
- d. 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, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason thereof.
- e. In the case of Bids made by Mutual Funds, Venture Capital Funds registered with the SEBI and FVCIs registered with the SEBI, a certified copy of their SEBI registration certificate must be submitted with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case e, without assigning any reason therefor.
- f. Our Company in its 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 GCBRLM, the BRLM and the CBRLM may deem fit.

#### **PAYMENT INSTRUCTIONS**

##### **Escrow Mechanism**

The Company and the members of the Syndicate shall open Escrow Accounts with one or more 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 in the Issue. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The Escrow Collection 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 Bank(s)

shall transfer the funds equivalent to the size of the Issue from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Banker(s) to the Issue. The balance amount after transfer to the Public Issue Account shall be held for the benefit of the Bidders who are entitled to refunds. 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 an arrangement between the Company, the members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Terms of Payment and Payment into the Escrow Accounts**

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:

1. Each category of Bidders i.e., QIB Bidders, Non-Institutional Bidders, Retail Individual Bidders, shall provide the applicable Margin Amount, with the submission of the Bid cum Application Form, draw 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 “Terms of Payment and Payments into the Escrow Account” on page 264) 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 Margin Amount payable by each category of Bidders is mentioned under “Issue Structure” on page 250. 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.
2. 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 Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in-Date, which shall be a minimum period of 2 (two) days from the date of communication of the allocation list to the members of the Syndicate by the GCBRLM, the BRLM and the CBRLM. 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.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - In case of resident QIB Bidders: “Escrow Account–Shriam EPC Public Issue – QIB – R”
  - In case of Non Resident QIB Bidders: “Escrow Account–Shriram EPC Public Issue – QIB – NR”
  - In case of Resident Retail and Non Institutional Bidders: “Escrow Account–Shriram EPC Public Issue - R”
  - In case of Non Resident Retail and Non Institutional Bidders: “Escrow Account–Shriram EPC Public Issue – 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 the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by 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 NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payments by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO

Account.

6. In case of Bids by FIIs or FVCIs, 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.
7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated\ will be refunded to the Bidder from the Refund Account.
8. On the Designated Date and no later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to the Bidders.
9. 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.
10. Bidders are advised to mention the number of application form on the reverse of the cheque / demand draft to avoid misuse of instruments submitted along with the Bid cum Application Form.
11. Incase clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Banks, such Bids are liable to be rejected.

#### **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 Issue

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.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Forms or Revision Forms. 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.

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 Issue

##### **Multiple Bids**

The Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications are electronically strung on first name, address and applicants status. These applications are electronically matched for common first name and address and if matched, these are checked manually for age, signature and father/husbands name to determine if they are multiple applications.
2. Applications which do not qualify as multiple applications as per above procedure are further checked for common DP ID/beneficiary ID. Applications with common DP ID/ beneficiary ID are manually checked to eliminate possibility of data entry error to determine if they are multiple applications.
3. Applications which do not qualify as multiple applications as per above procedure are further checked for common PAN. All such matched applications with common PAN are manually checked.

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.

In cases where there are more than 20 valid applicants having a common address, such shares will be kept in abeyance, post allotment and released on confirmation of KYC norms by the depositories.

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same. In this regard, illustrations of certain procedures which may be followed by the Registrar to the Offer to detect multiple applications are provided below:

1. All applications with the same name and age will be accumulated and taken to a separate process file as probable multiple masters.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names.
4. The applications will be scanned for similar DP ID, PAN or Client ID numbers. In case applications bear the same numbers, these will be treated as multiple applications.
5. After consolidation of all the masters as described above, a print out of the same will be taken and the applications physically verified to tally signatures as also father's/husband's names. On completion of this, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

We reserve the right to reject, in our absolute discretion, all or any multiple Bids in any or all categories.

#### **Permanent Account Number or PAN**

Each Bidder, should mention his/her PAN allotted under the I.T. Act. Applications without this information will be considered incomplete and are liable to be rejected. SEBI has recently issued a circular directing that with effect from June 2, 2007 PAN would be the sole identifiable number for participants transacting in the securities market, irrespective of the amount of transaction. **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. .**

#### **Unique Identification Number (“UIN”)**

SEBI vide circulars MRD / DoP / SE / Cir-8/2006 dated July 13, 2006 and MRD / DoP / Dep/ Cir-09/06 dated July 20, 2006 and MRD / DoP / Dep /SE / Cir-13/2006 dated September 26, 2006 has, with effect from July 2, 2007, declared that the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of the transaction. Thus the use of the Unique identification number has been discontinued.

### **GROUND FOR REJECTIONS**

In case of QIB Bidders, the Company, in consultation with the GCBRLM, the BRLM and the CBRLM have the right to reject the 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 Company has a right to reject Bids based on technical grounds.

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares bid for;
- Bank account details for refund not given;
- Age of First Bidder not given;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN details not furnished;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than lower end of the Price Band;
- Bids at a price more than the higher end of the Price Band;
- Bids at Cut Off Price by Non-Institutional and QIB Bidders bidding in excess of Rs. 100,000;
- Bids for number of Equity Shares which are not in multiples of 20;
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;

- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by stock invest/money order/postal order/cash;
- Signature of sole and / or joint Bidders missing;
- Bid cum Application Forms does not have the stamp of the GCBRLM, the BRLM, the CBRLM or Syndicate Members;
- Bid cum Application Forms does not have Bidder's depository account details;
- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
- 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;
- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- Bids in respect where the Bid cum Application form do not reach the Registrar prior to the finalisation of the basis of allotment;
- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
- Bids by OCBs;
- Bids by US persons other than "Qualified Institutional Buyers" as defined in Rule 144A of the Securities Act or other than in reliance of Regulation S under the Securities Act;
- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.
- Bids not uploaded in the Book would be rejected; and
- Bids or revision thereof by OIB Bidders and Non – Institutional Bidders where the Bid amount is in excess of Rs. 100,000, uploaded after 5.00 p.m. or any such time as prescribed by Stock Exchange on the Bid / Issue closing Date.

#### **Price Discovery and Allocation**

- (a) After the Bid/Issue Closing Date, the GCBRLM, the BRLM and the CBRLM will analyse the demand generated at various price levels and discuss pricing strategy with the Company.
- (b) The Company in consultation with the GCBRLM, the BRLM and the CBRLM shall finalise the "Issue Price".
- (c) The allocation to QIBs will be atleast 60% of the Issue and allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Issue, 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 Issue 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 our Company in consultation with the GCBRLM, the BRLM and the CBRLM. However, if the aggregate demand by Mutual Funds is

less than 150,000 Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund Portion will first be added to the QIB Portion and be allotted proportionately to the QIB Bidders. In the event that the aggregate demand in the QIB Portion has been met, under subscription, if any, would be allowed to be met with spill-over from any other category or combination of categories at the discretion of our Company in consultation with the GCBRLM, the BRLM and the CBRLM, and the Designated Stock Exchange.

- (e) Allocation to Eligible NRIs, FVCIs, FIIs etc. applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI, while granting permission for allotment of Equity Shares to them in this Issue.
- (g) The Company reserves the right to cancel the Issue any time after the Bid/Issue Opening Date but before Allotment without assigning any reasons whatsoever.
- (h) The allotment details shall be put on the website of the Registrar to the Issue.
- (i) The Company, in consultation with the GCBRLM, the BRLM and the CBRLM, reserve the right to reject any Bid procured from QIB Bidders by any member of the Syndicate. Rejection of Bids by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting such Bid shall be provided to such Bidding in writing.
- (j) Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bid after the Bid/ Issue Closing Date.

#### **Signing of Underwriting Agreement and RoC Filing**

- (a) The Company, the GCBRLM, the BRLM, the CBRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalisation of the Issue Price and allocation(s)/ Allotment to the Bidders.
- (b) After signing the Underwriting Agreement, the Company would update and file the updated Red Herring Prospectus with RoC, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.
- (c) The Company will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.
- (d) The Company will issue an advertisement after the filing of the Prospectus with the RoC in two national newspapers (one each in English, and Hindi) and one widely circulated Tamil newspaper. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price. Any material updates between the date of 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 GCBRLM, the BRLM, the CBRLM or Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated/allotted Equity Shares in the Issue. The approval of the basis of allotment by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail and Non-Institutional Bidders. However, investors should note that the Company shall ensure that the date of allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) The GCBRLM, the BRLM, the CBRLM and/or their affiliates would dispatch a CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid 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 Issue 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 Issue Price for the allotment to such Bidder.
- (d) The Issuance of CAN is subject to “Allotment Reconciliation and Revised CANs” as set forth herein.

**Notice to QIBs: Allotment Reconciliation and Revised CANs**

After the Bid/Issue Closing Date, an electronic book will be prepared by the Registrar on the basis of Bid Applications received. Based on the electronic book, QIBs will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the physical 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 and specified in the physical book. 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. It is not necessary that a revised CAN will be sent. 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 Allotment of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

**Designated Date and allotment of Equity Shares**

- (a) The Company will ensure that the allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, the Company would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the allottees shall be within two working days of the date of allotment.
- (b) In accordance with the SEBI Guidelines, Equity Shares will be issued and allotment shall be made only in the dematerialised form to the allottees. Allottees will have the option to re-materialise the Equity Shares, 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 and in multiples of 20 Equity Shares thereafter that may be allocated/allotted to them pursuant to this Issue.**

**BASIS OF ALLOTMENT**

**A. For Retail Individual Bidders**

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.
- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 1,500,000 Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than 1,500,000 Equity Shares at or above the Issue Price, the allotment shall be made on a proportionate basis up to a minimum of 20 Equity Shares. For the method of proportionate basis of Allotment, refer below.

**B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to 500,000 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than 500,000 Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of 20 Equity Shares. For the method of proportionate basis of Allotment refer below.

**C. For QIBs**

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the QIB Bidders will be made at the Issue Price.
- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- Allotment shall be undertaken in the following manner:
  - (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion 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 Issue Price.
    - (iii) Equity Shares remaining unsubscribed, if any, and 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 of over subscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for 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.
    - (iv) The aggregate Allotment to QIB Bidders shall not be less than 3,000,000 Equity Shares.

## Illustration of Allotment to QIBs and Mutual Funds (“MF”)

### A. Issue Details

S. No.	Particulars	Issue details
1	Issue size	200 million equity shares
2	Allocation to QIB (60%)	120 million equity shares
	Of which:	
	a. Allocation to MF (5%)	6 million equity shares
	b. Balance for all QIBs including MFs	114 million equity shares
3	No. of QIB applicants	10
4	No. of shares applied for	500 million equity shares

### B. Details of QIB Bids

S.No	Type of QIB bidders#	No. of shares bid for (in million)
1	A1	50
2	A2	20
3	A3	130
4	A4	50
5	A5	50
6	MF1	40
7	MF2	40
8	MF3	80
9	MF4	20
10	MF5	20
	<b>Total</b>	<b>500</b>

# A1-A5: ( QIB bidders other than MFs), MF1-MF5 ( QIB bidders which are Mutual Funds)

### C. Details of Allotment to QIB Bidders/ Applicants

<i>(Number of equity shares in million)</i>				
Type of QIB bidders	Shares bid for	Allocation of 6 million Equity Shares to MF proportionately ( see note 2 below)	Allocation of balance 114 million Equity Shares to QIBs proportionately ( see note 4 below)	Aggregate allocation to MFs
(I)	(II)	(III)	(IV)	(V)
A1	50	0	11.40	0
A2	20	0	4.56	0
A3	130	0	29.64	0
A4	50	0	11.40	0
A5	50	0	11.40	0
MF1	40	1.2	9.12	10.32
MF2	40	1.2	9.12	10.32
MF3	80	2.4	18.24	20.64
MF4	20	0.6	4.56	5.16
MF5	20	0.6	4.56	5.16
	<b>500</b>	<b>6</b>	<b>114</b>	<b>51.64</b>

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in “Issue Structure” on page 250.
2. Out of 120 million Equity Shares allocated to QIBs, 6 million (i.e. 5%) will be allocated on proportionate basis among 5 Mutual Fund applicants who applied for 200 million shares in QIB category.
3. The balance 114 million Equity Shares (i.e. 120 - 6 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 500 million Equity Shares (including 5 MF applicants who applied for 200 million Equity Shares).
4. The figures in the fourth column titled “Allocation of balance 114 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 114 / 494
  - 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 114/494
  - The numerator and denominator for arriving at allocation of 114 million shares to the 10 QIBs are reduced by 6 million shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

#### **Method of Proportionate Basis of Allotment in the Issue**

In the event of the Issue being over-subscribed, the Company shall finalize the basis of Allotment in consultation with the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by them) of the Designated Stock Exchange along with the GCBRLM, the BRLM and the CBRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner.

The 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 20 Equity Shares per Bidder, the Allotment shall be made as follows:
  - 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 (c) above; and
  - Each successful Bidder shall be allotted a minimum of 20 Equity Shares.
- e) If the proportionate Allotment to a Bidder is a number that is more than 20 but is not a multiple of 1 (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it would be rounded off to the lower whole number. Allotment to all in such categories would be 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 REFUNDS**

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' 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 Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the GCBRLM, nor the BRLM nor the CBRLM 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 refunds would be mandatorily done through ECS for applicants having an account at any of the following fifteen centers: Ahmedabad, Bangalore, Bhubaneswar, 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 through ECS 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), as mentioned in the Bid cum Application Form, shall be eligible to receive refunds, if any through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Company.
3. RTGS – Applicants having a bank account at any of the abovementioned 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 Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
4. NEFT (National Electronic Fund Transfer) – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.
5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value 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.

### **Letters of Allotment or Refund Orders**

The Company shall give credit to the beneficiary account with depository participants within two working days from the date of the finalization of basis of allocations. Applicants residing at fifteen centers where clearing houses are managed by the RBI, will get refunds through ECS only except (subject to availability of all information for crediting the refund through ECS) where applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. We shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within fifteen days of closure of Bid / Issue.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI DIP Guidelines, the Company further undertakes that:

- Allotment of Equity Shares will be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund order shall be done within 15 days from the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum (for any delay beyond the 15 day time period as mentioned above), if allotment is not made, refund orders are not dispatched and/or demat credits are not made to investors within the 15 day time prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

Save and except refunds effected through the electronic modes, i.e. ECS, NEFT, direct credit or RTGS .refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as Escrow Collection Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

### **Disposal of applications and application moneys and interest in case of delay**

The Company 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 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 Company 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 Company 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.

#### **UNDERTAKINGS BY OUR COMPANY**

We undertake the following:

- that the complaints received in respect of this Issue shall be attended to by us expeditiously;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalisation of the basis of Allotment;
- that funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer.
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.
- that the certificates of the securities/ refund orders to the non-resident Indians shall be despatched within specified time; and
- no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

The Company shall not have recourse to the Issue proceeds until the approval for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received.

#### **Utilisation of Issue Proceeds**

The Board of Directors of the Company certifies that:

- all monies received out of the Issue to the public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 73 of the Companies Act;
- details of all monies utilised out of the Issue shall be disclosed under an appropriate separate head in the balance sheet of the Company indicating the purpose for which such monies have been utilised;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under the appropriate separate head in the balance sheet of the Company indicating the form in which such unutilised monies have been invested; and

#### **Withdrawal of the Issue**

The Company, in consultation with the GCBRLM, the BRLM and the CBRLM, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for only after Allotment, and (ii) the final RoC approval of the Prospectus after it is filed with the SEBI.

In terms of the SEBI Guidelines, QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date.

#### **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 Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

- a) Agreement dated October 12, 2007 with NSDL, the Company and the Registrar to the Issue; and
- b) Agreement dated October 12, 2007 with CDSL, the Company and the Registrar to the Issue.

All Bidders can seek allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

- a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.
- b) The Bidder must necessarily fill in the details (including the 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 Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or First Bidder, Bid cum Application Form number, 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 Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. Our Compliance officer can be contacted at the following address:

**Mr. K. Suresh**  
No. 5, T.V. Street, Chetput  
Chennai 600 031  
Tamil Nadu  
India  
Tel: (91 44) 2836 1817  
Fax: (91 44) 2836 3518  
Email: investors@shriramepc.com

## **RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES**

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India 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 the 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 applicable to us foreign equity participation up to 100% is permissible under the automatic route.

### **Subscription by foreign investors (NRIs/FIIs)**

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 Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India 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 the 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. The Comprehensive Manual for Foreign Direct Investment- Policy & Procedures dated November 2005 issued by the Department of Industry Policy and Promotion, Ministry of Commerce and Industry does not prescribe any cap on the foreign investments in the sector in which the Company operates. Therefore, foreign investment up to 100% is permitted in the Company under the automatic route.

Transfers of equity shares previously required the prior approval of the FIPB. However, by a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended, (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

### **Representation from the Bidders**

No person shall make a Bid in Issue, unless such person is eligible to acquire Equity Shares of the Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters, and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of the Company. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of the Company.

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 Issue.

**The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S promulgated 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 promulgated under the Securities Act in reliance on Rule 144A and (ii) outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.**

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.

The above information is given for the benefit of the Bidders. The Company, the GCBRLM, the BRLM and the CBRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

## SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

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:

### 3. *Capital*

The Company shall have power to increase or reduce its capital into different classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, conditions or restrictions as may be determined by or in accordance with the Articles of Association of the Company or the legislative provisions in force in that behalf.

### 4. *Shares at the Disposal of the Directors:*

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the Company for the time being shall be under the control of the Board of Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares, and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the Company in the General Meeting.

### 5. *Consideration for Allotment*

The Board of Directors may allot and issue shares of the Company as payment or part payment for any property purchased by the Company or in respect of goods sold or transferred or machinery or appliances supplied or for services rendered to the Company in or about the formation of the Company or the acquisition and or in the conduct of its business; and any shares which may be so allotted may be issued as fully/partly paid up shares and if so issued shall be deemed as fully/partly paid up shares.

### 6. *Restriction on Allotment*

- a) The Directors shall in making the allotments duly observe the provision of the Act;
- b) The amount payable on application on each share shall not be less than 5% of the nominal value of the share; and
- c) Nothing therein contained shall prevent the Directors from issuing fully paid up shares either on payment of the entire nominal value thereof in cash or in satisfaction of any outstanding debt or obligation of the Company.

### 8. *Increase in Subscribed Capital*

The Company at its General Meeting may, from time to time, by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 of the Companies Act 1956. Whenever the capital of the Company has been increased under the provisions of the Articles, the Directors shall comply with the provisions of Section 97 of the Act.

9. *Reduction of Share Capital*

Subject to Section 78,80,100 to 105 (both inclusive) and other applicable provisions of the Act from time to time and, subject to confirmation by the Court, the Company is authorised to reduce its share capital by Special Resolution in any way being authorized by law and in particular and without prejudice to the generality of the foregoing power, may:-

- (a) extinguish or reduce the liability on any of its shares in respect share capital not paid-up.
- (b) either with or without extinguishing or reducing liability on any of its shares, cancel any paid up share capital which is lost, or is unrepresented by available assets.
- (c) either with or without extinguishing or reducing liability on any of its shares; pay off any paid up share capital which is in excess of the wants of the Company; and may, if and so far as is necessary alter its Memorandum by reducing the amount of its share capital and of its shares accordingly; or
- (d) reduce any share premium amount in accordance with the provisions of Section 78 read with Section 100 or any statutory modifications thereof; and
- (e) to reduce any Capital Redemption Reserve Fund in accordance with Section 80 read with Section 100 or any statutory modifications thereof.

10. *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.

11. *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.

12. *Power to issue Shares with differential voting rights:*

The Company shall have the power to issue shares with such differential rights as to dividend, voting or otherwise, subject to the compliance with requirements as provided for in the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001, or any other law as may be applicable.

13. *Power to issue preference shares:*

The Company shall have power 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 in accordance with the provisions of Section 80, 80A and 85 of the Act or any statutory modifications thereof.

14. *Further Issue of Shares:*

- 1) Where at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further shares then
  - (a) Such further shares shall be offered to the persons who at the date of the offer, are holders of the equity shares of the Company, in proportion, as nearly as circumstances admit, to the capital paid up on those share at that date.

- (b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less 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 him or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.
  - (d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they may think, in their sole discretion, fit.
- (2) Notwithstanding anything contained in sub-clause (1) the further shares aforesaid may be offered to any persons {whether or not those persons include the persons referred to in clause (a) of sub- clause (1) hereof) in any manner whatsoever.
- (a) If a special resolution to that effect is passed by the Company in General Meeting, or
  - (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the General Meeting (including the casting vote, if any, of the Chairman.) by the members who, being entitled to do so, vote in person, or where proxies are allowed by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.
- (3) Nothing in sub-clause (c) of (1) hereof shall be deemed:
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debenture issued or loans raised by the Company:
- (a) To convert such debentures or loans into shares in the Company; or
  - (b) To subscribe for shares in the Company.
- PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:
- (i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
  - (ii) In the case of debentures or loans or other than debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans.

15. *Right 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.

16. *Allotment on application to be acceptance of shares*

Any application signed by or on behalf of an applicant for shares in the Company followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles, and every person who thus or otherwise accepts any shares and whose name is on the register, shall, for the purpose of these articles, be a Member.

17. *Return on Allotment or Restriction 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.

18. *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

19. *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.

#### **COMMISSION AND BROKERAGE**

20. The Directors are authorised to pay commission to any person in consideration of his subscribing or agreeing to subscribe, or his procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in or 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, provided the formalities prescribed in Section 76 of the Act are complied with.

21. *Rate of Commission.*

The rate of commission shall be decided by the Directors at the time of each issue but shall not exceed five per cent and two and a half percent of the issue prices of shares and debentures respectively.

#### **SHARES CERTIFICATES**

24. The Certificates of title to the shares shall be issued under the Seal of the Company which shall be affixed in the presence of and signed by

- (a) Two Directors (provided that if the composition of the Board permits, one of the aforesaid two Directors shall be a person other than the Managing or Whole-time Director) if any, and
- (b) The Secretary or some other person appointed by the Board for the purpose.

Particulars of every share certificate issued shall be entered into the Register of Members against the name of the person to whom it has been issued indicating the date of issue.

A Director may sign a share certificate by affixing his signature thereon by means of any machine, equipment or other mechanical means such as engraving in metal or lithography, but not by means of a rubber stamp, provided that the Director shall be responsible for the safe custody of such machine, equipment or other materials used for the purpose.

Provided always that notwithstanding anything contained in this Article the Certificate of title to shares may be executed and issued in accordance with such other provisions of the Act, or the rules made thereunder, as may be in force for the time being and from time to time.

25. *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, subdivision, 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.

26. *Issue of new certificate in place of one defaced, lost or destroyed or Renewal of Certificates*

If any certificate be worn out or defaced, or if there is 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 be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding two rupees) for each certificate, as the Directors shall prescribe. Provided that no fees shall be charged for issue of new certificates in replacement of those that 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.

27. *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.

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. All blank forms, share certificates shall be printed only on the authority of a resolution duly passed by the Board.

**JOINT HOLDERS**

30. *The first named of Joint-Holders deemed Sole Holder*

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. When two or more persons are registered as the holders of any share they shall be deemed to hold the same as joint tenants with the benefit of survivor-ship subject to the provisions following and other provisions contained in these Articles. The Company shall not be bound to register more than four persons as the holders of any shares.

The joint-holders of share shall be liable severally as well as jointly in respect of all payments, which ought to be made in respect of such share.

On the death of any one of such joint holders, the survivor or survivors shall only be person or persons recognised by the Company as having any title to such share, but the Directors may require such evidences of death as they may deem fit.

Any one of such joint-holders may give effectual receipts for the whole of any dividend payable to such joint-holders.

Only the person whose name stands first in the register as one of the joint-holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint-holders.

31. ***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.

32. *Company not bound to issue more than one certificate.*

In respect of any shares held jointly by several persons, the Company shall not be bound to issue more than one certificate and delivery of a certificate for shares to one of the several joint holders shall be sufficient delivery to all such holders.

33. *Company to treat registered holder as absolute owner.*

Save as herein otherwise provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not, except as order by a Court of Competent jurisdiction or as by statute required to be bound to recognise any benami or equitable or other claim to or interest in such share on the part of any other person.

## CALLS

34. *Board may make calls*

The Board may, from time to time (by a resolution passed at a meeting of the board and not by Circular resolution) but subject to the condition hereinafter mentioned in Article 23 to 34 make such calls as they may think fit, upon the members in respect of all moneys unpaid on the shares held by them, respectively (whether on account of the nominal value of the shares or by way of premium) and which are not, by the conditions of the allotment thereof, made payable at fixed times and each member shall pay the amount of every call so made on him to the persons and at the times 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.

35. *Notice of call*

At least fourteen days' notice of any call shall be given by the Company specifying the time and place of payment and the person to whom such call shall be paid.

36. *Call when made*

A call shall be deemed to have been made at the time when the resolution of the Board authorising such call was passed or at the discretion of the Board on such subsequent date as shall be fixed by the Board and may be made payable by the members whose names appear in the Register of Members on such date. 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.

37. *Time limit for making call*

No call shall exceed one-fourth of the nominal amount of a share, or be made payable within one month after the last preceding call was payable.

38. *Directors may extend time for call*

The Board may, from time to time at its discretion extend the time fixed for the payment of any call or change the place where call is to be paid and may extend such time as to call for any of the members who on account of residence at a distance or some other cause, may be deemed fairly entitled to such extension but no member shall, as a matter of right, be entitled to such extension, save as matter of grace and favour.

39. *Revocation of call*

A call may be revoked or postponed at the discretion of the Directors

40. *Payment of interest on Non-payment of call*

If any 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 for the same from the time appointed for the payment thereof to the time of actual payment at the rate of exceeding 5 percent per annum.

The Board shall be at liberty to waive payment of any such interest either wholly or in part. Nothing in this article shall be deemed to make it compulsory for the Board to deemed or recover any interest from any such member.

41. *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 day 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.

45. *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.

(b) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.

46. *Directors to fix time for Payment of calls.*

Every member, his Executors or Administrators shall pay to the Company the proportion of the capital represented by his share or shares which may, for the time being, remain unpaid thereon in such amounts at time or times and in such manner as the Directors shall, from time to time, in accordance with the Company's regulations and in accordance with the Act require or fix for the payment thereof.

## TRANSMISSION AND TRANSFER OF SHARES

49. *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.

50. *Instrument of transfer*

The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. The Company shall use a common form of transfer in all cases.

52. *Execution of transfer*

The Company shall not register a transfer of shares unless a proper instrument of transfer duly stamped and executed by or on behalf of the transferor as well as the transferee and specifying the name and address and occupation, if any, of the transferee has been delivered to the Company, along with the Certificate relating to the shares accompanied by such evidence as the Board may require to prove the title of the transferor his right to transfer the shares and the transferor shall be deemed to remain the holder of such share until the name of the Transferee is entered in the Register in respect thereof. Every registered instrument of transfer shall remain in the custody of the Company until destroyed by order of the Board. All the provisions of Section 108 of the Act shall be duly complied with.

53. *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.

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. *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.

57. *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. Every endorsement of transfer in favour of any transferee thereof or of payment of a call upon the certificate of any share shall be signed by a Director or Secretary or any other person for the time being duly authorised by the Directors in that behalf.

60. *Directors may refuse Transfer*

Subject to the provisions of Section 111A of the Act, these Articles and other applicable provisions of the Act or any other law for the time being in force, the Directors may refuse whether in pursuance of any power of the Company under these Articles or otherwise to register the transfer of, or transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall within one month from the date on which the instrument of transfer, or the intimation of such transfer, as the case may be, was delivered with the Company, send notice of refusal to the transferee and transferor or to the person giving notice of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever, except when the Company has a lien on the shares.

63. *Closure of Register of Members and Register of Debenture holders.*

The Directors shall have power to close the transfer books and the Register of members and the Register of debenture-holders at such time, or times for such period or periods, not exceeding in the aggregate of forty five days in each year but not exceeding thirty days at one time as may seem expedient to them, by giving not less than seven days notice by advertisement in any newspaper circulating in the district in which the Registered Office of the Company is situated.

64. *Survivor of joint holders recognized*

In case of death of any one of the persons named in the Register of members as the joint-holders of any shares, the survivor or survivors shall be the only persons recognised by the Company as having any title to or interest in such share, but nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares held by him jointly with any other person.

65. *Transmission of Shares.*

On the death of a member, the survivor or survivors where the member was a joint holder, and his legal representatives where he was a sole holder, shall be the only persons recognised by the Company as having any title to the shares registered in the name of such member, and the Company shall not be bound to recognise such executors or administrators unless such executors or administrators, shall have first obtained probate or Letters of Administration, as the case may be from a duly constituted Court in India, provided that in any case, where the Directors, in their absolute discretion think fit, they may dispense with the production of probate or Letters of Administration and register the name of any person who claims to be absolutely entitled to the shares standing in the name of the deceased member, as a member.

66. *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.

69. *No liability of the Company giving effect to transfer inspite of notice received prohibiting registration of transfer.*

The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title or interest in the same share notwithstanding that the Company may have entered such notice or referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend to give effect to any notice which may be given to it of any equitable right, 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.

70. *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.

71. *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.

72. *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.

### **CONVERSION INTO STOCK**

89. The Board, may with the sanction of the Company by Ordinary Resolution, convert all or any of its fully paid up shares of any denomination in to stock and may with the like sanction reconvert any stock into paid-up shares of any denomination
90. The holders of stocks may transfer the same or any part thereof in the same manner, and subject to the same regulations, under which, the shares from which the stock arose might before the conversion have been transferred, or as near thereto as circumstances admit; but the Board may, from time to time fix the minimum amount of stock transferable, and restrict or forbid the transfer of fractions of that minimum, but minimum shall not exceed the nominal amount of shares from which the stock arose.

### **SHARE WARRANT**

95. *Terms of issue of share warrants.*

The Company may issue share warrants with the previous approval of Central government and subject to, and in accordance with the provisions of Section 114 and 115 of the Act, and subject to the provisions of the Foreign Exchange Regulation Act, 1973, and accordingly 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 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 on receiving the certificate (if any) of the share and the amount of stamp duty on the warrant and such fee as the Board may, from time to time require, issue under the Company's Seal a warrant duly stamped stating that the bearer of warrant is entitled to the shares therein specified and may provide coupons or otherwise for the payments of dividends or other moneys on shares include and specified in the share warrant.

96. *Right of the bearer of share-warrants.*

A share warrant shall entitle the bearer to the shares included in it and the shares may be transferred by the delivery of the share-warrant, and the provisions of the Articles of Association of the Company with respect to transfer and transmission of shares shall not apply thereto.

99. *Privileges of holder of share-warrant.*

Subject as herein before otherwise expressly provided in Article 57 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 privilege of a member at a meeting of the Company, or be entitled to receive any notice from the Company, but the bearer of a share-warrant shall be entitled in all other respects to the same privileges and advantages as of he were named in the Register of members as the holder of the shares included in the warrant, and he shall be a member of the Company.

100. *Renewal of share-warrant*

The Board may from time to time make rules if it shall think fit as to the terms on which a new share-warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

**LIEN**

102. *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 will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from provisions of this clause.

103. *Enforcing lien by sale.*

For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they shall 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 a notice in writing of the intention to sell has been served on such member or the person (if any) entitled to the transmission to the shares or his representative and default has been made by him in payment of moneys called or payable at a fixed time or in fulfillment or discharge of such debts, liabilities or engagements in respect of such shares for fourteen days after such notice. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof.

104. *Application of proceed of sale.*

The net proceeds of such sale after payment of the costs of such sale shall be applied in or towards satisfaction of such debts, liabilities or engagements of such members and the balances shall subject to a like lien for sums not presently payable as existed upon the shares before the sale be paid to such member, his legal representative or assigns or the person (if any) entitled by transmission to the shares so sold.

### **FORFEITURE OF SHARES**

105. *Notice may be given for non payment of call or installment.*

If any member or his legal representative as the case may be fails to pay the whole or any part of any call or installment or any money due in respect of any shares either by way of principal or interest on call on or before the days appointed for the payment of the same or any such extension thereof, the Board may at any time thereafter, during such time as the call or installment or any part thereof and other moneys remaining unpaid or a judgement or decree in respect thereof remaining unsatisfied in whole or in part, serve a notice on such member or his legal representative or the person (if any) entitled to the share by transmission, or if none, then by way of advertisement in a newspaper circulating in the district where the Registered Office of the Company is situated, requiring him to pay such call or installment or such part thereof or other moneys as remain unpaid together with any interest that may have accrued and all expenses, legal or otherwise, that may have been incurred by the Company by reason of such non payment.

106. *Form of notice.*

The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place or places at which such call or installment or such part and other moneys if any and such interest (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 and if payable to any person other than Company, the person to whom such payment is to be made. The notice shall also state that in the event of the non payment before the time and at the place appointed, the shares in respect of which the call was made, or installment is payable will be liable to be forfeited.

107. *If notice not complied with, shares may be forfeited*

If the requirements of any such notice as aforesaid have not been complied with, every or any shares in respect of which such notice has been given, may at any time thereafter before payment of all calls or installments, interest and expenses and other dues in respect thereof be forfeited by a resolution of the Board to the effect. Such forfeiture shall include all dividends and bonus shares if any declared in respect of the forfeited shares and not actually paid before the forfeiture.

108. *Entry of forfeiture in the register of members*

When any share has been so forfeited, notice of the resolution, shall be given to the member in 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 members, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

109. *Share forfeiture to be the property of the Company.*

Any share so forfeiture under these Articles shall be deemed to be the property of the Company and may be sold or re-allotted or otherwise disposed off either to the original holder thereof or to any other person, upon such terms and in such manner as the Board shall think fit.

110. *Effect of forfeiture.*

The forfeiture of a share shall involve the extinction, of all interest in and also of all claims and demands against the Company in respect of the forfeited shares and all other rights incidental to the share, except only such of these Articles are expressly saved.

111. *Member's liability after forfeiture.*

- a. Any member whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company all calls, installment, interest and expenses and other money owing upon or in respect of such shares at the time of the forfeiture together with interest thereon from the time of forfeiture until payment at such rate not exceeding fifteen per cent per annum as the Directors may determine and the Directors may enforce the payment thereof if they think fit.
- b. The liability of such person shall cease if and when the Company receives payment in full of all such moneys in respect of such forfeited shares.

112. *Title of purchaser and allottee of forfeited share.*

- (a) Upon any sale after forfeiture of surrender or for enforcing a lien purported to have been exercised by virtue of the powers hereinbefore given, the Board may appoint some persons to execute an instrument of transfer of the shares sold and cause the purchaser's name to be entered into Register of members in respect of the shares sold and the Company may receive the consideration if any, given for the share on any sale, re-allotment or other disposition thereof and the person to whom such share is sold, re-allotted or disposed off may be registered as the holder of the share and shall not be bound to see the application of the consideration if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share 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. A duly verified declaration in writing that the declarant is a Director or the Secretary of the Company and that a share in the Company has been duly forfeited on a date stated in the declaration shall constitute a good title and shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.
- (b) The remedy of any person aggrieved by the sale, re-allotment or other disposal of the share so forfeited shall be in damages only and solely against the Company.
- (c) Upon any sale, re-allotment or other disposal under the provisions of the preceding paragraph, the certificate or certificates originally issued in respect of the relative shares shall (unless the same shall on demand by the Company have been previously surrendered to it by Company have been previously surrendered to it by the defaulting member) stand cancelled and shall become null and void and will be of 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.

113. *Evidence of forfeiture*

A duly verified declaration in writing that the declarant is a Director or Secretary of the Company, and that a share in the Company has been duly forfeited in accordance with these Articles on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares.

116. *Board may annul forfeiture*

The Board at any time before any share so forfeited shall have been sold, reallocated, or otherwise disposed off, annul forfeiture thereon upon on such conditions as they think fit or they may assign, a smaller number of shares in respect of the paid up value of forfeited shares.

## SERVICE OF DOCUMENTS AND NOTICE

### 120. *How -Document is to be served on members*

A document (which expression for this purpose shall be deemed to have included and include any summons, notice requisition, process order, judgment or any other document in relation to or in winding up of the Company) may be served or sent to the Company on or to any member either personally or by sending it by post to his registered address or (if he has no registered address in India) to the address, if any, within India supplied by him to the Company for the service of notice to him.

### 121. *Where a document is sent by post*

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

Unless the contrary is provided, such service shall be deemed to have been effected

- a. In the case of a notice of a meeting, at the expiration of forty-eight hours the letter containing the notice is posted; and
- b. In any other case, at the time at which the letter would be delivered in ordinary course of post.

### 124. *Manner of service of Notice.*

Notice of every meeting shall be given to every member of the Company in any manner authorised by Sub-Section (1) to (4) of Section 53 of the Act and by these Articles.

### 125. *Notice to joint holders.*

In case of joint-holders, all notices shall be addressed and given to the holder whose name appears first in the Register of Members and the notice so given shall be sufficient notice to all the joint-holders.

### 130. *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.

### 131. *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.

#### **MEETINGS OF THE SHARE HOLDERS**

133. *Annual General Meeting*

The Annual General Meeting shall be held in accordance with the provisions of Section 166 of the Act and shall be called at a time during business hours, on a day that is not a public holiday and shall be held either at the Registered Office of the Company or some other place within the city, town or village in which the registered office of the Company is situated as the Board may determine and the Notice calling the meeting shall specify it as the Annual General Meeting.

134. *Board may call Extra Ordinary General Meeting.*

The Board may call a General Meeting of the shareholders whenever and wherever they think fit. All meetings of the shareholders other than Annual General Meetings convened by the Company shall be called Extra Ordinary General Meetings.

136. *Board to call extra ordinary general meeting 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.

137. *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.

138. *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.

139. *Special and Ordinary Business*

- (a) All business shall be deemed special that is transacted at an Extraordinary General Meeting and also that is transacted at an Annual General Meeting with the exception of sanctioning of dividend, the consideration of the accounts, balance sheet and the reports of the Directors and Auditors, the election of Directors in place of those retiring by rotation and the appointment of and the fixing up of the remuneration of the auditors.
- (b) In case of special business as aforesaid, an explanatory statement as required under Section 173 of the Act shall be annexed to the notice of the meeting.

140. *Quorum at General Meeting.*

The Quorum for a general meeting of the Company shall be five members (or such other number of members as the law for the time being in force prescribes) present in person. If within half an hour from the time appointed for the meeting a quorum of members shall not be present, the meeting if convened by or upon the requisition of members shall stand dissolved, but in any other case, it shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such time and place as the Board may determine. If at such adjourned meeting, a quorum is not present within half an hour from the time appointed for the meeting, the members present shall be the quorum for that meeting and they may transact the businesses for which the meeting was called.

141. *Chairman of General Meeting.*

The Chairman of the Board of Directors shall be entitled to take the chair at every general meeting, whether ordinary or extra ordinary, or if there be no such Chairman or if at any meeting he is not present within 15 minutes of the time appointed for holding such meeting or if he declines to take the chair, the members present shall elect another Director as Chairman and if no such Director be present, or if all the Directors present decline to take the chair, then the members present shall elect one of their member to be the Chairman of the meeting.

144. *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.

147. *Demand of poll.*

Before or on the declaration of the result of the voting on any resolution on a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion, and shall be ordered to be taken by him on a demand made in that behalf by the person or persons specified in Section 179 of the Act. 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 on which the poll was taken. The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

152. *Chairman's casting vote.*

In the case of an equality of votes, the Chairman shall, whether on a show of hands or on a poll have a casting vote in addition to the vote or votes to which he may be entitled to as a member.

153. *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.

154. *Passing resolutions by Postal Ballot*

Notwithstanding any of the provisions of these Articles the Company may, and in the case of resolutions relating to such business as notified under the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 to be passed by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in the general meeting of the Company.

Where the Company decides to pass any resolution by resorting to postal ballot, it shall follow the procedures as prescribed under section 192A of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, as amended from time.

## VOTE OF SHAREHOLDERS

### 155 *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.

### 159. *Vote of joint-holders.*

In case of joint-holders, the vote of the senior who tenders vote whether in persons or by proxy shall be accepted to the exclusion of the votes of the other joint-holders. For this purpose seniority shall be determined by the order in which the names stand in the Register of members.

- (a) If there be joint registered holders of any shares, any one of such persons may vote at any meeting or may appoint another person (whether a member or not) as his proxy in respect of such shares, as if he were solely entitled thereto and the proxy so appointed shall have the right to speak at the meeting; and,
- (b) If more than one of such joint-holders be present at any meeting, that one of the said persons so present, whose name stands first on the Register of members, shall be alone entitled to speak and to vote in respect of such shares, by the other or others of the joint-holders shall be entitled to be present at the meeting. Several Executors or Administrators of a deceased members in whose name shares stand, shall, for the purpose of these Articles, be deemed as joint-holders thereof.

### 160 *Appointment of Proxy.*

A member entitled to attend and vote at a meeting shall be entitled to appoint another person (whether a member or not) as his proxy in accordance with Section 176 of the Act to attend and Vote instead of himself, but a proxy so appointed shall not have any right to speak at the meeting.

### 161. *Instrument of Proxy.*

The instrument appointing a proxy shall be in writing and be signed by the appointer or his attorney duly authorised in writing, or in the case of a lunatic, idiot, or minor by the curator, committee or guardian, if any, or, if such appointer is a body corporate,

- (a) be under Common Seal or
- (b) be signed by an officer or an attorney duly authorised in this behalf or
- (c) be signed by the person, if any authorised pursuant to Section 187 of the Act, to act as its representative.

### 166. *Validity of votes given by proxy notwithstanding the death or insanity of members.*

A Vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the Principal, or revocation of the proxy or of any power of attorney under which such proxy or the power of attorney was signed, or the transfer of the share, in respect of which the vote is given, provided that no intimation in writing of the death or insanity, revocation or transfer shall have been received at the Registered Office of the Company before the meeting or adjourned meeting at which the proxy is used.

### 167. *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.

## **DIRECTORS**

169. *Number of Directors.*

Until otherwise determined by a general meeting and subject to Section 252 of the Act, the number of the Directors shall be not less than three and not more than twelve.

170. *Qualification of Director*

It shall not be incumbent upon any Director to hold qualification shares.

173. *Nominee Directors.*

- a) So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by the Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects or each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the Company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished on behalf of the Company remains outstanding, and if the loan or other agreement with such corporation so provides, the corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole- time or non whole- time (which Director or Director/s is/are hereinafter referred to as "Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).
- b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.
- c) The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as they holds or continues to hold Debentures/shares in the Company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall vacate such office immediately on the moneys owing by the Company to the Corporation are paid off or they ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished.
- d) The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is//are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.
- e) The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the nominee appointer and same shall accordingly be paid by the Company directly to the Corporation.
- f) Provided that the sitting fees, in relation to such Nominee Director/s shall also accrue to the appointer and same shall accordingly be paid by the Company directly to the appointer.

174. *Investor Director*

- a) The Investor shall have the right to nominate 1 (one) Director on the Board (the “**Investor Director**”). The Investor Director shall be a non-retiring director.
- b) To the extent permissible by Law, the appointment of the Investor Director shall be by direct nomination by the Investor and any appointment or removal under this Article shall, unless the contrary intention appears, take effect from the date it is notified to the Company in writing. If the Law does not permit the person nominated by the Investor to be appointed as a director of the Company merely by nomination by the Investor, and at all times during the term of the Investment Agreement, the Company and the Promoters shall ensure that the Board forthwith (and in any event within 7 days of such nomination or at the next Board meeting, whichever is earlier) appoints such person as a director of the Company and further that, unless the Investor changes or withdraws such nomination, such person is also elected as a director of the Company at the next general meeting of the shareholders of the Company.
- c) If the Investor desires that the Investor Director appointed and/or nominated by them should cease to be a Director, the Promoters shall exercise all their rights, including their rights as or in respect of directors and their voting rights in relation to the Shares held by them in the Company in such manner so as to ensure such removal as soon as may be practicable. The Investor shall have a right to recommend any other person to be appointed as Director in place of the original Investor Director. The parties to the Investment Agreement shall ensure that the only such person is appointed in place of the original Investor Director as is recommended by the Investor. All nominations for the replacement Investor Director made by the Investor shall be in writing and shall take effect on its receipt at the office of the Company and shall be given effect to in the manner mentioned above.
- d) The Investor shall be entitled to nominate a person to be appointed as the alternate director to the Investor Director and the Company and the Promoters shall ensure that such persons are appointed as the Investor Director’s alternate Director.
- e) Without prejudice to its right to appoint the Investor Director, the Investor shall be entitled to appoint an observer, who shall be entitled to attend all the meetings of the Board and the committees of the Board.
- f) Subject to the relevant provisions of the Act, the Investor Director shall be paid reasonable out of pocket expenses (including travel expenses) by the Company for attending shareholders’ meetings and Board meetings of the Company.
- g) The Investor Director shall be a non-executive Director and shall have no responsibility for the day-to-day management of the Company and shall not be liable for any failure by the Company to comply with applicable Law. The Company shall nominate Directors or persons other than the Nominee Director as “persons in charge” as contemplated under applicable Law and shall ensure that the Nominee Director is not included within the scope of “Officer who is in default” under applicable Law.

The Company shall indemnify and hold harmless the Investor Director against:-

- (a) any act, omission or conduct (including, without limitation, contravention of any Law) of or by the Company, the Promoters or its officials, employees, managers, representatives or agents as a result of which, in whole or in part, the Investor Director is made a party to, or otherwise incurs any costs, charges, expenses, damages or loss, (collectively “**Loss**”) including Loss pursuant to or in connection with any action, suit, claim or proceeding arising out of or relating to any such act, omission or conduct; and
- (b) any action or omission to act by the Investor Director at the request of or with the consent of the Company, its Promoters, officials, employees or agents.

- (c) legal and other expenses and liabilities incurred by the Investor Director in defending any regulatory, legal or similar proceedings commenced against him/her and against any claim, loss or liability asserted against or suffered by him/her arising from the performance of his/her duties as a Director or as a Director and officer of the Company to the fullest extent authorized or permitted by the provisions of Indian law, as permitted from time to time. The Company shall advance all expenses incurred by the Investor Director or by the Investor in connection with any proceedings within 10 (ten) days after the receipt by the Company of a statement or statements from the Investor Director or the Investor requesting for such payment, whether prior to or after the final disposition of such proceedings.
- (d) The Promoters agree to use all their rights, including their rights as and in respect of directors and their voting rights in relation to Equity Shares, to effectuate the appointment and election of the Investor Director as contemplated herein.

The Investor Director shall not be required to hold any qualification shares.

179. *Casual vacancy in the office of Director*

Any casual vacancy occurring in the Board of Directors, may be filled up by the Director and the person so appointed shall hold office upto the date upto which the Directors in whose place he is appointed would have held office if it had not been vacated as aforesaid.

The Directors shall have the power at any time and from time to time to appoint one or more person as additional Director to the Board provided the total number of the Directors shall not at any time exceed the maximum number fixed under Article 112. Any additional Director shall retain his office only until the next Annual General Meeting of the Company, but shall then be eligible for re-election by the Company in that meeting.

180. *Appointment of alternate Director.*

The Board may appoint an Alternate Director to act for a Director (hereinafter called 'the Original Director') during his absence for a period of not less than three months from the State in which the meeting of the Board is normally held. An Alternate Director under this Article shall vacate office if and when the Original Director returns to the State. If the term of office of the Original Director is determined before he so returns to the State, any provision in the Act or in these Articles for automatic re-appointment of retiring Directors in default of another appointment shall apply to the Original Directors and not to the Alternate Director.

181. *Notice of candidature for office of Director.*

No person not being a retiring Director shall be eligible for election to the Office of Director at any general meeting, unless he or some other member intending to propose him, has not less than fourteen days and not more than two months before the meeting left at the office a notice in writing duly signed, signifying his candidature for the office of Director or the intention of such member to propose him as a candidate for that office, as the case may be along with deposit of five hundred rupees which shall be refunded to such person or, as the case may be, to such member, if the person succeeds in getting elected as a Director.

182. *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.

183. *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**

184. *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.

185. *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

186. *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.

187. *Retiring Director to remain in office till successors appointed*

Subject to the provisions of the Act, if at any meeting at which an election of Directors ought to take place, the place of the vacating Director(s) is not filled up and the meeting has not expressly resolved not to fill up the vacancy and not to appoint the retiring director, the meeting shall stand adjourned till the same day in the next week at the same time and place or if that day is a public holiday till the next succeeding day which is not a public holiday at the same time and place, and if at the adjourned meeting the place of the returning Director(s) is not filled up and the meeting has also not expressly resolved not to fill up the vacancy, then the retiring Director(s) or such of them as have not had their places filled up shall be deemed to have been reappointed at the adjourned Meeting.

188. *Increase or reduction in the number of Directors*

Subject to the provisions of Section 252, 255, 259 of the Act, the Company in General Meeting may by Ordinary Resolution increase or reduce the number of its Directors.

189. *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.

190. *Right of persons other than retiring Directors to stand for Directorship*

A person not being a retiring Director shall be eligible for appointment to the office of a Director at any General Meeting if he or some other member intending to propose him as a Director not less than 14 days before the meeting has left at the office of the Company, a notice in writing under his hand signifying his candidature for the office of the Director or the intention of such member to propose him as a candidate for that office as the case may be, along with the prescribed deposit amount which shall be refunded to such person or as the case may be, to such member if the person succeeds in getting elected as Directors.

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.

191. *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.

192. *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.

193. *Meeting of Directors*

- a) The Directors may meet together as a Board for the despatch of business from time to time, and shall so meet atleast, once in, every three calendar months and atleast four such meeting shall be held in every year and they may adjourn and otherwise regulate their meetings as they think fit.
- 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.

194. *Quorum for Board Meeting.*

The quorum for the meeting of the Board of Director 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 or as may be otherwise agreed to by the Company. 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 there from the number of Directors, if any, whose places are vacant at the time. Further, interested director shall mean any director whose presence cannot, by reason of section 300 of the Act, count for the purpose of forming a quorum at a meeting of the Board, at the time of the discussion or vote on any matter.

198. *Election of Chairman of Committee*

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.

The quorum of a committee may be fixed by the Board of Directors.

199. *Questions how determined*

- a) A committee may meet and adjourn as it thinks proper.
- b) Questions arising at any meeting of a committee shall be determined by the sole member of the committee or by a majority of votes as the members present as the case may be and in case of an equality of vote the Chairman shall have a second or casting vote, in addition to his vote as a member of the committee.

202. *Chairman of the Board Meeting*

The Board may elect a Chairman of their meeting and determine the period for which he is to hold office. But if any such Chairman is not elected or if at any meeting the Chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present shall choose one among them to be the Chairman of such meeting.

205. *Resolution by circulation.*

Save as otherwise expressly provided in the Act, no resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been 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 for a meeting of the Board or Committee, as the case may be), and to all other Directors or members at their usual address in India and has been approved by such of the Directors as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

207. *Terms of Issue of Debentures*

Save as otherwise expressly provided in the Act, no resolution shall be deemed to have been duly passed by the Board or by a Committee thereof by circulation, unless the resolution has been 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 for a meeting of the Board or Committee, as the case may be), and to all other Directors or members at their usual address in India and has been approved by such of the Directors as are then in India, or by a majority of such of them, as are entitled to vote on the resolution.

208. *Debenture Directors:*

Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any Directors so appointed. A Director appointed under this Article is herein referred to as a "Debenture Director" and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares, not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained.

**MANAGING DIRECTOR(S)/WHOLE TIME DIRECTORS**

210. 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.

- a) The Directors may from time to time resolve that there shall be either one or more Managing Directors or Whole time Directors.

- b) 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.
- a) 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.

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.

211. *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.

212. *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.

213. *Business to be carried on by Managing Directors/ Whole time Directors*

- (a) The Managing Directors/whole-time shall have subject to the supervision, control and discretion of the board, the management of the whole of the business of the Company and of all its affairs and shall exercise all powers and perform all duties in relation to the Management of the affairs and transactions of Company, except such powers and such duties as are required by law or by these presents to be exercised or done by the Company in General Meeting or by Board of Directors and also subject to such conditions or restriction imposed by the Act or by these presents.
- (b) Without prejudice to the generally of the foregoing and subject to the supervision and control of the Board of Directors, the business of the Company shall be carried on by the Managing Director/ Whole time Director and he shall have all the powers except those which are by law or by these presents or by any resolution of the Board required to be done by the Company in General Meeting or by the Board.
- (c) The Board may, from time to time delegate to the Managing Director or Whole time Director such powers and duties and subject to such limitations and conditions as they may deem fit. The Board may from time to time revoke, withdraw, alter or vary all or any of the powers conferred on the Managing Director or Whole time Director by the Board or by these presents.

### **CAPITALISATION OF PROFITS**

244. *Capitalisation of profits and application of reserve fund.*

- 1. The Company in general meeting may, upto the recommendation of the Board resolve.
  - a. that it is desirable to capitalise any part of the amount for the time being standing to the credit or any of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution and
  - b. that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

2. The sum aforesaid shall not be paid in cash, but shall be applied, subject to the provisions contained in clause (3) either in or towards.
    - a. Paying up any amounts for the time being unpaid on any shares held by such members respectively.
    - b. Paying up in full, unissued, shares or debentures of the Company to be allotted and distributed, or credited as fully paid-up.
    - c. Partly in the way specified in sub-clause (a) and partly in the specified in sub-clause (b) of this Article.
  3. A share premium account and a capital redemption reserve fund may, for the purpose of this Article, only be applied in paying up of unissued shares to be issued to members of the Company as fully paid Bonus shares.
  4. The Board shall give effect to the resolution passed by the Company in pursuance of this Article.
245. *Making of appropriations out of undivided profits and issue of fractional certificates.*
- 1) Whenever such a resolution as aforesaid shall have been passed, the Board shall,
    - (a) make all appropriations and applications of the undivided profits resolved to be capitalised thereby and all allotments and issues of fully paid shares or debentures if and;
    - (b) generally do all acts and things required to give effect
  - 2) The Board shall have full power :-
    - (a) to make such provision by the issue of fractional certificates or by payment in cash or otherwise as it thinks fit for the case of shares or debentures becoming distributable in fractions; and also;
    - (b) to authorise any person to enter on behalf of all the members entitled thereto, into an agreement with the Company providing for the allotment to them respectively credited as fully paid-up, of any further shares or debentures to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf, by the application thereto their respective proportions of the profits resolved to be capitalised of the amount or any of the amounts remaining unpaid on their existing shares.
  - 3) Any agreement made under such authority shall be effective and binding on all such members.

## ACCOUNTS

### 246 *Books of Accounts to be kept:*

The Board of Directors shall cause true accounts to be kept of all sums of money received and expended by the Company and the matters in respect of which such receipts and expenditure takes place, of all sales and purchases of goods by the Company, and of the assets, credits and liabilities of the Company.

If the Company shall have a Branch Office, whether in or outside India, proper books of account relating to the transactions effected at the office shall be kept at that office, and proper summarized returns made upto date at intervals of not more than three months, shall be sent by Branch Office to the Company at its registered office or to such other place in India, as the Board thinks fit where the main books of the Company are kept.

All the aforesaid books shall give a fair and true view of the affairs of the Company or of its Branch Office, as the case may be with respect to the matters aforesaid, and explain its transactions.

247 *Where Books of Accounts are to be kept*

The Books of Account shall be kept at the Registered Office or at such other place in India as the Directors think fit.

248 *Boards Report to be attached to Balance Sheet*

Every Balance Sheet laid before the Company in General Meeting shall have attached to it a report by the Board of Directors with respect to the state of the Company's affairs, the amounts if any, which it proposes to carry to any Reserves in such Balance Sheet; and the amount, if any which it recommends to be paid by way of dividend, material changes and commitments, if any, effecting the financial positions of the Company which have occurred between the end of the financial year of the Company to which the Balance Sheet related and the date of report.

The report shall, so far as it is material for the appreciation of the state of the Company's affairs by its members and will not in the Board's opinion be harmful to the business of the Company or any of its subsidiaries deal with any changes which have occurred during the financial year in the nature of the Company's business, or in the Company's subsidiaries or in nature of the business carried on by them and generally in the classes of business in which the Company has an interest.

The Boards Report shall also include a statement showing the name of every employee of the Company who was in receipt of such sum as remuneration as may be prescribed by the Act or the Central Government from time to time during the year to which the Report pertains.

The Board shall also give the fullest information and explanation in its report in cases falling under the proviso to Section 222 on every reservation, qualification or adverse remark contained in the auditors Report.

The Board shall have the right to charge any person being a Director with a duty of seeing that the provisions of sub-clauses (1) to (3) of this Article are complied with.

## **WINDING UP**

256 *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.

257. *Distribution of assets.*

If the Company shall be wound up, and the surplus assets shall not be sufficient to repay the whole of the paid-up capital, such surplus assets shall be distributed subject to special preferential rights of the preference or any other shareholder, so that the losses shall be borne by the members as nearly as may be in proportion to the capital paid-up on the shares held by them respectively at the commencement of the winding up. But this clause is to be without prejudice to the rights of the holders of shares issued on special conditions.

## **INDEMNITY**

262 *Right of Directors and others to indemnity*

Subject to the provisions of the Act, the Managing Director and every Director, Manager, Secretary and other Officer or Employee of the Company shall be indemnified by the Company against any liability and it shall be the duty of Directors, out of the funds of the Company to pay, all costs and losses and expenses (including traveling expenses) which any such Director, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Managing Director, Director, Officer or Employee or in any way in the discharge of his duties.

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.

263: *Not responsible for acts of others*

Subject to the provisions of Sec. 201 of the Act no Director or other Officer of the Company shall be liable for the acts, receipt, neglects or defaults of any other Director or Officer, or for joining in any receipt or other act for conformity or for any loss or expenses happening to the Company through insufficiency or deficiency of title to any property acquired by order of the Director for or on behalf of the Company, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested, or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person, Company or Corporation, with whom any moneys, securities or effects shall be entrusted or deposited or for any loss occasioned by any error of judgment or over sight in his part or for any other loss or damage or misfortune whatever which shall happen in the execution of the duties of his office of in relation thereto, unless the same happens through his own willful act or default.

Without prejudice to the generality foregoing it is hereby expressly declared that any filing fee payable or any document required to be filed with Register of Companies in respect of any act done or required to be done by any Director or other Officer by reason of his holding the said office, shall be paid and borne by the Company.

## PART II

267. *Indemnity*

- a) The Company and the Promoters shall jointly and severally indemnify, defend and hold harmless, UNO and/or any member of the UNO Investor Groups, promptly upon demand at any time and from time to time, against any and all Losses arising out of or in connection with:
  - i. any misrepresentation or any breach of any Warranty or the terms and conditions of the UNO Agreement, and/or
  - ii. any liabilities (including contingent liabilities, whether or not known or contemplated at the time of execution of the UNO Agreement) of the Company not reflected in the Accounts or otherwise not fully disclosed to the Investor in writing prior to the execution of the UNO Agreement.
- b) It is clarified that the benefit of the Warranties and of the indemnities granted under this Article shall extend also to any and all Losses in relation to any UNO Subscription Shares purchased by UNO or any member of the UNO Investor Groups at any time on or after the date of the UNO Agreement.
- c) The indemnification rights of UNO under the UNO Agreement are independent of, and in addition to, such other rights and remedies as UNO may have at Law or in equity or otherwise, including the right to seek specific performance, rescission, restitution or other injunctive relief, none of which rights or remedies shall be affected or diminished thereby.

268 *UNO Director*

- a. UNO shall have the right to nominate 1 (one) Director on the Board (the “Nominee Director or UNO Director”). The Nominee Director of the UNO shall be a non-retiring director.
- b. To the extent permissible by Law, the appointment of the Nominee Director of the UNO shall be by direct nomination by the UNO and any appointment or removal under this clause shall, unless the contrary intention appears, take effect from the date it is notified to the Company in writing. If the Law does not permit the person nominated by the UNO to be appointed as a director of the Company merely by nomination by UNO, and at all times during the term of this Agreement, the Company and the Promoters shall ensure that the Board forthwith (and in any event within 7 days of such nomination or at the next Board meeting, whichever is earlier) appoints such person as a director of the Company and further that, unless UNO changes or withdraws such nomination, such person is also elected as a director of the Company at the next general meeting of the shareholders of the Company.
- c. If UNO desires that UNO Director appointed and/or nominated by them should cease to be a Director, the Promoters shall exercise all their rights, including their rights as or in respect of directors and their voting rights in relation to the shares held by them in the Company in such manner so as to ensure such removal as soon as may be practicable. UNO shall have a right to recommend any other person to be appointed as Director in place of the original nominee Director. The Parties shall ensure that the only such person is appointed in place of the nominee Director as is recommended by UNO who appointed such original nominee Director. All nominations for the replacement Director made by UNO shall be in writing and shall take effect on its receipt at the office of the Company and shall be given effect to in the manner mentioned above.
- d. UNO shall be entitled to nominate a person to be appointed as the alternate director to the Director nominated/ as having appointed herein by UNO; and the Company and the Promoters shall ensure that such persons are appointed as the Nominee Director’s alternate Director.
- e. Subject to the relevant provisions of the Act, the Nominee Director shall be paid reasonable out of pocket expenses (including travel expenses) by the Company for attending shareholders’ meetings and Board meetings of the Company.
- f. The Nominee Director shall be a non-executive Director and shall have no responsibility for the day-to-day management of the Company and shall not be liable for any failure by the Company to comply with applicable Law. The Company shall nominate Directors or persons other than the Nominee Director as “persons in charge” as contemplated under applicable Law and shall ensure that the Nominee Director is not included within the scope of “Officer who is in default” under applicable Law.
- g. The Company shall procure suitable director and officers liability insurance in favor of all the Directors from a reputable insurance company in respect of claims or liabilities resulting from the actions or omissions of the Directors as Directors of the Company for an adequate amount as determined by the Board and in the case of the Nominee Director, as specified by UNO.
- h. The Company shall indemnify the Nominee Director against:-
  - i. any act, omission or conduct (including, without limitation, contravention of any Law) of or by the Company, the Promoters or its officials, employees, managers, representatives or agents as a result of which, in whole or in part, the Nominee Director is made a party to, or otherwise incurs any costs, charges, expenses, damages or Loss, (collectively “loss”) including loss pursuant to or in connection with any action, suit, claim or proceeding arising out of or relating to any such act, omission or conduct; and
  - ii. any action or omission to act by the Nominee Director at the request of or with the consent of the Company, its Promoters, officials, employees or agents.

- i. The Promoters agree to use all their rights, including their rights as and in respect of directors and their voting rights in relation to Equity Shares, to effectuate the appointment and election of the Nominee Director as contemplated herein.
- j. The UNO Director shall not be required to hold any qualification Shares.

269. *Null and Void Transfers*

- a. Any Transfer or attempt to Transfer any Equity Shares in violation of this Article 269 shall be null and void ab initio, and the Company shall not register such Transfer and shall reject any such Transfer made or attempted, suo moto, without necessity of a Board decision and may institute proceedings for this purpose if required by Law.

*Tag Along*

Subject to the lock in provisions specified in this sub Article 269(b), if any Promoter proposes to Transfer any Equity Shares, then, such Promoter (hereinafter, "**Selling Shareholder**") shall first give a written notice (hereinafter referred to as "**Offer Notice**") to UNO. The Offer Notice shall state (i) the name of the Selling Shareholder, (ii) the number of Equity Shares proposed to be Transferred (hereinafter referred to as the "**Sale Shares**") and the number and class of Equity Shares the Selling Shareholder owns at that time on an undiluted basis, (iii) the name and address of the proposed transferee, (iv) the proposed price, including the proposed amount and form of consideration and terms and conditions offered by such proposed transferee, (v) the date of consummation of the proposed Transfer, (vi) a representation that the proposed transferee has been informed of the "tag-along" rights provided for herein and has agreed to purchase all the Equity Shares required to be purchased in accordance with the terms of this sub Article 269 (b) and (vii) a representation that no consideration, tangible or intangible, is being provided to the Selling Shareholder that will not be reflected in the price paid to the UNO on exercise of his tag-along rights hereunder. In the event that the proposed consideration for the Transfer includes consideration other than cash, the Transfer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation. The total value of the consideration for the proposed Transfer is referred to herein as the "**Offer Price**". Such notice shall be accompanied by a true and complete copy of all documents constituting the agreement between the Selling Shareholder and the proposed transferee regarding the proposed Transfer.

- b. UNO shall be entitled to respond to the Offer Notice by serving a written notice ("**the Response Notice**") on the Selling Shareholder prior to the expiry of 7 (seven) Business Days from the date of receipt of the Offer Notice ("**Offer Period**") requiring the Selling Shareholder to ensure that the proposed transferee of the Sale Shares also purchases such number of the UNO Shares (which do not exceed such number of UNO Shares calculated pro-rata in the ratio of the shareholding of UNO in the Company at such time vis-a-vis the shareholding of the Selling Shareholder at the time of issuing the Offer Notice) as mentioned in the Response Notice at the same price and on the same terms as are mentioned in the Offer Notice.

- c. If the proposed transferee(s) is/are unwilling or unable to acquire all of the securities mentioned in each Response Notice upon such terms, then the Selling Shareholder may elect either to cancel such proposed Transfer or allocate proportionately such number of UNO Shares offered by UNO in the Response Notice and the Sale Shares (the proportion to be calculated with reference to the holding of the Selling Shareholder and the UNO inter-se in the capital of the Company after considering the total number of shares proposed to be purchased by an intending purchaser), and consummate such Transfer on such terms. The Selling Shareholder shall not be entitled to sell or transfer any of the Sale Shares to any proposed purchaser/transferee unless the proposed purchaser/transferee simultaneously purchases and pays for the required number of UNO Shares of UNO mentioned in this paragraph and/or in the Response Notice in accordance with these Articles.
- d. The Selling Shareholder shall ensure that, along with the Sale Shares, the proposed transferee also acquires the UNO Shares specified in each Response Notice for the same consideration and upon the same terms and conditions as applicable to the Sale Shares, provided that UNO may choose to receive the cash equivalent of any such consideration which is in a form other than cash and provided that the transferee of the shares under this Article 269 agrees to be bound by the terms of the UNO Agreement by executing a deed of adherence thereto in the form annexed to the UNO Agreement prior to such Transfer. Where UNO have properly elected to exercise their tag-along right and the proposed transferee fails to purchase from UNO all the UNO Shares which they are entitled to sell under this tag along provision, the Selling Shareholder shall not make the proposed Transfer, and if purported to be made, such Transfer shall be void and the Company shall not register any such Transfer of such shares.
- e. In the event UNO does not deliver a Response Notice to the Selling Shareholder prior to the expiry of the Offer Period, then, upon the expiry of the Offer Period, the Selling Shareholder shall be entitled to sell and transfer the Sale Shares to the proposed transferee mentioned in the Offer Notice on the same terms and conditions and for the same consideration as is specified in the Offer Notice, subject however to each such transferee of the Equity Shares agreeing to be bound by the terms of the UNO Agreement by executing a deed of adherence thereto in the form annexed to the UNO Agreement prior to such Transfer. If completion of the sale and transfer to the proposed transferee does not take place within the period of 30 days following the expiry of the Offer Period (which may be extended by a further period of 30 (thirty) days or such extended date as agreed to by UNO in order to obtain all necessary governmental approvals), the Selling Shareholder's right to sell the Sale Shares to such third party shall lapse and the provisions of sub- Articles 269 (b) - (g) shall once again apply to the Sale Shares.
- f. The shareholders agree that the Transfer restrictions in these Articles shall not be capable of being avoided, and shall not be avoided, by the holding of Equity Shares indirectly through a company or other entity that can itself be sold in order to dispose of an interest in Equity Shares free of such restrictions. Any Transfer, issuance or other disposal of any shares (or other interest) or in any change in the control, directly or indirectly, of the Promoters, or of any Person which holds, directly or indirectly, any equity shares in the Promoters, shall be treated as being a Transfer of the Promoters Shares or transfer of the shares in the corporate Promoters or in their corporate shareholders by such Person, as the case may be, and shall be a breach of this Agreement and void ab initio. Consequently, the Promoters agree that there shall be no change in the shareholding pattern of such of the Promoters as are companies or in the shareholding pattern of any corporate shareholders of the Promoters (and so on, until all shareholders are individuals) without UNO's Consent

- g. Provided that nothing contained in these sub Articles 269(b) (g) shall apply in case in the event that (i) the Promoters do not sell more than 20% (in the aggregate) of their current shareholding in an IPO; and (ii) the Promoters shareholding in the Company post the sale referred to in (i) above does not fall below 50% of the then paid up equity share capital of the Company .

**Restrictions on Transfer**

Subject to sub Articles 269 (g), the provisions of clause sub Articles 269 (h) shall not apply to any transfer of Equity Shares held by the Promoters inter se or other Persons as agreed to by UNO at its sole discretion.

- h. Except for the shares required to be locked in by the Promoters under the SEBI (Disclosure and Investor Protection) Guidelines, 2000 as applicable to the Company, the Promoters shall not be entitled to Transfer or create any lien or Encumbrance during the time UNO (together with the members of the UNO Investor Group) hold any shares in the Company.

270. *Investor Put Option*

Subject to there being no pending written notice from the Company and / or the Promoters exercising the Promoters Call Option as mentioned in Clause 13.1 of the UNO Agreement at any time after March 31, 2009 but prior to or on March 31, 2010, UNO shall have the option, to be exercised by a written notice by UNO to the Company and / or the Promoters, to require the Company and / or Promoters to buy back and / or purchase all or any of UNO Shares at a price to be agreed by the Promoters, the Company and UNO (“Investor Put Option”). The Company and the Promoters shall be jointly and severally obliged and hereby undertake to buy back and / or purchase from UNO such number of UNO Shares pursuant to UNO Put Option. The Company, the Promoters and UNO shall thereafter ensure that the Transfer from UNO to the Company and / or the Promoters and the payment of consideration from the Company and / or the Promoters to UNO is done simultaneously and completed within 7 Business Days from the exercise of UNO Put Option. The Parties may mutually agree to extend such 7 Business Day period by such further period as they may deem fit for obtaining Government Approvals.

## 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 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, Tamil Nadu for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

#### *Material Contracts to the Issue*

1. Engagement Letters dated July 23, 2007, September 5, 2007 and September 24, 2007 to the GCBRLM, the BRLM and the CBRLM, respectively, from our Company appointing them as the GCBRLM, the BRLM and the CBRLM.
2. Memorandum of Understanding among our Company, the GCBRLM, the BRLM and the CBRLM dated September 27, 2007.
3. Memorandum of Understanding among our Company and Registrar to the Issue, dated September 24, 2007.
4. Escrow Agreement dated [●], 2008 among the Company, the GCBRLM, the BRLM, the CBRLM the Escrow Banks, and the Registrar to the Issue.
5. Syndicate Agreement dated [●], 2008 among the Company, the GCBRLM, the BRLM, the CBRLM and Syndicate Members.
6. Underwriting Agreement dated [●], 2008 among the Company, the GCBRLM, the BRLM, the CBRLM and Syndicate Members.

#### *Material Documents*

1. Our Memorandum and Articles of Association, as amended from time to time.
2. Our certification of incorporation.
3. Board resolution dated 10/09/2007 in relation to the Issue.
4. Shareholders' resolutions dated 20/09/2007 in relation to the Issue.
5. Shareholders resolution dated September 20, 2007 in relation to the appointment of and the terms of employment of Mr. T. Shivaraman, as Managing Director and Chief Executive Officer of our Company and Mr. M. Amjad Shariff as Joint Managing Director of our Company
6. Shareholders resolution dated September 30, 2006 in relation to the appointment and remuneration of Mrs. Vathsala Ranganathan as wholetime director of our Company
7. Investment Agreement dated 24/03/2006 with Bessemer Venture Partners Trust
8. Investment Agreement dated 29/03/2005 with UNO Investments
9. Investment Agreement dated 11/12/2006 with UTI IAS
10. Notice for exercise of promoter call option by SIHPL to UNO Investments dated November 22, 2007
11. Shareholder Agreement dated November 20, 2007 between BVP, Shriram EPC (Singapore) Pte Limited and our Company.
12. Letter of Termination dated 20/09/2007 each for Bessemer Venture Partners Trust and UTI IAS and Letter of Variation for UNO Investments
13. UNO Letters of Purchase dated November 28, 2007
14. BVP Letter of Purchase dated November 28, 2007
15. Investor Rights Letter Agreement dated November 29, 2007
16. Joint Venture Agreement dated January 16, 2007 between Leitwind BV and our Company for Leitner Shriram Manufacturing Limited
17. Joint Venture Agreement dated February 3, 2007 between Leitwind BV and our Company for Shriram Leitwind Limited
18. Joint Venture, Share Transfer and Shareholders Agreement dated February 5, 2007 (along with a Supplementary agreement of the same date) between Hamon Thermal Europe SA, Hamon Thermopack Engineers Private Limited and our Company
19. Copy of the Shriram Ownership Trust Deed dated 11/12/2006.
20. MoU dated August 28, 2007 between Bessemer Venture Partners Trust and our Company for OGPL

21. Statements of Assets and Liabilities and Summary Statement of Profits and Losses, as Restated and Cash Flows, as Restated, under Indian GAAP as at and for the years ended March 31, 2007, 2006, 2005, 2004 and 2003 and for the six months ended September 30, 2007 audited by Deloitte Haskins and Sells and their audit reports on the same, both dated January 4, 2008.
22. Statement of Tax Benefits from Deloitte Haskins and Sells dated January 10, 2008 – Auditor’s Report on possible Income-tax benefits available to the Company and its shareholders.
23. Copies of annual reports of our Company for the years ended March 31, 2007, 2006, 2005, 2004 and 2003
24. Consent of our Auditors for inclusion of their reports on restated financial statements and auditors report on audited financial statements as at and for the fiscal year ended March 31, 2007, 2006, 2005, 2004 and 2003 and as of the 6 month period ended September 30, 2007 in the form and context in which they appear in the Red Herring Prospectus.
25. Auditor’s certificate dated January 4, 2008 for Objects of the Issue
26. Consents of Bankers to the Company, GCBRLM, the BRLM, the CBRLM, Syndicate Members, Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue, Domestic Legal Counsel to the Company, Domestic Legal Counsel to the Underwriters, International Legal Counsel to the Underwriters, Directors of the Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
27. General powers of attorney executed by our Directors in favour of persons for signing and making necessary changes to this Red Herring Prospectus and other related documents.
28. Listing Agreement dated [●] with [●].
29. In-principle listing approval dated October 23, 2007, 2007 and November 1, 2007, 2007 from BSE and NSE respectively.
30. Tripartite Agreement among NSDL, our Company and the Registrar to the Issue dated October 12, 2007 .
31. Tripartite Agreement among CDSL, our Company and the Registrar to the Issue dated October 12, 2007.
32. Due diligence certificate dated September 28, 2007 to SEBI from the GCBRLM, the BRLM and the CBRLM.
33. SEBI observation letter No.CFD/DIL/ISSUES/SM/112507/2008 dated January 3, 2008,
34. CRISIL IPO Grading report .
35. Extract from IPO Committee Meeting of the Board of Directors dated 16/01/2008.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes

## DECLARATION

We, the Directors of the Company, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by Securities and Exchange Board of India, applicable as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be, and that all approvals and permissions required to carry on our business have been obtained, are currently valid and have been complied with. We further certify that all the statements in this Red Herring Prospectus are true and correct.

### **Signed by the Directors of our Company**

Mr. Arun Duggal*	Sd/-
Mr. T. Shivaraman*	Sd/-
Mr. M. Amjad Shariff*	Sd/-
Mrs. Vathsala Ranganathan	Sd/-
Mr. R. S. Chandra*	Sd/-
Mr. K.E.C. Raja Kumar*	Sd/-
Mr. S. R. Ramakrishnan*	Sd/-
Major General A.L. Suri (Retd)*	Sd/-
Mr. R. Sundararajan*	Sd/-
K. Madhava Sarma	Sd/-

\*Signed on behalf of the Directors by Mr. K. Suresh, the duly constituted power of attorney

### **Signed by Vice President - Operations and Corporate Finance**

Sd/-

Mr. Vivek Sharma

### **Signed by the Company Secretary**

Sd/-

Mr. K. Suresh

Date: January 16, 2008

Place: Chennai

## Grading Rationale for CRISIL IPO Grading

### Shriram EPC Ltd

### CRISIL IPO Grade 3.0/5.0

Public issue of 5,000,000 equity shares of face value Rs 10 at a targeted price range of Rs 300-400 per share

Bid/Offer Opens	*
Bid/Offer Closes	*
Shares Offered	5,000,000
Shares Outstanding (Post issue)	42,867,790
<b>Lead Managers</b>	
Kotak Mahindra Capital Company Ltd	
ICICI Securities Ltd	
Motilal Oswal Investment Advisors Pvt. Ltd	
<b>Registrar to the Issue</b>	
Cameo Corporate Services limited, Chennai	

Shriram EPC Ltd.			
Past Financial performance		2005-06	2006-07
Operating income	Rs Million	1,527	3,064
Operating margins	Per cent	9.6	7.8
Net profits	Rs Million	75.7	103.2
Net margins	Per cent	5.0	3.4
ROCE	Per cent	10.1	12.6
Return on Equity	Per cent	7.5	6.4
No. of equity shares	Million	37.9	37.9
Net worth	Rs Million	1,556	1,670
Basic Earnings per share	Rs	2.0	2.7
Diluted Earnings per share	Rs	1.7	2.3
Book value	Rs per share	41.1	44.1
Gearing	Times	0.3	0.1

Shareholding pattern	Prior to the issue		Post issue	
	No. of shares	%	No. of shares	%
Promoters	18,458,344	48.7	18,458,344	43.1
Others	19,409,376	51.3	19,409,376	45.3
Public	Nil	Nil	5,000,000	11.7
<b>Total</b>	<b>37,867,790</b>	<b>100.0</b>	<b>42,867,790</b>	<b>100.0</b>

Note: The above financials have been reclassified as per CRISIL's financial analysis framework

In order to arrive at the overall grade, CRISIL has considered the following broad parameters:

- Business prospects and financial performance
- Management capability
- Corporate governance.

#### Overall assessment

CRISIL has assigned a CRISIL IPO Grade '3/5' (pronounced 'three on five') to the proposed Initial Public Offer of Shriram EPC Ltd. (SEPCL). This grade indicates that the fundamentals of the issue are average in relation to other listed equity securities in India.

The grading reflects the company's strength in executing EPC projects in the captive power and metallurgy sectors. The grading draws strength from the deep experience of the top as well as the middle management team, which has demonstrated strong understanding of market dynamics, as reflected in SEPCL's consistent track record of attracting technology partners in the key business areas. The grading also reflects improvement in the company's corporate governance system following the induction of the private equity investors on the board. The grading is, however, tempered by the fact that SEPCL lacks prior experience in MW-class WEG manufacturing and also in executing large-scale, turnkey EPC projects in the cement sector. The company will be exposed to execution risks in its sole cement sector order, which constituted nearly 30 per cent of the total order book (Rs 18 billion) as on September 30, 2007. The grading also takes into account the challenges SEPCL could face in recruiting experienced manpower to keep pace with its present growth plans.

**To benefit from the booming metals sector and growing preference for captive power generation**  
SEPCL is riding on the boom in the metals sector in the country. The company's EPC business is expected to report impressive growth over the next few years, supported by huge investments in the metal sector. The company is also likely to benefit from the expected growth in captive power generation capacities in India. On an average, we expect nearly 2,000-3,000 MW per annum capacities to be added over the next 5 years. As SPECL is well connected within the southern market with varied small industrial players, it is likely to benefit from the opportunity available in the small or captive power generation segment.

**Strong top and middle management**

The company's top management has adequate technical know-how, considering their long standing presence in the sector. Their experience and expertise has helped the company bag some very big orders in the recent past. Besides, the management has been proactive in identifying newer growth opportunities and striking right technical collaborations to improve upon their engineering capabilities.

**Still to demonstrate its skills in many business segments**

Leitwind- the technology partner in the MW-class WEG business- is a relatively new entrant in the field. Although we believe the company's venture with Leitwind BV for MW-class WEG machines holds good potential, one cannot ignore the fact that Leitwind's gearless technology is relatively new and it is yet to establish a proven market. The company's success in this field would therefore depend, to a large extent, on its ability to surmount marketing-related challenges. This is especially true of the export markets, an area in which SEPCL has had limited exposure until now.

The company's EPC order book has soared to Rs 18 billion for the period ended September 2007. SEPCL, which until now has been primarily focused on executing EPC projects in the captive power and the metallurgy segments, has secured one very big order in the cement sector (Sree Jayajothi Cement - Rs 5.7 billion). The order, which is the first and only one as of now in the cement sector, entails setting up a 1.5-mt greenfield cement plant and constituted nearly 30 per cent of the total order book as on September 30, 2007. Considering SPECL's lack of experience in executing turnkey projects in the cement sector, we believe that it is exposed to execution risk on this project, which in turn, can affect future inflow of orders from this sector.

**Recruiting experienced employees - A daunting task**

Recruiting manpower with relevant experience is of utmost importance for the company to achieve the growth plans it has laid out for the next 3-5 years. Even though the company has evolved a very innovative employee retention mechanism, the top management does feel that hiring experienced personnel is one of the key challenges it faces today.

Shriram Ownership Trust, which holds 100 per cent stake in SIHPL, is a non-promoter owned trust that was constituted by a trust deed on September 11, 2006. The Trust is being administered through the Shriram Ownership Scheme. The scheme provides framework to distribute the trust fund on retirement of key Shriram Group employees. The trustees are Mr. R. Thyagarajan (the Shriram Group promoter), Mr. Arun Duggal (SEPCL Chairman and non-executive Financial Advisor), Mr. D.A. Prassana, Mr. R. Kannan and Mr. D.V. Ravi.

**Moderate corporate governance practices**

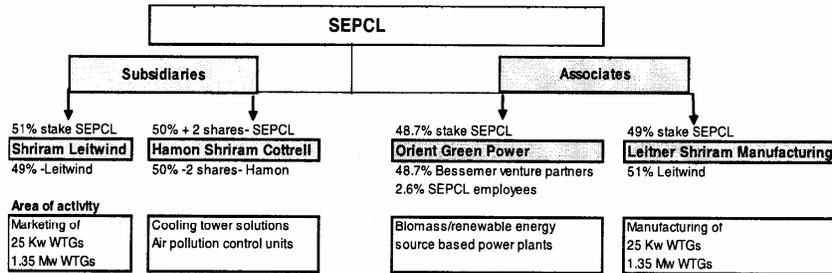
Presence of private equity players like Bessemer on the company's board for over 2 years has ensured that regular internal audit and reporting methods are being followed. We also believe that the independent directors are reasonably equipped to provide management and business oversight.

**Business profile**

Shriram EPC Ltd (SEPCL) specialises in executing engineering, procurement and construction (EPC) projects in specific sectors such as power (mostly small biomass-based thermal plants), metallurgy and municipal services (pipe rehabilitation and water/sewage treatment). Besides undertaking EPC projects, the company also manufactures 250-Kilowatt (Kw) windmill generators and installs cooling towers.

Recent changes in the company architecture:

- Orient Green Power (OGPL), an associate company in which SEPCL holds 48.7 per cent stake was incorporated in December 2006. OGPL focuses on developing renewable energy source-based (biomass and hydel) power plants on BOO and BOOT basis.
- SEPCL has also set up another associate company, namely Leitner Shriram manufacturing (49 per cent owned by SEPCL and 51 per cent by Leitwind BV, Netherlands), and a subsidiary company called Shriram Leitwind Ltd (49 per cent owned by Leitwind BV, Netherlands and 51 per cent by SEPCL) to manufacture and market 1.35 MW-class WTG machines. It even plans to shift the Kw machine business to the newly formed JV manufacturing firm. These entities are expected to commence operations from January 2008.
- SEPCL invested in Hamon Thermopack Engineers Pvt Ltd, which was an operating company. The company's name was subsequently changed to Hamon Shriram Cottrell Ltd (HSCL). Effective April 1, 2007, HSCL became a subsidiary of SEPCL (50 per cent plus 2 shares); it carries out the business of cooling towers and Air pollution control unit erection.



**Financial profile**

The growth in power and metallurgical sectors has propelled SEPCL's business growth over the past few years. In 2006-07, EPC and Wind electric generator businesses contributed nearly 55 per cent and 35 per cent, respectively, to the total revenues of the company; the balance was contributed by the Cooling towers business. In 2006-07, the company reported a net profit of Rs 103 million on a turnover of Rs 3,064 million. The company's return on capital employed (RoCE) and return on equity (RoE) was 12.6 per cent and 6.4 per cent, respectively, in 2006-07 on a total asset base of Rs 2,929 million and total net worth of Rs 1,670 million.

### **Profile of Management and Board**

SEPCL has evolved a well-distributed decision making structure. Mr. T. Shivaraman (aged 41), the son of the Shriram Group promoter Mr R. Thaygarajan, who has been with the group since 1993 has come up the ranks in the organisation and was appointed as Additional Director and Managing Director on September 20, 2007. Alongside Mr. T. Shivaraman, Mr. Amjad Shariff, who has been associated with the group for the past 18 years, is also at the helm of the company's decision making structure. Several members of the senior management team have also been with the company/Group for long.

<b>Board of Directors</b>				
<b>Name of Directors</b>	<b>Designation</b>	<b>Age (yrs)</b>	<b>Qualification</b>	<b>Key positions held</b>
Mr. Arun Duggal	Chairman and Non-Executive Director	60	B. Tech (Mechanical) IIT Delhi; MBA-IIM (A)	CEO- Bank of America; CFO- HCL Technologies
Mr. T. Shivaraman	Managing Director and Chief Executive Officer	41	B. Tech and MS- (Chemical) from IIT Madras	-
Mr. M. Amjad Shariff	Joint Managing Director	51	M. Tech (Chemical - IIT Madras	-
Ms. Vathsala Ranganathan	Whole Time Director	55	PG-Economics from Madras Univ.	President- Shriram Group of companies
Mr. R. S. Chandra	Nominee Director (Bessemer Venture Partners)	41	BA- Univ. of California; MBA- Harvard Business School	General Partner- Commonwealth capital Ventures; Engagement Manager- McKinsey & co.; Senior Associate- Accenture
Mr. K.E.C Raja Kumar	Nominee Director (UTI IAS)	44	M.Sc. from Sri Venkateswara Univ.; Advanced management programme- Harvard Business School	MD and CEO of UTI Venture Funds; Regional manger SEBI; Senior Officer with the Indian Civil Services
Mr. S. R. Ramakrishnan	Independent Director	72	ME- Engineering College Anantapur; Metallurgy and Business mgt. course from Carnegie Institute of Technology	Advisor- C.K Birla Group; Commercial Director on the board of Steel Authority of India
Major General A.L. Suri (Retd.)	Independent Director	73	BE- College of Military Engineering, Pune	Major General- Indian Army; CEO- Suri Capital & Leasing Ltd
Mr. R. Sundararajan	Independent Director	59	BE-Jadhavpur Univ. Calcutta; MBA- IIM (A); and Associate of the Insurance Institute of India	Exc. VP- Strategic Business planning Matrix Laboratories Ltd

Source: Company prospectus

Of the 10-member board, four are independent directors and two are investor nominee directors. Three of the four independent directors, viz. Mr. R. Sundararajan (October 22, 2005), Mr. S. R. Ramakrishnan (May 14, 2005) and Retd Major General A.L. Suri (May 14, 2005) have been on the board of the company for over 2 years now. Mr. K. Madhava Sarma has been on the board for over 1 year now.

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