


**DRAFT RED HERRING PROSPECTUS**

Please read Section 60B of the Companies Act, 1956  
(The Draft Red Herring Prospectus will be updated upon filing  
with the Registrar of Companies, Uttar Pradesh & Uttarakhand)  
**100% Book Built Issue**

## SURYA FOOD & AGRO LIMITED

[Incorporated as a private Limited Company on November 26, 1992 under the Companies Act, 1956 as Surya Food & Agro Private Limited vide Certificate of Incorporation issued by the Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur. The name of the Company was changed to Surya Food & Agro Ltd. upon conversion into Public Limited Company with effect from March 27, 2000 and a fresh certificate of incorporation has been obtained from Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur.]

**Registered Office:** D-1, Sector-2, Noida- 201301, District Gautam Budh Nagar, Uttar Pradesh  
**Tel.:** +91-0120-2552989, 2522939; **Fax:** +91-0120-2558154; **E-mail:** investors@priyagold.com; **Website:** www.priyagold.com  
**Contact Person:** Mr. Rajesh Sodhi, Company Secretary & Compliance Officer

**PUBLIC ISSUE OF [●] EQUITY SHARES OF RS. 10/- EACH AT A PRICE OF RS. [●] PER EQUITY SHARE (INCLUDING SHARE PREMIUM OF RS. [●] PER EQUITY SHARE) FOR CASH AGGREGATING RS. 13590.75 LACS BY SURYA FOOD & AGRO LIMITED (HEREINAFTER REFERRED TO AS THE "ISSUE". THE ISSUE WILL CONSTITUTE [●]% OF THE FULLY DILUTED POST ISSUE PAID-UP EQUITY SHARE CAPITAL OF THE COMPANY.**

**PRICE BAND: RS. [●] TO RS. [●] PER EQUITY SHARE**

**THE ISSUE PRICE IS [●] TIMES OF THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND [●] TIMES OF THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND**

In case of revision in the Price Band, the Bidding/Issue Period will be extended for 3 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 ("NSE") and the Bombay Stock Exchange Limited ("BSE"), by issuing a press release, and also by indicating the change on the website of Book Running Lead Manager and at the terminals of the Syndicate members. The Issue is being made through the 100% Book Building Process wherein up to 50% of the Issue shall be allocated on a proportionate basis to Qualified Institutional Buyers, out of which 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only, and the remainder of the QIB Portion shall be available for allocation on a proportionate basis to all Qualified Institutional Buyers, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Further, upto 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and upto 35% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

### RISK IN RELATION TO FIRST ISSUE

This being the first issue of 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 Book Running Lead Manager, on the basis of assessment of market demand for the Equity Shares offered by way of 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 Company and the Issue including the risks involved. The Equity Shares issued in this Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section titled "Risk Factors" beginning on page xi of this Draft Red Herring Prospectus.

### ISSUER'S ABSOLUTE RESPONSIBILITY

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

### IPO GRADING

The Company has opted for IPO Grading from Credit Analysis & Research Limited (CARE) and the same is awaited

### LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the National Stock Exchange of India Limited ("NSE") and the Bombay Stock Exchange Limited ("BSE"). The Company has received in-principle approvals from these Stock Exchanges for the listing of the Equity Shares pursuant to letters dated [●] and [●] respectively. For the purpose of the Issue, NSE is the Designated Stock Exchange.

### LEAD MANAGER TO THE ISSUE

#### KEYNOTE

CORPORATE SERVICES LTD.

#### KEYNOTE CORPORATE SERVICES LTD.

4<sup>th</sup> Floor, Balmer Lawrie Building, 5, J.N.Heredia Marg,

Ballard Estate, Mumbai – 400001.

Tel: +91-22-30266000-3; Fax: +91-22-22694323

Website: www.keynoteindia.net; E-mail: mbd@keynoteindia.net

SEBI Registration No.: INM 000003606

AMBI Registration No: AMBI/040

Contact Person: Mr. Satish Mangutkar

### REGISTRAR TO THE ISSUE



#### BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.

BEETAL HOUSE, 3<sup>rd</sup> Floor, 99 Madangir,

Behind Local Shopping Centre, New Delhi- 110062.

Tel.: +91-011-29961281; Fax: +91-011-29961284

Website: www.beetalfinancial.com; E-mail: surya@beetalfinancial.com

SEBI Registration No.: INR 000000262

Contact Person: Mr. Punit Mittal

### ISSUE SCHEDULE

**BID/ISSUE OPENS ON :**

[●]

**BID/ISSUE CLOSES ON :**

[●]

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## I. DEFINITIONS AND ABBREVIATIONS

### COMPANY/INDUSTRY RELATED TERMS

TERM	DESCRIPTION
“SFAL”, “the Company”, “We”, “us” and “our”	Unless the context otherwise requires, refers to Surya Food & Agro Limited, a public limited company incorporated under the Companies Act, 1956.
Articles of Association	The Articles of Association of the Company i.e., Surya Food & Agro Limited.
Auditors	The statutory auditors of the Company, being M/s Vinay Aggarwal & Associates, Chartered Accountants.
Board of Directors/ Board	The board of directors of the Company or a committee constituted thereof.
Director(s)	Director(s) of the Company unless otherwise specified.
Memorandum of Association	The Memorandum of Association of the Company.
Registered Office of the Company	D-1, Sector-2, Noida- 201301, District Gautam Budh Nagar, Uttar Pradesh.

### ISSUE RELATED TERMS AND ABBREVIATIONS

TERM	DESCRIPTION
Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue of Equity Shares pursuant to this Issue.
Bid	An indication to make an offer, made during the Bidding Period by a prospective investor to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidder on submission of the Bid for this Issue.
Bid/ Issue Closing Date	The date after which the members of the Syndicate will not accept any Bids for this Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid/ Issue Opening Date	The date on which the members of the Syndicate shall start accepting Bids for this Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a regional newspaper.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of the Company and which will be considered as the application for allotment in terms of this Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Book Building Process	Book building mechanism as provided under Chapter XI of the SEBI Guidelines, in terms of which this Issue is made.
BRLM	Book Running Lead Manager to this Issue, in this case being Keynote Corporate Services Limited.
CAN/ Confirmation of Allocation Note	The note or advice or intimation of allocation of Equity Shares sent to the Bidders who have been allocated Equity Shares after discovery of Issue Price in the Book Building Process.

<b>TERM</b>	<b>DESCRIPTION</b>
Cap Price	The upper end of the Price Band, above which the Issue Price will not be recognized and above which no Bids will be accepted.
Cut-off	The Issue Price finalized by the Company in consultation with the BRLM and it shall be any price within the Price Band. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Date	The date on which funds are transferred from the Escrow Account to the Public Issue Account after the Prospectus is filed with the Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur following which the Board of Directors shall allot Equity Shares to successful Bidders.
Designated Stock Exchange	In this case being the National Stock Exchange Limited.
Draft Red Herring Prospectus/DRHP	This Draft Red Herring Prospectus filed with SEBI, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Issue
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
Escrow Account	Account opened with Escrow Collection Bank(s) and in whose favour the Bidder will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into among the Company, the Registrar to this Issue, the Escrow Collection Banks and the BRLM in relation to the collection of the Bid Amounts and dispatch of the refunds (if any) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)	The banks, which are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being [●].
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalized and below which no Bids will be accepted.
Indian National	As used in the context of a citizen of India as defined under the Indian Citizenship Act, 1955, as amended, who is not an NRI.
Issue	The issue of [●] Equity Shares of Rs. 10 each fully paid up at the Issue Price aggregating Rs. 13590.75 Lacs.
Issue/ Bidding 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.
Issue Price	The final price at which Equity Shares will be issued and allotted in terms of the Red Herring Prospectus or the Prospectus, as determined by the Company in consultation with the BRLM, on the Pricing Date.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, being 10% to 100% of the Bid Amount in case of QIB and 100% in case of other than QIB applicants.
Mutual Funds	Means mutual funds registered with SEBI pursuant to the SEBI (Mutual

TERM	DESCRIPTION
	Funds) Regulations, 1996, as amended from time to time.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 100,000/-.
Non Institutional Portion	The portion of this Issue being upto 15% of the Issue consisting of [●] Equity Shares of Rs. 10/-, available for allocation to Non Institutional Bidders.
Pay-in Date	Bid/Issue Closing Date or the last date specified in the CAN sent to Bidders receiving allocation who pay less than 100% margin money at the time of bidding, as applicable.
Pay-in-Period	Means: <ul style="list-style-type: none"> <li>(i) with respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/ Issue Opening Date and extending until the Bid/Issue Closing Date; and</li> <li>(ii) with respect to QIBs, whose Margin Amount is 10% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date.</li> </ul>
Price Band	The price band of a minimum price ("Floor Price") of Rs. [●] and the maximum price ("Cap Price") of Rs. [●] and includes revisions thereof.
Pricing Date	The date on which the Company in consultation with the BRLM finalises the Issue Price.
Prospectus	The Prospectus, to be filed with the Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	Account opened with the Banker to this Issue to receive monies from the Escrow Account for this Issue on the Designated Date.
QIB Margin Amount	An amount representing 10% of the Bid Amount.
QIB Portion	Consists of [●] Equity Shares of Rs. 10/- each, being upto 50% of the Issue, available for allocation to QIBs. 5% of the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only.
Qualified Institutional Buyers or QIBs	Public financial institution as defined in section 4A of the Companies Act, 1956, scheduled commercial banks, mutual funds, foreign institutional investor registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority (IRDA), provident funds with minimum corpus of Rs. 25 crores and pension funds with minimum corpus of Rs. 25 crores)
Red Herring Prospectus/RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue. It carries the same obligations as are applicable in case of a Prospectus and will be filed with the Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur at least three days before the opening of this Issue. It will become a Prospectus after filing with the Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur after pricing and allocation.
Registrar/ Registrar to this Issue	Beetal Financial & Computer Services (P) Limited.

<b>TERM</b>	<b>DESCRIPTION</b>
Retail Individual Bidders	Individual Bidders (including HUFs) who have Bid for an amount less than or equal to Rs. 100,000 in any of the bidding options in this Issue.
Retail Portion	Consists of [●] Equity Shares of Rs. 10/- each, being upto 35% of the Issue, available for allocation to Retail Individual Bidder(s).
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Stock Exchanges	Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.
Syndicate	The BRLM and the Syndicate Member.
Syndicate Agreement	The agreement to be entered into between the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Member	[●]
Transaction Registration Slip/ TRS	The slip or document issued by the Syndicate Member/Sub-Syndicate Member to the Bidders as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Member.
Underwriting Agreement	The Agreement among the Underwriters and the Company to be entered into on or after the Pricing Date.

**GENERAL / CONVENTIONAL TERMS:**

<b>TERM</b>	<b>DESCRIPTION</b>
Companies Act	The Companies Act, 1956, as amended from time to time.
Depositories Act	The Depositories Act, 1996, as amended from time to time.
Depository	A depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time.
Depository Participant	A depository participant as defined under the Depositories Act.
Equity Shares	Equity Shares of the Company of face value of Rs. 10/- each unless otherwise specified in the context thereof.
Financial Year/ Fiscal/ FY	The period of twelve months ended March 31 of that particular year.
Indian GAAP	Generally Accepted Accounting Principles in India.
Insurance Act	Insurance Act, 1938, as amended from time to time.
I. T. Act	The Income Tax Act, 1961, as amended from time to time.
I.T. Rules	The Income Tax Rules, 1962, as amended from time to time, except as stated otherwise.
Non Resident	A person who is not resident in India except NRIs and FIIs.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
RBI	Reserve Bank of India constituted under the RBI Act.
RBI Act	The Reserve Bank of India Act, 1934 as amended from time to time.
SCRA	Securities Contract (Regulation) Act, 1956, as amended from time to time.
SCRR	Securities Contracts (Regulation) Rules, 1957, as amended from time to time.
SEBI	Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	Securities and Exchange Board of India Act, 1992, as amended from time to time.

<b>TERM</b>	<b>DESCRIPTION</b>
SEBI Guidelines	The SEBI (Disclosure and Investor Protection) Guidelines 2000, as amended from time to time, including instructions, guidelines and clarifications issued by SEBI from time to time.

#### **ABBREVIATIONS**

<b>ABBREVIATION</b>	<b>FULL FORM</b>
AGM	Annual General Meeting
AMBI	Association of Merchant Bankers of India
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
AY	Assessment Year
BSE	Bombay Stock Exchange Limited.
BG/LC	Bank Guarantee/ Letter of Credit
CAGR	Compounded Annual Growth Rate.
CDSL	Central Depository Services (India) Limited.
DP	Depository Participant
ECS	Electronic Credit System
EGM	Extra Ordinary General Meeting of the shareholders.
EPS	Earnings per Equity Share.
FCNR Account	Foreign Currency Non Resident Account.
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time and the regulations issued thereunder.
FII	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended from time to time) registered with SEBI under applicable laws in India.
FIs	Financial Institutions.
FIPB	Foreign Investment Promotion Board, Department of Economic Affairs, Ministry of Finance, Government of India
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GDP	Gross Domestic Product
GIR Number	General Index Registry Number.
GOI/ Government	Government of India.
HUF	Hindu Undivided Family.
INR / Rs./ Rupees	Indian Rupees, the legal currency of the Republic of India.
NAV	Net Asset Value.
NR	Non Resident
NRE Account	Non Resident External Account.
NRI/Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
NRO Account	Non Resident Ordinary Account.
NSDL	National Securities Depository Limited.
NSE	National Stock Exchange of India Limited.
P/E Ratio	Price/Earnings Ratio.
PAN	Permanent Account Number.
ROC/Registrar of Companies	The Registrar of Companies, Uttar Pradesh & Uttarakhand, Kanpur

<b>ABBREVIATION</b>	<b>FULL FORM</b>
RONW	Return on Net Worth.

**INDUSTRY RELATED TERMS AND ABBREVIATIONS**

<b>TERM/ ABBREVIATION</b>	<b>DESCRIPTION/FULL FORM</b>
NOIDA	New Okhla Industrial Development Authority
U.P.	Uttar Pradesh
MRP	Maximum Retail Price
KV	Kilo Vatt
LPG	Liquified Petroleum Gas
BMAI	Biscuit Manufacturers Association of India
KG	Kilo Gram
MT	Metric Tonne
TPD	Tonnes Per Day
SIDCUL	State Industrial Development Corporation of Uttaranchal Limited

## **CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA**

Unless indicated otherwise, the financial data in this DRHP is derived from the restated financial statements prepared in accordance with Indian GAAP and included in this DRHP. SFAL's fiscal year commences on April 1 and ends on March 31. So all references to a particular fiscal year are, unless otherwise stated, to the twelve-month period ended March 31 of that year.

Unless otherwise specified or the context otherwise requires, all references to a particular fiscal year, "fiscal", "Fiscal", "FY" or "Financial Year" in this DRHP are to the twelve months ended March 31 of that year. For additional definitions, see the section titled "Definitions and Abbreviations" beginning on page (iii).

Unless stated otherwise, all figures have been expressed in lacs.

In this DRHP, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off to two decimal places.

Unless otherwise specified or the context otherwise requires, all references to "India" contained in this DRHP are to the Republic of India, together with its territories and possessions.

### **Currency of Presentation**

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

### **Industry and Market Data**

Unless stated otherwise, industry data used throughout this DRHP has been obtained from industry publications. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes that the industry data used in this DRHP is reliable, it has not been verified by any independent source. Further, the extent to which the market data presented in this DRHP is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which the Company conducts the business, and methodologies and assumptions may vary widely among different industry sources.

## FORWARD-LOOKING STATEMENTS

This DRHP contains certain “forward-looking statements”. These forward looking statements can generally be identified by words or phrases such as “expect”, “estimate”, “intend”, “may”, “plan”, “project”, “shall”, “will” or other words or phrases of similar importance. Similarly, statements that describe Company’s objectives, strategy, plans or goals are also forward-looking statements.

All forward looking statements are subject to risks, uncertainties and assumptions about the Company 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 the expectations include, among others:

- General economic and business conditions;
- Company’s ability to successfully implement its strategy and its growth and expansion plans;
- Increasing competition in the food processing industry;
- Increases in labour costs, raw material prices, freight rates, prices of plant & machineries and insurance premia;
- Manufacturers’ defects or mechanical problems with Company’s plant & machineries;
- Cyclical or seasonal fluctuations in the operating results due to prevailing market conditions;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the food processing industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

For further discussion of factors that could cause Company’s actual results to differ, please see the section entitled “Risk Factors” included in this DRHP. In the light of inherent risks and uncertainties, the forward-looking statements, events and circumstances discussed in this Prospectus might not occur and are not guarantees of future performance.

Neither the Company, its Directors and Officers, any member of the Issue Management Team nor any of their respective affiliates has 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, for purposes of the Issue, the Company and the BRLM to the Issue will ensure that investors in India are informed of material developments relating to the business until such time as the grant of listing and trading permission by the Stock Exchanges.

## II. RISK FACTORS

*An investment in Equity Shares involves a high degree of risk. You should carefully read all the information mentioned in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Company's Equity Shares. If any of the following risks actually occur, our business, financial condition and results of operation could suffer, the trading price of our 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 financial or other implications of any risks mentioned herein.*

### Risk Factors Internal to the Company

#### *Outstanding litigations*

1. *We are involved in a number of legal proceedings which if determined against us, could adversely affect our business and financial condition.*

Our Company, the Directors, the Promoters are parties to certain legal proceeding. No assurances can be given as to whether these matters will be settled in our favour or against us. A summary of the pending proceedings is set forth below:

#### a) **Litigations Against Company**

##### Criminal Case

#### **Gatoo Traders (the "Complainant") v. Mr B. P. Agarwala, Chairman & Mr. Shekhar Agarwal, Directors Surya Food & Agro Limited (the "Accused")**

The case is filed in the court of Hon'ble Judicial Magistrate Munsifs, Pulwama (Jammu & Kashmir) under section 418 read with section 120B of Indian Penal Code, 1960 (IPC). The Complainant was appointed as a dealer for distribution of Priya Gold biscuits for District Pulwama by the accused from 2005 to 2010. The Complainant alleged that a payment of Rs. 3,00,000/- vide Demand Draft no. 527263 dated 06.11.2006 was made by him, but the Accused failed to supply the goods in trade. The Complainant also alleged criminal intention of cheating the Complainant and usurping the draft amount as well as the earlier balance amount. The Complainant has prayed for criminal proceedings against the accused. The accused was summoned through bailable warrants to the tune of Rs. 10,000/- each.

Ad-interim relief order has been issued by the Sub-Judge temporarily restraining the Accused from causing any sort of interference through any means with the Complainant's right to run the distribution/dealership of Priya Gold biscuits and juices for Pulwama and Shopian and not to supply the same to any other person, agency, firm other than to the Complainant. The Company has moved to the Hon'ble High Court, Jammu and Kashmir under Section 482 of I.P.C for quashing of complaint case.

## Other Cases

The summary of other cases pending against the Company is as follows:

(Rs. in lacs)

Sr. No	Particulars	No. of Cases/Disputes	Approx. Amount Involved wherever quantifiable
1	Central and Custom Cases	7	274.18
2.	Service Tax Cases	3	23.12
3	Civil Cases	4	7.47

For details please refer to page no. 125 of this DRHP.

### **b) Litigation against the Promoter/Directors**

#### Criminal Cases

##### **i Suresh Kumar Bagri, Proprietor (the "Complainant") v. Shri Shekhar Agarwal, Director, Surya Food & Agro Limited.**

Case no. C-1/91/2005 under Section 420/406/506 of the Indian Penal Code (IPC) in the Court of Chief Judicial Magistrate at Jamshedpur.

The Complainant being a businessman was interested for dealership of the products of the Company for the Dhanbad region, within the Jharkhand State in the name of "*Mahalaxmi Enterprises*". Complainant deposited a sum of Rs. 2,50,000/- as security deposit, for the purpose of getting the dealership of the products of the Company, in the UTI Bank Ltd., Jamshedpur (hereinafter referred to as 'Bank') and got a demand draft no. 042994 dated 9/4/2003 drawn on the Bank for delivering the same to the Company for the said purpose. The case of the Complainant is that he was neither awarded the dealership, nor was the deposited amount refunded to him.

The Complainant has alleged criminal breach of trust by the Company claiming that the Company has misappropriated the aforesaid amount in spite of receipt of notice on 20/12/2004.

The conciliation proceedings between the parties are under process for resolving the matter.

##### **ii Mr. Shekhar Agarwal, Director (Petitioner) Surya Food & Agro Limited v. State of Jharkhand , Suresh Kumar Bagri, Proprietor of M/s S.K. Enterprises.**

Case no. A.B.A. No. 44/2007 in the High Court of Jharkhand at Ranchi.

The petition was filed on 29/11/2006 for grant of Anticipatory Bail to the petitioner as he was seriously confronted with the risk of being arrested or taken into custody upon his surrender in connection with Case No. C-1 91/2005 registered under Sections 420, 406 and 506 of IPC.

A prayer has been made before the Court for the release of the petitioner in the event of his arrest/ surrender.

**iii M/s Kiri Associates Pvt. Ltd. (the “Complainant”) v. Mr. B. P. Agarwala, authorized signatory, ISKCON & others (the “Accused”).**

The case is filed in the Court of Hon’ble C.J.M Court, Panipat under Section 138 of the Negotiable Instruments Act, 1881.

Our Chairman is a member and authorized signatory of the religious institution “ISKCON” which passed the tender of the Complainant and awarded them the work for the construction of the temple cum devotees boarding and lodging facility at A-5, Sector-33, Noida, U.P. Running bills for the construction were given to the Accused on different dates. To discharge their liability, the Accused issued a cheque bearing no. 267227 dated 12/01/2005 drawn on ICICI Bank Ltd. Noida Branch, G-31 & 32, Sector-18, Noida – 201 301 (U.P.) amounting to Rs. 4,89,500/- from their bank SBGEN a/c no. 003101061819. The Complainant presented the said cheque in his bank, Bank of India, East of Kailash Branch, New Delhi for encashment on 12/01/2005. The said cheque was dishonored by bankers of the Accused vide memo dated 13/01/2005 on account of “Insufficient Funds” followed by two similar dishonors.

Thereafter, the Complainant sent a legal notice to the Accused through his advocate, demanding the amount due within 15 days. The Complainant prayed that the Accused be directed to make the payment of cheque to the Complainant. The case is pending before Hon’ble Court.

Other Cases

The summary of other cases pending against the the Promoters/Directors are as follows:

Sr. No	Particulars	No. of Cases/Disputes	(Rs. in lacs)
			Approx. Amount Involved wherever quantifiable (Rs. in Lacs)
1	Central and custom Cases	3	92.64
2.	Civil Cases	3	1.50
3	IT Cases	1	Not Quantifiable

For details please refer to page no. 125 of this DRHP.

*Specific to the Project*

- 2. Out of the total fund requirements about 45% is based on our estimates and is yet to be appraised by our Banker.**

The total funds requirement of the Company for the proposed expansion in biscuit manufacturing capacity and investment in our subsidiary for setting up of Condensed Milk Plant and Chocolate plant is estimated at Rs14390.75 lacs. Our Banker State Bank of India have appraised our expansion project for biscuit manufacturing to the extent of Rs.7938.08 lacs and have also agreed in-principle for sanction of a term loan of Rs.200 lacs. The balance fund requirement of Rs.6452.67 lacs is presently based on our estimate.

## **Management Proposal**

We have approached our banker for appraisal of the same and for sanction of Rs.600 lacs as term loan to part finance the same. We are confident that the same will be in place shortly. We do not foresee any major deviation in our estimates.

- 3. We have not placed orders for the machineries and other equipment proposed to be purchased by us as a part of the objects of the Issue. We may face time and cost overruns in relation to the same.*

We have not yet entered into any definite agreements or placed orders for some machinery and equipment out of the total machineries and other equipments required for our project (*for details please refer section titled "Object of the Issue" commencing on page 23*). We are subject to risks on account of inflation in the price of machinery and other equipment that we require for the project. Further, in respect of the machinery/equipment/other project related services that we propose to import/procure from overseas, we may be subject to the risks arising out of currency rate fluctuations. These factors may increase the overall cost of our Project, and we may have to raise additional funds by way of additional debt or equity placement to complete the objects of this Issue, which may have an adverse effect on our business and results of operations.

**Management Proposal:** We have already commenced construction of Building & other civil work for the proposed biscuit expansion plan at Greater Noida plant. We have deployed Rs.699.32 lacs towards the same. The proposed project is appraised by our Bankers, State bank of India, Overseas Branch, New Delhi who have also sanctioned a term loan of Rs.200 lacs to part finance the same. We have already identified and placed orders for majority of machineries required for the proposed expansion for which payment has to be made. We will use term loan sanctioned by State bank of India towards payment of advance for procurement of the machineries and other equipments. Hence, there will not be any substantial increase in the cost of our project.

- 4. The implementation of the activities required pursuant to the objects of this Issue is dependent on performance of external agencies. Any shortfall in the performance of these external agencies may adversely affect our expansion plans.*

The implementation of the activities required pursuant to the objects of this Issue is dependent on performance of external agencies, which are responsible for construction of buildings, installation and commissioning of plant and machinery and supply and testing of equipment. We cannot assure that the performance of external agencies will meet the required specifications or performance parameters. If the performance of these agencies is inadequate in terms of the requirements, this may result in incremental cost and time overruns, which in turn may adversely affect our expansion plans.

- 5. We are entering into new businesses and activities and we cannot assure you that the new businesses will be successful.*

We plan to diversify our operations, by taking advantage of opportunities created by regulatory and economic reforms. We plan to enter into the business of manufacturing Dairy products and Chocolates through one of our subsidiary company. We do not have significant experience in these new businesses and activities, and they may involve risks and difficulties with which we are not familiar. They may require capital and other resources, as well as management attention, which could place a burden on our resources and abilities.

**6. *Various licenses/approvals required for the proposed new plants of Subsidiary Company Surya Processed Food Pvt. Ltd.at Haridwar are yet to be obtained.***

Our Subsidiary Company requires various consents/permissions/licenses/approvals from various Governmental Authorities for the proposed new plants at Haridwar, Uttaranchal. The applications for such licenses/approvals would be made to the respective authorities at various stages of project implementation. There can be no assurance that we will receive the approvals on a timely basis, or at all. If we do not receive the requisite approvals for our new factories or if such approvals are delayed, our operations and proposed project may be adversely affected.

***Specific to the Company***

**7. *Our company is operating in highly competitive environment.***

We face stiff competition from various domestic as well as Multi National Companies. Our competitors include major companies such as Britannia Industries Ltd, Parle Biscuits Ltd and ITC Ltd. and other players especially in northern region of India such as Anmol Bakers Ltd., Super Snacks Pvt. Ltd., Bakeman's Industries Ltd. etc. and other small unorganized players. In such a competitive environment, we may face pressures from buyers such as pricing, order size, product quality etc. & such pressures may put strains on our profit margins.

**8. *Our business is dependent on our manufacturing facilities. The loss or shutdown of operations due to unrest of labours at any point of our manufacturing facilities may have a material adverse effect on our business, financial condition and results of operations.***

All our manufacturing facilities located at Greater NOIDA, Lucknow and Surat are subject to operating risks, such as the breakdown or failure of equipment, labour disputes, strikes, performance below expected levels of output, and the need to comply with the directives of relevant government authorities. The occurrence of any of these risks could significantly affect our operating results.

**9. *We may be exposed to risk pertaining to Labour Unrest.***

We have employed about 1200 full-time employees. Our business is highly labour-intensive and managing a team engaged in doing largely repetitive work poses serious challenge. Any disruptions in relationship with employees may lead to Labour Unrest and thereby affect our business.

***Management Proposal:*** Over the years we have developed a cordial relationship with our personnel. Since inception, we have not faced any strike or lock-outs. Besides this, we also do not have any worker's union in any of our manufacturing plant.

**10. *The shortage of various raw materials and manufactured components can adversely affect our results of operations.***

We rely on various suppliers to secure raw materials such as wheat, sugar, and edible vegetable oil etc., required for the manufacturing of our products. A disruption in timely deliveries from our suppliers or decrease in availability of such components could have an adverse affect on our ability to meet our commitments to customers or increase our operating costs. While we believe that our source of supply of raw materials and components will be generally sufficient for our needs in the foreseeable future, our results of operations or financial condition could be negatively impacted should the supply turn out to be insufficient for our operations. There may be instances of delay in delivery of raw materials and manufactured components, which may hamper our production schedule and lead to delays in supply.

**11. Increases in the cost of raw materials and components or an increase in labour costs can put pressure on our margins and may adversely impact our financial condition and results of operations.**

Our business is subject to the risk of price increases and fluctuations. Our operations require substantial amounts of wheat, sugar, edible oil and other components. We do not typically enter into long term contracts for the supply of raw materials or components and are hence exposed to fluctuations in the price and demand for such components, which may be driven by governmental regulations, import duties, manufacturing costs, etc. To the extent our contracts do not include price variation clauses, we are exposed to price fluctuations in procuring high value components and raw materials. In the event the cost of raw materials and components increases after we enter into contracts and we are not able to pass on such price increase to our customers, we would be forced to absorb such increases. Any such absorption of increased costs would cause a material adverse impact on our financial position.

**12. If we are unable to adapt to technological changes, our business could suffer.**

Our future success will depend in part on our ability to respond to technological advances in the businesses in which we operate, on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. We cannot assure you that we will successfully implement new technologies effectively. If we are unable, for technical, legal, financial or other reasons, to adapt in a timely manner to changing market conditions, customer requirements or technological changes, our business, financial performance and the trading price of our Equity Shares could be adversely affected.

**13. Our success depends in large part upon our Directors and key managerial personnel and our ability to attract and retain them.**

We are highly dependant on the expertise and services of our Directors and key managerial personnel. If we lose any of these key personnel, we may find it difficult to find replacements with similar knowledge and experience, especially in relation to our business and our Company, and integrate them into our organization. As a result, our business and financial condition could be adversely affected. If we are unable to attract skilled professionals, fail to integrate them into our organization, or fail to retain them after we have invested resources in their training, our ability to compete and our results of operations may be adversely affected.

**14. We have contingent liabilities as per Audited accounts as on 30/09/2007 under Indian Accounting Standards, which may adversely affect our financial conditions details of which are as follows:**

<i>(Rs.in Lacs)</i>	
Particulars	Six Months Ending 30/09/2007
Counter Guarantees given to bank	2860.00
Corporate Guarantee	15.14
<b>Total</b>	<b>2875.14</b>

Management Proposal: We have provided counter guarantee to our Banker State Bank of India towards securing credit facilities to the extent of Rs.2180.00 lacs sanctioned to our wholly owned subsidiary Surya Fresh Foods Ltd. After 30/09/2007, the audited accounts, corporate guarantee to the extent of Rs.680.00 lacs provided by us have already been released.

#### **15. *Certain Restrictive Covenants of the loan agreement.***

The Company has availed credit facilities with the Banks and there are certain restrictive covenants in the sanction letters for term loans and working capital loans, among other things, which require the company to obtain the approval of the lenders or provide restrictions, namely for, permission for expansion, change in capital structure, change in management, disposal of assets, declaring dividends at a time while the company is in default, undertaking material diversification in the business etc.

#### **Risk Factors External to the Company and beyond the control of the Company**

##### **1. *Dependence of Agricultural activities on monsoon and weather conditions.***

As a food processing Company, we are depended on Agriculture Industry for raw material. Agricultural industry is largely dependent on monsoon and weather conditions. Meteorologically, our country has diversified and different weather conditions prevail at different places. Sometimes, one region receives very heavy rainfall whereas other region receives scant rainfall. There is also unevenness in the Irrigated Area. Though, the Irrigated area has increased substantially over a period of years, the agricultural industry is still dependent upon monsoon. Any vagaries of weather and abnormal monsoon may ruin crops and will also affect the business of our Company.

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

We derive virtually all of our revenues from India. Our operations and financial results and the market price and liquidity of our equity shares may be affected by changes in Indian Government policy or taxation or social, ethnic, political, economic or other developments in or affecting India.

##### **3. *Factors beyond the management's control like Natural calamities and acts of violence involving India.***

Political, Economical and Social unrest, terrorist attacks, civil disturbances and regional conflicts in the country could adversely affect the business of the Company. Natural calamities and adverse weather conditions could have a negative impact on the business of our Company. Floods, earthquakes, terrorist attacks and other acts of violence or war/destruction involving India, are also other factors which will have negative impact on business condition in India.

##### **4. *Changes in domestic Tax Laws***

Any changes in the tax laws prevailing in India particularly the income tax might lead to increased tax liability of the Company thereby putting pressures on our profitability. Change in tax laws, particularly income tax, can have an impact on the post-tax profits of the Company.

##### **5. *Volatility in Share Prices.***

After the Public Issue, the price of the Equity Shares may be highly volatile and may fluctuate significantly due to many factors including variations in the operations of the Company and changes in the regulatory environment.

## NOTES

1. The net worth of SFAL as per the restated financial statement as at 30/09/2007 is Rs. 7519.15 lacs.
2. The average cost of acquisition of the equity Shares of Rs. 10 each by the Promoters of SFAL is Rs.0.38 per equity share.
3. Book value of the Equity Shares of the Company, as per the restated financial statement as at 30/09/2007 is Rs. 41.81 per Equity Share.
4. Investors are advised to refer the paragraph on “Basis of Issue Price” on page no. 36 of this DRHP before making an investment in the Issue.
5. Except as mentioned in the sections titled “Capital Structure” beginning on page no.16 of this DRHP, SFAL has not issued any Equity Shares in the last twelve months.
6. The Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company’s shares in the last six months except the bonus shares allotted to them. For details of allotment please refer page no.16.
7. For details on Related Party Transactions, refer to the section titled “Related Party Transactions” on page no.108 of this DRHP.
8. Investors are free to contact the BRLM for any complaints, clarification or information pertaining to this Issue. For contact details of the BRLM, please refer to the cover page of this DRHP.
9. All information shall be made available by the BRLM and the Company to the public and investors at large and no selective or additional information would be available only to a section of the investors in any manner whatsoever.
10. In addition to the BRLM, the Company shall be obliged to update the DRHP and keep the public informed about any material changes till listing and trading commences in respect of the shares issued through this issue.
11. For interest of the promoters, please refer to the section titled “Promoters and their Background” beginning on page no. 91 of this DRHP.

### III. INTRODUCTION

#### A) SUMMARY OF OUR BUSINESS, ISSUE & RESTATED FINANCIAL DATA

##### Our Business

We are one of the leading manufacturers of Biscuits in India. We are into the business of manufacturing and selling of Biscuits for the past 15 years. During this period, we have established strong manufacturing capabilities and have invested substantially in developing consumer preference for our products. Our Biscuits are sold under a well known brand name "Priyagold". Our trademarks/ brands "Hak Se Maango" & "Priyagold" have emerged as one of the most powerful brands in FMCG sector. We have continued to invest in the front end on Brands, our manufacturing capabilities, deliverables and distribution strength.

Today, we have 4 plants located in Greater Noida, Lucknow (U.P). and Surat (Gujarat). We also outsource some of our requirements from another plant located in Hyderabad. Our capacities have reached 85,000 MT p.a. during this time which along with strong brand building and distribution capabilities have enabled us to command a sizable market share in the Biscuit market despite competition from well established players in the industry.

We have developed a distribution channel through Consignee sales agents / super stockists and distributors throughout the country. Though our concentration is largely in the Northern & Central part of the country, we have penetrated into the other regions considerably. Our Brands now have greater availability in rural markets in Northern India and also up markets in major cities across pan India.

After establishing our foothold in Biscuit industry, we have continued to adopt a strategy to identify and commercialize profitable growth opportunities by leveraging established brand and distribution network. Following this strategy, we diversified into manufacturing of fruit juices through our subsidiary Surya Fresh Foods Ltd. The manufacturing facility is located at Greater Noida, UP. It has a capacity of 130 Kilo Litres/Day and has state of art manufacturing/processing facilities which are ISO 9001:2000 certified.

We have consciously invested in creating markets for fruit juices and have established brands such as "Fresh Gold" and "Treat". Both the brands are also well established and have penetrated into the fruit juice market aggressively by commanding considerable market share. Recently, we have also forayed into the aerated fruit drink segment with a launch of "Fresh Fizzy" which is launched into two flavours, Apple and Orange.

Our sales and marketing team has been working towards innovative and effective marketing tools to remain competitive in a fiercely competitive environment. Recently, we have won a tender for supply of Priyagold Biscuits products and "Fresh gold" & "Treat" brands of fruit juices to catering units on Indian Railway Stations. **This tender is awarded by Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) which allows us to set-up food Kiosk for sale of our products at 193 Railway Stations which will translate into approximately 300 food Kiosks spread across various cities in India.** We have commenced establishment of these Kiosks by establishing about 30 Kiosks on various Railway Stations and balance would also be functional soon. We will sell our products at Kiosks which will give us enhanced brand visibility and would contribute considerably to the turnover. This initiative has added new dimensions to our marketing and distribution effort recently.

We are also aggressively marketing our products in institutional category directly. Presently our products viz. biscuits and juices are supplied to Air lines, Hotels, Railways and organized retail outlets.

In fiscal 2007, we posted consolidated gross sales of Rs. 29513.02 lacs and consolidated profits after taxes stood at Rs. 435.92 lacs. In the half year ended 30/09/2007 we have pooled consolidated gross sales of Rs. 19402.66 lacs and profit after tax at Rs. 671.65 lacs.

## **Our Business Strategy**

- ***Expansion & Diversification***

There is a general optimism in the market at macro economic as well as industry specific (FMCG & Package Food) levels. The Government of India has recently announced exemption on excise duty on Biscuits up to MRP of Rs.100/- per KG. Our Company is expected to benefit tremendously as our products fall in this category. Though continued inflation in input prices especially wheat, edible oils and dairy products will have a strain on profitability; the exemption in excise duty would support the growth of our Company. With continued best managerial inputs, procurement and distribution policy, our Company is well placed to reap the benefits of duty structure and the buoyant economic conditions in the country as a whole.

We continued to pursue a strategy to identify and commercialize profitable growth opportunities on the strength of established brands. We are proposing to increase our capacities by 64,500 MT p.a. by establishing new manufacturing unit for the Biscuit segment.

We are also diversifying, to establish a “**Chocolate plant**” and “**Condensed milk**” plant through our another 100% subsidiary Surya Processed Food Pvt. Ltd. We have procured the required licenses and approvals and have also acquired the land at Haridwar, Uttaranchal where various fiscal benefits are available. The proposed condensed milk plant also has a great synergy to us as almost 50% of the condensed milk products would be utilized by us for biscuits manufacturing. It has twin benefits of backward integration, price & supply competitiveness.

- ***Brand***

Our strategy of strengthening the brands especially the Umbrella brand “**Priyagold**” has resulted in creating immense brand recall value. We are continuing with our effort of strengthening the brand with a scientific approach which will result in growth of customer base, price premium, consumer loyalty which is expected to result in increased earning and ultimately enhancing enterprise value of our Company.

We have identified and established in various growth sectors eg. Snacks & Health with launch of various sub brands such as “**Butter Bite**”, “**Classic Cream**”, “**Kids Cream**”, “**Butter Lite**”, “**Big Boss**”, “**Marie Lite**”, “**Marie Gold**”, “**CNC**”, “**Cheese Cracker**”, “**Snacks Zigzag**”, “**DON**”, “**Coconut Crunch**”.

The strategy is continued in fresh juice segment where brands such as “**Fresh Gold**”, “**Treat**” have been supplemented with newly launched “**Fresh Fizzy**” which is available in 3 pack sizes of 1 litre, 500 ml. and 250 ml.

We have till date invested about Rs.86 crores in the brand building exercise and will continue to invest in the front end of brands. We are also proposing to conduct an exercise for benchmarking the

value of Company's brand portfolio with market value to unlock intrinsic value. The strength of the brand will be leveraged for all the new initiatives proposed by the Company.

- ***Intellectual Property Rights (IPRS)***

As the Company has developed several brands, it has also created different recipes in respect of its large product portfolio. We are proposing to initiate process to protect and safeguard the IPR's by creating a system to tackle the issue of unauthorized use of the recipes by any other market participants.

*Thus the company's manifesto is to build on the present strength created over the years and diversify into products and geographic portfolio. We aim at achieving profitable growth by penetrating into the consumption market to enhance market share by constantly innovating on product profile, investing in infrastructure thereby accelerating the top line growth to enhance the market share.*

### **Our Competitive Strengths**

#### ***Established brand name***

Our umbrella brand "**Priyagold**" is one of the leading brands in biscuits manufacturing across the country which is supported by popular trade mark "**Hak Se Mango**". Since inception, we have successfully launched several brands such as 'Butter Bite', "Marie Lite", "CNC", "Big Boss", "DON", "Coconut Crunch". Continuous investment & relentless efforts to spread the brand has resulted in increasing the market share.

#### ***Strong marketing & distribution network***

The credit for the establishment of "**Priyagold**" brand across the country goes to our strong marketing & distribution network. Today, we have nearly 83 Consignee Agents/Super Stockists catering to 2157 distributors reaching retail outlets in every part of India..

Our efforts in strengthening the marketing & distribution network are continuous & supported by aggressive advertising campaign through media, newspapers, promotional events, sponsorships, participation in melas etc. This has resulted in registering robust growth in sales & market share.

#### ***Experienced Management team***

We have an experienced, qualified and dedicated management team; many of whom have over 10 years of experience in their respective fields. Our experienced management and its in-depth understanding of the market in India will enable us to continue to take advantage of both current and future market opportunities.

## THE ISSUE

<b>Public Issue aggregating to Rs. 13590.75 lacs:</b>	
Which comprises of fresh issue of	[●] Equity Shares of Rs.10/- each
<b>Of which:</b>	
QIB Portion <sup>(1)</sup> :	[●] Equity Shares of Rs.10/- each, constituting upto 50% of the issue (allocation on proportionate basis)
<ul style="list-style-type: none"> <li>Of which 5% is available for Allocation to Mutual Funds [the unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs]</li> </ul>	[●] Equity Shares of Rs.10/- each (allocation on proportionate basis)
<ul style="list-style-type: none"> <li>Balance for all QIB including Mutual Funds</li> </ul>	[●] Equity Shares of Rs.10/- each (allocation on proportionate basis)
Non- Institutional Portion(1):	[●] Equity Shares of Rs.10/- each, constituting upto 15% of the net issue (allocation on proportionate basis).
Retail Portion <sup>(1)</sup> :	[●] Equity Shares of Rs.10/- each, constituting upto 35% of the net issue (allocation on proportionate basis).
Equity Shares outstanding prior to the Issue:	[●] Equity Shares of Rs.10/- each
Equity Shares outstanding post the Issue:	[●] Equity Shares of Rs.10/- each
Objects of the Issue:	Please refer page no. 22 of this DRHP

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

SUMMARY OF RESTATED STATEMENT OF ASSETS AND LIABILITIES- (STANDALONE)

(Rs./ Lacs)

PARTICULARS	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b>Fixed Assets</b>						
Gross Block	10908.46	10684.46	6560.96	6288.60	5484.77	3252.07
Less:- Depreciation	2157.08	1939.47	1554.65	1176.20	721.99	418.10
Net Block	8751.38	8744.98	5006.31	5112.40	4762.77	2833.97
Capital Work in Progress	649.32	547.15	444.22	244.53	0.00	327.14
<b>Total -A</b>	<b>9400.70</b>	<b>9292.14</b>	<b>5450.53</b>	<b>5356.93</b>	<b>4762.77</b>	<b>3161.11</b>
<b>Investments- B</b>	<b>1277.25</b>	<b>872.30</b>	<b>724.99</b>	<b>903.62</b>	<b>1621.65</b>	<b>0.00</b>
<b>Deferred Tax Assets-C</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Current Assets, Loans &amp; Advances</b>						
Inventory	2022.33	2171.17	2447.05	2099.30	1189.04	2735.16
Sundry Debtors	2023.20	1009.44	698.44	414.90	219.70	177.51
Cash & Bank Balance	162.49	78.54	174.39	72.61	69.05	54.68
Loans & Advances	794.56	876.10	1018.10	852.80	936.22	707.93
<b>Total -D</b>	<b>5002.58</b>	<b>4135.25</b>	<b>4337.98</b>	<b>3439.61</b>	<b>2414.01</b>	<b>3675.27</b>
<b>Total Assets (A+B+C+D)= E</b>	<b>15680.53</b>	<b>14299.69</b>	<b>10513.49</b>	<b>9700.16</b>	<b>8798.43</b>	<b>6836.38</b>
<b>Liabilities and Provision</b>						
Secured Loans	3362.42	3819.41	363.09	10.13	0.00	0.00
Unsecured Loans	1125.63	972.09	438.36	95.75	0.00	0.00
Deferred Tax Liabilities	683.58	683.58	630.49	673.92	551.13	413.93
Current Liabilities	2569.99	1693.15	2160.54	2168.34	1786.67	479.94
Provision	419.76	200.21	253.15	216.16	174.41	101.14
<b>Total- F</b>	<b>7519.15</b>	<b>7368.44</b>	<b>3845.63</b>	<b>3164.30</b>	<b>2512.21</b>	<b>995.01</b>
<b>Net Worth (E-F)</b>	<b>7519.15</b>	<b>6931.25</b>	<b>6667.86</b>	<b>6535.86</b>	<b>6286.22</b>	<b>5841.37</b>
<b>Net Worth Represented by</b>						
Share Capital	1798.50	1798.50	69.17	69.17	69.17	69.17
Reserve & Surplus	5270.65	5132.75	6598.69	6468.54	6220.44	5776.33
<b>Total</b>	<b>7519.15</b>	<b>6931.25</b>	<b>6667.86</b>	<b>6537.71</b>	<b>6289.61</b>	<b>5845.50</b>
<b>Less:- Miscellaneous Expenditure</b>						
(to the extent not written off or adjusted)	0.00	0.00	0.00	1.85	3.39	4.13
<b>Net Worth</b>	<b>7519.15</b>	<b>6931.25</b>	<b>6667.86</b>	<b>6535.86</b>	<b>6286.22</b>	<b>5841.37</b>

SUMMARY OF RESTATED STATEMENT OF PROFIT AND LOSSES- (STANDALONE)

PARTICULARS	(Rs./ Lacs)					
	Six Months Ending 30 SEPT. 2007	For the Financial Year Ended				
		31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b><u>INCOME</u></b>						
<b>Sales</b>						
Of the products manufactured by company	17419.61	26856.95	29536.45	28096.90	19601.31	11452.60
Of the products traded by company	0.00	0.00	0.00	0.00	0.00	678.24
Other Income	0.60	81.15	26.65	125.85	119.60	114.13
Increase / ( Decrease) in Inventory	4.71	36.46	(35.30)	149.58	158.84	1295.29
<b>Total</b>	<b>17424.92</b>	<b>26974.56</b>	<b>29527.80</b>	<b>28372.33</b>	<b>19879.75</b>	<b>13540.26</b>
<b><u>EXPENDITURES</u></b>						
Raw Material Consumed	12077.50	19409.17	20751.64	18159.84	12550.99	8932.73
Staff Costs	389.70	499.07	417.84	364.59	179.87	128.34
Other Manufacturing Expenses	1544.40	2437.03	2607.64	4381.42	2829.38	2230.81
Administrative Expenses	291.20	653.29	872.68	615.41	388.24	257.09
Selling & Distribution Expenses	1929.41	3007.66	4337.28	3991.07	2957.38	1723.75
	<b>16232.21</b>	<b>26006.22</b>	<b>28987.08</b>	<b>27512.33</b>	<b>18905.86</b>	<b>13272.72</b>
<b>Earning Before Interest and Tax</b>	<b>1192.71</b>	<b>968.34</b>	<b>540.72</b>	<b>860.00</b>	<b>973.89</b>	<b>267.54</b>
Depreciation	225.64	421.32	393.54	479.48	309.97	141.39
Interest	69.72	131.37	27.75	13.09	2.60	4.04
<b>Net profit before tax and extra ordinary items</b>	<b>897.35</b>	<b>415.65</b>	<b>119.43</b>	<b>367.43</b>	<b>661.32</b>	<b>122.12</b>
<b><u>Provision for Taxation</u></b>						
Current Tax	307.16	75.00	19.25	53.72	80.00	11.00
Deferred Tax	0.00	53.09	(43.44)	122.79	137.20	77.18
Fringe Benefit Tax	2.29	3.88	7.76	0.00	0.00	0.00
<b>Net profit before extra ordinary items</b>	<b>587.90</b>	<b>283.67</b>	<b>135.86</b>	<b>190.92</b>	<b>444.12</b>	<b>33.94</b>
Extra ordinary items	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net profit after extra ordinary items</b>	<b>587.90</b>	<b>283.67</b>	<b>135.86</b>	<b>190.92</b>	<b>444.12</b>	<b>33.94</b>
Adjustment on account of prior period expenses	0.00	0.00	5.70	(57.18)	0.00	0.00
<b>Adjusted Profit</b>	<b>587.90</b>	<b>283.67</b>	<b>130.16</b>	<b>248.10</b>	<b>444.12</b>	<b>33.94</b>

SUMMARY OF STATEMENT OF ASSETS AND LIABILITIES - (CONSOLIDATED)

(Rs./ Lacs)

PARTICULARS	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b><u>Fixed Assets</u></b>						
Gross Block	13377.59	12749.68	8338.55	6448.02	5644.19	3252.07
Less:- Depreciation	2319.66	2071.53	1604.70	1199.94	738.36	418.10
Net Block	11057.93	10678.15	6733.85	5248.08	4905.82	2833.97
Capital Work in Progress	694.82	587.90	467.88	678.11	0.00	327.14
<b>Total -A</b>	<b>11752.75</b>	<b>11266.06</b>	<b>7201.73</b>	<b>5926.19</b>	<b>4905.82</b>	<b>3161.11</b>
<b>Investments- B</b>	<b>0.00</b>	<b>29.81</b>	<b>17.19</b>	<b>180.24</b>	<b>1592.15</b>	<b>0.00</b>
<b>Deferred Tax Assets-C</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Assets, Loans & Advances						
Inventory	3064.42	3095.49	3121.48	2099.30	1189.04	2735.16
Sundry Debtors	2230.68	1068.14	717.14	414.90	219.70	177.51
Cash & Bank Balance	237.11	85.62	179.15	76.93	69.09	54.68
Loans & Advances	1207.84	1162.35	654.16	1291.63	832.06	707.93
Cost of Control	0.00	5.01	5.01	27.36	5.43	0.00
<b>Total -D</b>	<b>6740.05</b>	<b>5416.60</b>	<b>4676.94</b>	<b>3910.12</b>	<b>2315.32</b>	<b>3675.27</b>
<b>Total Assets (A+B+C+D)= E</b>	<b>18492.80</b>	<b>16712.47</b>	<b>11895.85</b>	<b>10016.55</b>	<b>8813.30</b>	<b>6836.38</b>
<b><u>Liabilities and Provision</u></b>						
Secured Loans	4689.71	5288.56	1745.19	336.41	0.00	0.00
Unsecured Loans	1314.47	1098.09	459.36	21.00	0.00	0.00
Deferred Tax Liabilities	704.16	704.03	651.20	694.50	568.47	413.93
Current Liabilities	3520.23	2319.84	2256.34	2235.15	1842.51	563.07
Provision	482.80	204.43	102.98	220.01	158.17	73.26
<b>Total- F</b>	<b>10711.37</b>	<b>9614.95</b>	<b>5215.07</b>	<b>3507.07</b>	<b>2569.15</b>	<b>1050.26</b>
<b>Net Worth (E-F)</b>	<b>7781.43</b>	<b>7097.52</b>	<b>6680.79</b>	<b>6509.48</b>	<b>6244.14</b>	<b>5786.12</b>

PARTICULARS	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b><u>Net Worth Represented by</u></b>						
Share Capital	1798.50	1798.50	69.17	69.17	69.17	69.17
Reserve & Surplus	5982.93	5290.99	6605.78	6436.79	6178.00	5721.08
Minority Interest(Devika Food Products Pvt.Ltd.)						
Share Capital	0.00	0.50	0.50	0.50	0.50	0.00
Reserves	0.00	0.55	0.28	0.03	(0.14)	0.00
Minority Interest ( Surya Fresh Foods Ltd.)						
Share Capital	0.00	5.00	5.00	5.00	0.00	0.00
Reserves	0.00	0.90	0.05	(0.16)	0.00	0.00
Minority Interest ( Surya Processed Food (P) Ltd.)						
Share Capital	0.00	1.08	0.00	0.00	0.00	0.00
Reserves	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>7781.43</b>	<b>7097.52</b>	<b>6680.79</b>	<b>6511.33</b>	<b>6247.53</b>	<b>5790.25</b>
<b>Less:- Miscellaneous Expenditure</b>						
(to the extent not written off or adjusted)	0.00	0.00	0.00	1.85	3.39	4.13
<b>Net Worth</b>	<b>7781.43</b>	<b>7097.52</b>	<b>6680.79</b>	<b>6509.48</b>	<b>6244.14</b>	<b>5786.12</b>

SUMMARY OF STATEMENT OF PROFIT AND LOSSES- (CONSOLIDATED)

(Rs./ Lacs)

PARTICULARS	Six Months	For the Financial Year Ended				
	Ending					
	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b><u>INCOME</u></b>						
<b>Sales</b>						
Of the products manufactured by company	19208.56	29500.01	30032.61	28096.90	19601.31	11452.60
Of the products traded by company	0.00	0.00	0.00	0.00	0.00	678.24
Other Income	8.45	85.63	26.27	125.35	119.60	114.14
Increase / ( Decrease) in Inventory	185.65	(72.62)	91.21	149.58	158.84	1295.29
<b>Total</b>	<b>19402.66</b>	<b>29513.02</b>	<b>30150.09</b>	<b>28371.83</b>	<b>19879.75</b>	<b>13540.27</b>
<b><u>EXPENDITURES</u></b>						
Raw Material Consumed	13462.14	20919.25	21122.50	18159.82	12550.99	8932.73
Staff Costs	417.01	537.75	433.34	364.59	179.87	128.34
Other Manufacturing Expenses	1724.37	2539.06	2623.69	4381.43	2829.38	2230.81
Administrative Expenses	319.03	761.56	831.86	592.01	378.77	257.09
Selling & Distribution Expenses	2061.06	3388.23	4480.50	3990.58	2959.09	1723.75
	<b>17983.61</b>	<b>28145.85</b>	<b>29491.89</b>	<b>27488.43</b>	<b>18898.10</b>	<b>13272.72</b>
<b>Earning Before Interest and Tax</b>	<b>1419.05</b>	<b>1367.17</b>	<b>658.20</b>	<b>883.40</b>	<b>981.65</b>	<b>267.55</b>
Depreciation	256.17	503.51	426.66	487.04	315.80	141.39
Interest	138.38	298.57	61.63	13.09	2.87	4.04
<b>Net profit before tax and extra ordinary items</b>	<b>1024.50</b>	<b>565.09</b>	<b>169.91</b>	<b>383.27</b>	<b>662.98</b>	<b>122.12</b>
<b><u>Provision for Taxation</u></b>						
Current Tax	350.47	72.06	4.93	55.46	63.76	10.17
Deferred Tax	0.00	52.83	(43.31)	126.03	142.35	77.18
Fringe Benefit Tax	2.38	4.28	8.11	0.00	0.00	0.00
<b>Net profit before extra ordinary items</b>	<b>671.65</b>	<b>435.92</b>	<b>200.18</b>	<b>201.78</b>	<b>456.87</b>	<b>34.77</b>
Extra ordinary items	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net profit after extra ordinary items</b>	<b>671.65</b>	<b>435.92</b>	<b>200.18</b>	<b>201.78</b>	<b>456.87</b>	<b>34.77</b>
Adjustment on account of prior period expenses	0.00	0.00	5.70	(57.18)	0.00	0.00
<b>Adjusted Profit</b>	<b>671.65</b>	<b>435.92</b>	<b>194.48</b>	<b>258.96</b>	<b>456.87</b>	<b>34.77</b>
Minority in Devika Food Products Pvt. Ltd.	0.00	0.27	0.25	0.17	(0.06)	0.00
Minority in Surya Fresh Foods Ltd.	0.00	0.82	0.05	0.00	0.00	0.00
Minority in Surya Processed Food (P) Ltd.	0.00	0.00	0.00	0.00	0.00	0.00
Surya Food and Agro Ltd.	671.65	434.82	194.18	258.79	456.93	34.77

The above statements are only a summary of Profit & Loss and Assets & Liabilities statements of our Company for past period, for details please refer page no. 92 of this DRHP.

## B) GENERAL INFORMATION

### SURYA FOOD & AGRO LIMITED

(Company Registration No.: 20-14919)

(Corporate Identity No.: [U15201UP1992PLC014919](#))

*[Incorporated as 'Surya Food & Agro Private Limited' on 26/11/1992 with Registrar of Companies, U.P., Kanpur. The Company was converted into public limited company and the name of the Company was changed to "Surya Food & Agro Limited" vide certificate of incorporation dated 27/03/2000]*

**Registered Office:** D-1, Sector-2, Noida- 201301, District Gautam Budh Nagar, Uttar Pradesh

**Tel.:** +91-0120-2552989, 2522939; **Fax:** +91-0120-2558154; **E-mail:**investors@priyagold.com;

**Website:** [www.priyagold.com](http://www.priyagold.com)

**Contact Person:** Mr. Rajesh Sodhi, Company Secretary & Compliance Officer

*[The registered office of the Company was shifted from C-80 Sector-4, Noida-201301, U.P., India to D-1, Sector-2, Noida-201301, U.P., India w.e.f. 29/12/1995]*

**Registrar of Companies:** Registrar of Companies, Uttar Pradesh & Uttarakhand, 37/17, Westcott Building, The Mall, Kanpur - 208001.

#### Plants:

- Plant I : Plot No. 1A, Udyog Vihar, Greater Noida, Uttar Pradesh
- Plant II : Plot No.14, Surajpur Dadri Road, Greater Noida, Uttar Pradesh
- Plant III : C-4, Sarojini Nagar, Industrial Area, Lucknow (U.P)
- Plant IV : Plot No. 4311, GIDC, Sachin, Surat (Gujarat)

#### Board of Directors

The Board of Directors as on date is as under:

Name	Designation	Status
Ballabh Prasad Agarwala	Chairman and Managing Director	Executive Director
Manoj Kumar Agarwal	Whole-Time Director	Executive Director
Navin Kumar Agarwal	Whole-Time Director	Executive Director
Shekhar Agarwal	Whole-Time Director	Executive Director
Pradeep Kumar Jain	Director	Independent Director
Ram Lakhan Prasad Sinha	Director	Independent Director
Ajay Kumar Ghosh	Director	Independent Director
Ajay Kumar Raman	Director	Independent Director

#### Brief Profile of Executive Directors

**Shri Ballabh Prasad Agarwala**, 59 years, Chairman & Managing Director is the founder Director and Promoter of the Company. He is having about 35 years of experience in the business and industry. He is a well known personality in the biscuit manufacturing industry and has received "U.P.Ratan" award for his entrepreneurship. He is responsible for overall working of the Company and is instrumental in making strategic decisions of the Company. Under his leadership, the Company has grown manifold and achieved a "International Quality Crown Award, London 2004" for best quality biscuit manufacturer

**Shri Manoj Kumar Agarwal**, 38 years, Whole-time Director has about 18 years of experience in the business and industry. He is a commerce graduate looking after the manufacturing operations and Quality Control and is instrumental in increasing the overall biscuit manufacturing capacity of the Company.

**ShriNavin Kumar Agarwal**, 35 years, Whole-time Director has about 15 years of experience in the business and industry. He is a commerce graduate looking after the manufacturing operations and Quality Control of products of the Company.

**Shri Shekhar Agarwal**, 31 years, Whole-time Director has about 10 years of experience in the business and industry. He is a commerce graduate responsible for marketing of products as well as financial matters of the Company. He is instrumental in increasing the overall turnover & profitability of the Company

*For more details on the other directors of our Company, please refer to the section titled "Management" beginning on page 79 of this DRHP*

*Company Secretary & Compliance Officer*

**Mr. Rajesh Sodhi**

Surya Food & Agro Limited  
D-1, Sector-2, Noida- 201301,  
District Gautam Budh Nagar, Uttar Pradesh  
**Tel.:** +91-0120-2552989, 2522939; **Fax:** +91-0120-2558154;  
**E-mail:**investors@priyagold.com;  
**Website:** [www.priyagold.com](http://www.priyagold.com)

**Note: The investors' attention is invited to contact the Compliance Officer in case of any pre-issue/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 Bankers*

**State Bank of India**

Overseas Branch  
9<sup>th</sup> Floor, Jawahar Vyapar Bhawan  
1 Tolstoy Marg,  
New Delhi-110001, India  
Tel : 011 23755180, 23374916 Fax : 011 23711580  
Email : [rm2.04803@sbi.co.in](mailto:rm2.04803@sbi.co.in)  
Contact Person : Mr.D.K.Rudola, AGM & Relationship Manager-II

**Issue Management Team:**

*Book Running Lead Manager to the Issue*

**Keynote Corporate Services Ltd.**

SEBI Registration No.: INM 000003606  
4<sup>th</sup> Floor, Balmer Lawrie Building, J.N.Heredia Marg,  
Ballard Estate, Mumbai - 400001.  
Tel : +91-22-30266000-3 ; Fax : +91-22-22694323  
Website: <http://www.keynoteindia.net>  
E-mail: [mbd@keynoteindia.net](mailto:mbd@keynoteindia.net)  
Contact Person: Mr. Satish Mangutkar

*Registrar to the Issue*

**Beetal Financial & Computer Services (P) Ltd**

SEBI Registration No.: INR 000000262  
Beetal House, 3<sup>rd</sup> Floor, 99 Madangir,  
Behind Local Shopping Centre, New Delhi- 110062.  
Tel.: +91-011-29961281; Fax: +91-011-29961284  
Website: [www.beetalfinancial.com](http://www.beetalfinancial.com)  
E-mail: [surya@beetalfinancial.com](mailto:surya@beetalfinancial.com)  
Contact Person: Mr. Punit Mittal

*Legal Advisor to the Issue*

**Vaish Associates**

Advocates  
803, Tower-A, Signature Towers,  
South City - I, NH# 8, Gurgaon - 122001, Haryana  
Tel : +91 124 4541000 ; Fax : +91 124 4541010  
Email : [hitender@vaishlaw.com](mailto:hitender@vaishlaw.com)  
Contact Person: Mr. Hitender Mehta

*Syndicate Member*

[●]

*Bankers to the Issue and Escrow Collection Banks*

[●]

*Brokers to the Issue*

All the members of recognized stock exchanges would be eligible to act as the Brokers to the Issue.

*Our Auditors*

**Vinay Aggarwal & Associates**

Chartered Accountants  
E-67, (L.G.F.),  
Greater Kailash-III (Masjid Moth)  
New Delhi - 110048  
Tel : +91 11 29225738 ; Fax : +91 11 41636506  
Email: [vinay7@vsnl.com](mailto:vinay7@vsnl.com)

*Appraising Agency*

**State Bank of India**

Overseas Branch  
9<sup>th</sup> Floor, Jawahar Vyapar Bhawan  
1 Tolstoy Marg,  
New Delhi-110001, India  
Tel : 011 23755180, 23374916 Fax : 011 23711580  
Email : [rm2.04803@sbi.co.in](mailto:rm2.04803@sbi.co.in)  
Contact Person : Mr.D.K.Rudola, AGM & Relationship Manager-II

### *Statement of Inter se Allocation of Responsibilities for the Issue*

Since Keynote Corporate Services Ltd. is acting as sole BRLM to this Issue, distribution of responsibility and coordination for various activities among the BRLMs is not applicable.

### *IPO Grading*

Credit Analysis & Research Ltd. (CARE) has been appointed for grading of the issue vide letter of appointment dated 08/10/2007. Grading report is awaited.

### *Credit Rating*

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

### *Trustees*

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

### *No Offer in the United States*

The rights and the shares of our Company are not registered under the United States Securities Act, 1933, as amended, and the Issue is not, and under no circumstances is to be construed as, an offering of any shares or rights for sale in the United States of America or the territories or possessions thereof.

### **Book Building Process**

The Book Building Process refers to the process of collection of Bids, on the basis of the Red Herring Prospectus, within the Price Band. The Issue Price is fixed after the Bid/Issue Closing Date.

The principal parties involved in the Book Building Process are:

- (1) The Company;
- (2) The Book Running Lead Manager, in this case being Keynote Corporate Services Limited;
- (3) The Syndicate Member who are intermediaries registered with SEBI or registered as brokers with BSE/NSE and eligible to act as underwriters. Syndicate Members are appointed by the BRLM;
- (4) The Registrar to the Issue in this case being Beetal Financial & Computer Services (P) Ltd; and
- (5) Escrow Collection Banks

The Equity Shares are being offered to the public through the 100% Book Building Process in accordance with the SEBI Guidelines, wherein upto 50% of the Net Issue shall be allocated on a proportionate basis to QIBs, including up to 5% of the QIB Portion that shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder of the QIB Portion shall be available for Allocation on a proportionate basis to all QIB Bidders, including Mutual Funds. Further, upto 15% of the Net Issue shall be available for allocation on a proportionate basis to the Non-Institutional Bidders and upto 35% of the Net 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.

In accordance with SEBI Guidelines, QIBs are not allowed to withdraw their Bid(s) after the Bid/ Issue Closing Date. **In addition, as per the present SEBI Guidelines, QIBs are required to pay 10% Margin Amount upon submission of the Bid cum Application Form during the Bidding Period and allocation to QIBs will be on a proportionate basis.** For further details see section titled "Issue Structure" on page 155.

The Company shall comply with the SEBI Guidelines and any other directions issued by SEBI for this Issue. In this regard, the Company has appointed Keynote Corporate Services Limited as the Book Running Lead Manager to manage the Issue and to procure the subscriptions to the Issue.

### Illustration of Book Building and Price Discovery Process

*(Investors may note that this illustration is solely for the purpose of easy understanding and is not specific to the Issue.)*

Bidders can bid at any price within the price band. For instance, assuming a price band of Rs.40 to Rs.48 per share, issue size of 6,000 equity shares and receipt of nine bids from bidders, details of which are shown in the table below, the illustrative book would be as below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding period. The illustrative book as shown below indicates the demand for the shares of the company at various prices and is collated from bids from various investors.

<u>Number of equity shares bid for</u>	<u>Bid Price (Rs.)</u>	<u>Cumulative equity shares bid</u>	<u>Subscription</u>
500	48	500	8.33%
700	47	1,200	20.00%
1,000	46	2,200	36.67%
400	45	2,600	43.33%
500	44	3,100	51.67%
200	43	3,300	55.00%
2,800	42	6,100	101.67%
800	41	6,900	115.00%
1,200	40	8,100	135.00%

The price discovery is a function of demand at various prices. The highest price at which the issuer is able to issue the desired quantum of shares is the price at which the book cuts off i.e. Rs.42 in the above example. The issuer, in consultation with the BRLM will finalize the issue price at or below such cut-off price i.e. at or below Rs.42. All bids at or above this issue price and cut-off bids are valid bids and are considered for allocation in respective category.

### Steps to be taken for Bidding:

1. Check eligibility for making a Bid (see "Issue Procedure- Who Can Bid" on page no.158 of this Draft Red Herring Prospectus);
2. Ensure that the Bidder has a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;
3. Ensure that you have mentioned your PAN and attached copies of your PAN to the Bid cum Application Form; and
4. Ensure that the Bid cum Application Form is duly completed as per instructions given in this Draft Red Herring Prospectus and in the Bid cum Application Form.

### Bidding Period/Issue Period

<b>BID/ISSUE OPENS ON</b>	<b>[●]</b>
<b>BID/ISSUE CLOSES ON</b>	<b>[●]</b>

Bids and any revision in Bids shall be accepted **only between 10 a.m. and 3 p.m.** (Indian Standard Time) during the Bidding Period as mentioned above at the bidding centers mentioned on the Bid cum

Application Form except that on the Bid /Issue Closing Date, the Bids shall be accepted **only between 10 a.m. and 1 p.m.** (Indian Standard Time) and uploaded until such time as permitted by the BSE and the NSE on the Bid /Issue Closing Date. Bids will only be accepted on working days i.e. Monday to Friday (excluding any public holidays).

The Company reserves the right to revise the Price Band during the Bidding Period in accordance with SEBI Guidelines. The cap on the Price Band shall not be more than 20% of the floor of the Price Band.

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

### **Underwriting Agreement**

After the determination of the Issue Price but prior to filing of the Prospectus with ROC, the Company proposes to enter into an Underwriting Agreement with the Underwriter for the Equity Shares proposed to be offered through this Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLM shall be responsible for bringing in the amount devolved in the event that the Syndicate Member does not fulfill its underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriter are subject to certain conditions, as specified therein.

The Underwriter has indicated its intention to underwrite the following number of Equity Shares:

*(This portion has been intentionally left blank and will be completed prior to filing of the Prospectus with ROC)*

<b>Name and Address of the Underwriter</b>	<b>Indicative Number of Equity Shares to be Underwritten</b>	<b>Amount Underwritten (Rs. lacs)</b>
[•]	[•]	[•]

The amounts mentioned above are indicative and this would be finalized after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [•].

In the opinion of the Board of Directors (based on a certificate given to them by BRLM and the Syndicate Member), the resources of the Underwriter are sufficient to enable it to discharge its underwriting obligations in full. The above-mentioned Underwriter is registered with SEBI under Section 12(1) of the SEBI Act or registered as broker with the Stock Exchange[s] or as Merchant Banker with SEBI.

The Underwriter shall be responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the Underwriter in addition to other obligations to be defined in the Underwriting Agreement, will also be required to procure/ subscribe to the extent of the defaulted amount.

**C.) CAPITAL STRUCTURE OF THE COMPANY**

(Rs. in Lacs)

	<b>Number of Shares</b>	<b>Description of Shares</b>	<b>Face Value</b>	<b>Nominal Value</b>	<b>Aggregate Value</b>
<b>A.</b>	<b>Authorised Capital</b>				
	3,00,00,000	Equity Shares of Rs.10/- each	10	3000.00	3000.00
<b>B.</b>	<b>Issued, Subscribed and Paid up Capital before the Issue</b>				
	1,79,84,980	Equity Shares of Rs.10/- each, fully paid up.	10	1798.50	1798.50
<b>C.</b>	<b>Present Issue in terms of this DRHP</b>				
	[●]	Equity Shares of Rs. 10/- each at a Premium of Rs. [●] per share	10	[●]	[●]
<b>D.</b>	<b>Equity Share Capital after the Issue</b>				
	[●]	Equity Shares, fully paid up	10	[●]	[●]
<b>E.</b>	<b>Share Premium Account</b>				
		- Before the Public Issue	-	Nil	Nil
		- After the Public Issue	-	[●]	[●]

**Notes forming part of the Capital Structure:**

**1. Details of Increase in Authorized Equity Share Capital divided in Equity Shares of Rs. 10/- each**

Date of change	Authorised Capital (Rs. in lacs)	Face Value (Rs.)	No. of Shares
At Incorporation	25.00	10	2,50,000
23/07/1993	40.00	10	4,00,000
05/06/2000	100.00	10	10,00,000
30/12/2003	250.00	10	25,00,000
08/03/2007	3000.00	10	3,00,00,000

**2. The existing share capital has been subscribed and allotted as under:**

Allotment Date	No. of equity shares	Cumulative Total of equity shares	Face Value	Issue Price (Rs.)	Consideration	Cumulative Capital (in lacs)	Nature for Allotment
26/11/1992	200	200	10	10	Cash	0.02	Signatories to the MOA
07/08/1993	370000	370200	10	10	Cash	37.02	Issue to Promoters & other body corporates.
27/03/2002	190530	560730	10	-	Other than cash	56.07	See note 1
29/03/2003	131000	691730	10	-	Other than cash	69.17	See note 2
10/03/2007	17293250	17984980	10	-	Bonus	1798.50	In the ratio of 25:1

Note:

1. Issued to shareholders of "Fasten Trading Ltd." and "Priya Proteins Pvt. Ltd." on merger with Surya Food & Agro Ltd in 2002
2. Issued to shareholders of "Priyagold Industries (India) Ltd." and "Kanhaiya Exports Pvt. Ltd." on merger with Surya Food & Agro Ltd in 2003

**3. Promoters Contribution & Lock-in:**

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post issue paid up equity share capital of the Company held by the Promoters shall be locked-in for a period of three years from the date of

Allotment in the Issue and the balance shares held by the promoters/ promoter group shall be locked in for one year.

The details of the build up of the Promoters' shareholding, Promoters' contribution and lock in are as follows:

**Promoters:**

Name of the Promoter	Date of Allotment/ Transfer	Date when made fully paid-up	Consideration	No. of shares of Rs. 10/- each	Issue/ Purchase Price	% of Post Issue paid-up capital	Lock-in period
Ballabh Prasad Agarwala	26/11/1992	26/11/1992	Cash	100	10	[•]	[•]
	07/08/1993	07/08/1993	Cash	1,00,000	10	[•]	[•]
	27/03/2002	27/03/2002	Cash	12,888	10	[•]	[•]
	29/03/2003	29/03/2003	Cash	250	10	[•]	[•]
	31/03/2004	31/03/2004	Cash	13,832	10	[•]	[•]
	04/12/2006	04/12/2006	Cash	500	10	[•]	[•]
	10/03/2007	10/03/2007	Bonus	31,89,250	-	[•]	[•]
<b>Sub Total</b>				[•]		[•]	Three
				[•]		[•]	One
Manoj Kumar Agarwal	31/03/1994	31/03/1994	Cash	25,000	10	[•]	[•]
	27/03/2002	27/03/2002	Cash	2,346	10	[•]	[•]
	29/03/2003	29/03/2003	Cash	1,29,050	10	[•]	[•]
	01/09/2004	01/09/2004	Cash	10,100	10	[•]	[•]
	10/03/2007	10/03/2007	Bonus	41,62,400	-	[•]	[•]
<b>Sub Total</b>				[•]		[•]	Three
				[•]		[•]	One
Navin Kumar Agarwal	31/03/1994	31/03/1994	Cash	25,000	10	[•]	[•]
	27/03/2002	27/03/2002	Cash	2,393	10	[•]	[•]
	29/03/2003	29/03/2003	Cash	50	10	[•]	[•]
	31/03/2004	31/03/2004	Cash	46,931	10	[•]	[•]
	01/09/2004	01/09/2004	Cash	18,810	10	[•]	[•]
	10/03/2007	10/03/2007	Bonus	23,29,600	-	[•]	[•]
<b>Sub Total</b>				[•]		[•]	Three
				[•]		[•]	One
Shekhar Agarwal	31/03/1994	31/03/1994	Cash	30,000	10	[•]	[•]
	27/03/2002	27/03/2002	Cash	2,726	10	[•]	[•]
	29/03/2003	29/03/2003	Cash	50	10	[•]	[•]

	31/03/2004	31/03/2004	Cash	55,555	10	[•]	[•]
	01/09/2004	01/09/2004	Cash	15,958	10	[•]	[•]
	10/03/2007	10/03/2007	Bonus	26,07,225	-	[•]	[•]
<b>Sub Total</b>				[•]		[•]	<b>Three</b>
				[•]		[•]	<b>One</b>

**Promoter Group:**

Usha Devi Agarwala	04/03/1995	04/03/1995	Cash	15,000	10	[•]	One
	27/03/2002	27/03/2002	Cash	2,151	10	[•]	One
	29/03/2003	29/03/2003	Cash	50	10	[•]	One
	31/03/2004	31/03/2004	Cash	15,718	10	[•]	One
	10/03/2007	10/03/2007	Bonus	8,22,975	-	[•]	One
<b>Sub Total</b>				<b>8,55,894</b>		[•]	<b>One</b>
Bina Agarwal	17/03/1995	17/03/1995	Cash	25,000	10	[•]	One
	29/03/2003	29/03/2003	Cash	50	10	[•]	One
	10/03/2007	10/03/2007	Bonus	6,26,250	-	[•]	One
<b>Sub Total</b>				<b>6,51,300</b>		[•]	<b>One</b>
Chhavi Agarwal	31/03/2004	31/03/2004	Cash	70,000	10	[•]	One
	10/03/2007	10/03/2007	Bonus	17,50,000	-	[•]	One
<b>Sub Total</b>				<b>18,20,000</b>		[•]	<b>One</b>
Nidhi Agarwal	31/03/2004	31/03/2004	Cash	72,222	10	[•]	One
	10/03/2007	10/03/2007	Bonus	18,05,550	-	[•]	One
<b>Sub Total</b>				<b>18,77,772</b>		[•]	<b>One</b>
<b>Grand Total</b>				<b>1,79,84,980</b>		[•]	

All Equity Shares, which are being locked-in are eligible for computation of promoter's contribution and lock-in under Clause 4.6 of the SEBI Guidelines.

As per clause 4.15.1 of the SEBI Guidelines, the locked-in Equity Shares held by the Promoter can be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided the pledge of shares is one of the terms of sanction of loan.

Under 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 Takeovers Regulations.

Further, under Clause 4.16.1(b) of the SEBI Guidelines, the Equity Shares held by the Promoter may be transferred to and amongst the Promoter group or to a new Promoter or persons in control of the Company subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with SEBI Takeover Regulations.

#### 4. Shareholding Pattern of our Company

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

Name of Shareholder	Pre-Issue (As on the date of filing of this DRHP with SEBI)		Post-Issue	
	Number of Equity Shares	Percentage equity share capital (%)	Number of Equity Shares	Percentage equity share capital (%)
<b>Promoters:</b>				
Ballabh Prasad Agarwala	33,16,820	18.44	33,16,820	[●]
Manoj Kumar Agarwal	43,28,896	24.07	43,28,896	[●]
Navin Kumar Agarwal	24,22,784	13.47	24,22,784	[●]
Shekhar Agarwal	27,11,514	15.08	27,11,514	[●]
<b>Promoter Group:</b>				
Usha Devi Agarwal	8,55,894	4.76	8,55,894	[●]
Bina Agarwal	6,51,300	3.62	6,51,300	[●]
Chhavi Agarwal	18,20,000	10.12	18,20,000	[●]
Nidhi Agarwal	18,77,772	10.44	18,77,772	[●]
<b>Sub Total</b>	<b>1,79,84,980</b>	<b>100.00</b>	<b>1,79,84,980</b>	<b>[●]</b>
<b>Public</b>	-	-	[●]	[●]
<b>Total</b>	<b>1,79,84,980</b>	<b>100.00</b>	<b>[●]</b>	<b>100</b>

5. We, nor our Directors / Promoter / Promoter Group, nor their respective Directors and the BRLM have entered into any buy-back and/or standby or similar arrangements for purchase of Equity Shares from any person.

6. The list of top ten shareholders and the number of equity shares held by them is as under:

Top shareholders of Company as of the date of the filing of this Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Shares	% to Total
1	Shri Ballabh Prasad Agarwala	33,16,820	18.44
2	Shri Manoj Kumar Agarwal	43,28,896	24.07
3.	Shri Shekhar Agarwal	27,11,514	15.08
4.	Shri Navin Kumar Agarwal	24,22,784	13.47

5.	Smt.Nidhi Agarwal	18,77,772	10.44
6.	Smt.Chhavi Agarwal	18,20,000	10.12
7	Smt.Usha Devi Agarwal	8,55,894	4.76
8	Smt.Bina Agarwal	6,51,300	3.62
	<b>Total Equity Shares</b>	<b>1,79,84,980</b>	<b>100.00</b>

Top shareholders of Company as of ten days prior to the filing of this Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Shares	% to Total
1	Shri Ballabh Prasad Agarwala	33,16,820	18.44
2	Shri Manoj Kumar Agarwal	43,28,896	24.07
3	Shri Shekhar Agarwal	27,11,514	15.08
4	Shri Navin Kumar Agarwal	24,22,784	13.47
5	Smt.Nidhi Agarwal	18,77,772	10.44
6	Smt.Chhavi Agarwal	18,20,000	10.12
7	Smt.Usha Devi Agarwal	8,55,894	4.76
8	Smt.Bina Agarwal	6,51,300	3.62
	<b>Total Equity Shares</b>	<b>1,79,84,980</b>	<b>100.00</b>

Top shareholders of Company as of 2 years prior to the filing of this Draft Red Herring Prospectus with SEBI are as follows:

Sr. No.	Name	No. of Shares	% to Total
1	Shri Manoj Kumar Agarwal	1,66,496	24.07
2	Shri Ballabh Prasad Agarwala	1,27,570	18.44
3	Shri Shekhar Agarwal	1,04,289	15.08
4	Shri Navin Kumar Agarwal	93,184	13.47
5	Smt.Nidhi Agarwal	72,222	10.44
6	Smt.Chhavi Agarwal	70,000	10.12
7	Smt.Usha Devi Agarwal	32,919	4.76
8	Smt.Bina Agarwal	25,050	3.62
	<b>Total Equity Shares</b>	<b>6,91,730</b>	<b>100.00</b>

7. All shares issued since the date of incorporation of the Company are fully paid up.
8. There has been no revaluation of assets of the Company in the last 5 FYs.

9. The Company has not availed of any bridge loans to be repaid from the proceeds of the issue.
10. The Company has not issued any equity shares out of revaluation reserves. The Company has issued 190530 equity shares of Rs. 10/- each to the shareholders of "Fasten Trading Ltd." and "Priya Proteins Pvt. Ltd." on 27/03/2002 pursuant to merger with Surya Food & Agro Ltd. & 131000 equity shares of Rs. 10/-each to the shareholders of "Priyagold Industries (India) Ltd." and "Kanhaiya Exports Pvt. Ltd." on 29/03/2003 pursuant to merger with Surya Food & Agro Ltd., for consideration other than cash. The Company has made Bonus Issue of Equity Shares on 10/03/2007 as per the capital structure above.
11. There are no buyback, standby or similar arrangement for purchase of Equity Shares offered through this DRHP by the Promoter Group, directors and the Lead Managers.
12. The total number of shareholders / members of the Company as on date are 8.
13. The Company has allotted 1,72,93,250 equity shares of Rs.10/- each as bonus shares on 10/03/2007 in the ratio of Twenty Five equity shares for every one equity share held (i.e. 25:1) to the existing shareholders by capitalizing its free reserves. Besides this, the Directors, Promoters and Promoter Group of the Company have not entered into any purchase or sale transactions of the Company's shares in the last six months.
14. The Shareholders of the Company do not hold any warrant, options, convertible loan or any debenture, which would entitle them to acquire further Shares of the Company.
15. There shall be only one denomination of the equity shares of the Company unless otherwise permitted by law. The Company shall comply with disclosure and accounting norms as may be specified by SEBI from time to time.
16. The Company has not granted Equity Options to its employees.
17. There would be no further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed. However our company is considering the pre- IPO placement of certain equity shares with certain investors, prior to the completion of the issue. In such a case the issue size offered to the public would be reduced to the extent of such pre- IPO placement subject to such minimum issue size of the post issue capital being offered to the public as may be permitted.
18. We do not presently intend or propose to alter our capital structure for a period of six months from the Bid/Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise. However, if business needs of the Company so require, the Company may alter the capital structure by way of split/ consolidation of the denomination of the shares/ issue of shares on a preferential basis or issue of bonus or rights or public issue of shares or any other securities whether in India or abroad during the period of six months from the date of listing of the Equity Shares issued under this DRHP or from the date the application moneys are refunded on account of failure of the Issue, after seeking and obtaining all the approvals which may be required for such alteration
19. The entire issue price is to be paid on application. Hence, there will be no partly paid up shares arising out of this issue.

## D) PARTICULARS OF THE ISSUE

### A. Object of the Issue

We propose the present Initial Public Offer (IPO):

1. To finance expansion of our manufacturing capacity of biscuits from its existing 85000 MT per annum to 149500 MT per annum.
2. To meet working capital requirement
3. To meet the expenses of the issue
4. To invest in the subsidiary company for
  - a) Setting up of a Condensed Milk Plant of 9051 MT p.a. capacity
  - b) Setting up of a Chocolate Plant of 6540 MT p.a. capacity
5. To enable listing of the equity shares of the company on the stock exchanges.

The Objects Clause of the Memorandum and Articles of Association of the Company enable it to undertake the activities for which the funds are to be raised in the present Public Issue. Further, it is confirmed that the activities, which the company has been carrying out until now is in accordance with the object clause of Memorandum and Articles of Association of the Company.

### B. Funds requirement and Means of Finance

(Rs. In lacs)

	Particulars	Amount	Amount
1	Expansion of "Biscuit" manufacturing facility		
	▪ Building & Civil Work	1443.49	
	▪ Plant & Machinery	1814.31	
	▪ Utilities & Misc. Fixed Assets	41.00	
	▪ Pre-Operative Exp.	329.88	
	▪ Contingencies & Escalations	329.88	3958.56
2	Working Capital requirement		2979.52
3	Public Issue Expenses		1000.00
	<b>Total A</b>		<b>7938.08</b>
4	Investment in our Subsidiary company i.e. Surya Processed Food Pvt. Ltd. for setting up of Condensed Milk plant and Chocolate Plant		5852.67
	<b>Total B</b>		<b>5852.67</b>
	<b>Total Funds requirement (A+B)</b>		<b>13790.75</b>

### Means of Finance

(Rs. In lacs)

Particulars	Amount
Equity Share Capital including premium	13590.75
Term Loan	200.00
<b>Total means of finance</b>	<b>13790.75</b>

The Cost of Project for our expansion in biscuit manufacturing facility to the extent of Rs.7938.08 lacs has been appraised by our Banker, State Bank of India, Overseas branch, New Delhi who have sanctioned Rs.200 lacs as term loan to part finance the project.

### C. Break up of Cost of Project

The break-up of cost of project as appraised by State bank of India, Overseas Branch, New Delhi is as follows:

#### 1. Expansion of Existing Biscuit Manufacturing facility

We propose to increase our manufacturing capacity from 85,000 MT p.a. to 149500 MT p.a. by adding capacity of 64,500 MT p.a. in our existing plant located at plot A-1, Udyog Vihar, Greater Noida, Uttar Pradesh. The total cost for expansion is estimated at Rs.3958.55 lacs. The break up of expenditure to be incurred for proposed expansion is as follows:

##### a) Building and Civil Works

We are putting up additional manufacturing capacity on the existing land available at our Greater NOIDA facility. The cost for construction of building and other civil work is estimated at Rs. 1443.49 lacs. We have already deployed Rs.649.32 lacs towards construction of building (for details please refer para on Sources & Deployment of funds). The break up of the expenditure to be incurred is as follows:

(Rs. in Lacs)			
Description Area	Sq.Ft	Rate per Sq.Ft.	Amount
RCC Sheds ( 120 Mts x 60 Mts) for Basement	77503	600	465.01
RCC Sheds ( 200 Mts x 60 Mts) for Ground Floor	129171	600	775.03
Office Building , Canteen Laboratory (15 Mts x 60 Mts)	9688	600	58.13
Office Building, Canteen Laboratory (furnishing) ( 15 Mts x 60 Mts)	9688	1500	145.32
<b>Total</b>			<b>1443.49</b>

##### b) Plant and Machinery

The cost of plant and machinery to be purchased for the expansion project is Rs. 1814.31 lacs. The break up for the same is as follows.

(Rs. in Lacs)				
Sr. No.	Name of Machine	Qty	Rate per unit	Amount
1	Vanaspati Storage Tank(70 Tonnes)	2	7.50	15.00
2	Glucose Mixing Tank (30 Tonnes )	1	6.00	6.00
3	Sugar Syrup Tank (10Tonnes)	1	3.00	3.00
4	Furnace Oil Tank (50Tonnes)	1	2.00	2.00
5	Biscuit Grinder	2	1.00	2.00
6	Sugar Grinder System (Meranda)	1	100.00	100.00
7	Peter Creams PT4	3	58.00	174.00
8	Vanaspati Handling System Meranda	1	70.00	70.00
9	Mixure Cream Feeding System	5	40.00	200.00
10	Material Handle System Maida	1	80.00	80.00
11	Cream Preparing System	1	150.00	174.72
12	Metal Detector	5	1.50	7.50
13	Biscuit Dies	5	0.40	2.00
14	Cooling Conveyor	5	2.00	10.00

15	Furnace Oil Burner	28	1.35	37.80
16	Weighing Machine 2 Kgs	10	0.08	0.75
17	Weighing Machine 200 Kgs	2	0.20	0.40
18	Weighing Machine 600 Kgs	2	0.50	1.00
19	Laboratory Equipments	1	10.00	10.00
20	Floor washing , Mopping M/c(Motor)	1	1.00	1.00
21	Thermo Fluid BoilerHot Water	1	4.05	4.05
22	Electrical 440 volts	1	90.00	90.00
23	Electrical 220 volts	1	15.00	15.00
24	Consumable Stores	1	10.00	10.00
25	Dough Mixture 500 kgs	5	13.50	78.62
26	Rotary Cutting Plant	1	50.00	58.24
27	Rotary Moulding Plant	4	6.00	27.96
28	Ovan (200' x 48") with Band	4	42.00	195.69
29	Ovan (150' x 48") with Band	1	30.00	34.94
30	Packing Machine	20	8.00	160.00
31	Plastic Crates	300	0.00	1.07
32	Air Compressor	2	5.54	12.90
33	Pallet Track (Material Handling)	5	0.19	1.10
34	Cream Preparing System	1	150.00	174.72
	<b>Total</b>			<b>1761.46</b>
	Add: 3% for Sales Taxes etc			52.84
	<b>GRAND TOTAL</b>			<b>1814.31</b>

We have placed orders for majority of above machineries.

**c) Utilities and Miscellaneous Fixed Assets**

Sr. No.	Particulars	Qty	Rate (in lacs)	Amount (in lacs)
1	Vehicle for Delivery	5	6.00	30.00
2	Fire Extinguishers	1	10.00	10.00
3	Water Tank	2	0.50	1.00
	<b>TOTAL</b>			<b>41.00</b>

**d) Pre-Operative Expenses**

We require funds for certain pre-operative expenses such as project report preparation, Interest during implementation, start up expenses, insurance, legal expenses, etc. The total requirement is estimated at Rs. 329.88 Lacs.

**e) Contingencies & Escalation**

A contingency & escalation provision of 10% of capital assets cost of Rs. 3298.80 lacs i.e. Rs. 329.88 Lacs is provided for.

## 2. Working Capital Requirement

The total working capital requirement of Company is estimated at Rs. 5479.52 Lacs as appraised by our Banker, State Bank of India, considering the existing and proposed enhanced capacity based on the calculations for the first year of operations i.e. 2008-09 after the implementation of project. The details of which are as follows:

S.No.	Particulars	Days	Amount (Rs.in Lacs)
1	<b>Raw Material &amp; Packg. Material:-</b>		
	For Proposed Unit	15	750.16
	For Existing Unit	15	943.60
2	<b>Goods in Process :-</b>		
	For Proposed Unit	3	150.03
	For Existing Unit	3	180.30
4	<b>Finished Goods</b>		
	For Proposed Unit	7	419.07
	For Existing Unit	7	527.13
5	<b>Debtors</b>		
	For Proposed Unit	15	952.83
	For Existing Unit	15	1198.53
6	<b>Working Expenses</b>		
	<b>a)Manpower</b>		
	For Proposed Unit	30	94.00
	For Existing Unit	30	118.24
	<b>b) Power &amp; Fuel</b>		
	For Proposed Unit	30	64.50
	For Existing Unit	30	81.13
	<b>Total</b>		<b>5479.52</b>
Less:	Bank Funding		1500.00
Less:	Available Margin		1000.00
	<b>Net working capital requirement</b>		<b>2979.52</b>

We have a sanction of working capital limits to the extent of Rs.1500.00 lacs from State Bank of India, Overseas branch, New Delhi.

## 3. Public Issue Expenses

The Issue expenses includes the expenses for the current Public Issue *inter-alia* including travelling, management fees, printing and distribution expenses, commission, legal fees, regulatory fees, advertisement expenses and Processing fees & listing fees payable to the stock exchanges, among others. The total issue expenses are estimated to be approximately 7.27% of the total proceeds of this Public Issue.

### Schedule of implementation

The proposed schedule of implementation for the projects is detailed below:

Sr. No.	Activity	Commencement	Completion	Status
1	Land	-	-	Already in possession
2	Factory Building & Civil Work	Commenced	December 2007	Commenced
3	Plant & Machinery	October 2007	December 2007	Identified and order is placed for major machineries
4	Erection of Equipment	January 2008	February 2008	Will be commenced after completion of installation of plant.
5	Trial Run	February 2008	-	-
6	Commencement of commercial production	March 2008	-	-

#### 4. Investment in the subsidiary company

We propose to invest Rs. 5852.67 lacs in our 100% subsidiary namely Surya Processed Food Private Ltd. (SPFPL) by way of equity participation and subscription to 4% non convertible debenture. The structure of investment in the subsidiary company will be as follows:

Sr. No.	Nature of investment	Amount (Rs.in Lacs)
1	1,85,26,700 equity shares of Rs.10/- each for cash at par	1852.67
2	40,00,000, 4% non convertible debentures of Rs.100/- each (Unsecured)	4000.00
	<b>Total</b>	<b>5852.67</b>

Our subsidiary, SPFPL presently has an authorized capital of Rs.6 crores comprising of 60,00,000 equity shares of Rs.10/- each. SPFPL will increase the authorized capital to the desired levels by passing appropriate resolutions & complying with ROC formalities.

The above funds will be deployed by SPFPL for setting up Condensed Milk plant and Chocolate plant at Haridwar, Ranipur, Uttaranchal. The Cost of project and means of finance for both the plants are as follows:

(Rs. in Lacs)				
Sr. No.	Particulars	Condensed Milk plant Amount	Chocolate Plant Amount	Total Amount
<b>Cost of Project</b>				
1	Land	-	320.00	320.00
2	Building & Civil work	271.00	693.11	964.11
3	Plant & Machinery	477.00	560.72	1037.72
4	Utilities and Misc. Fixed Assets	232.00	159.77	391.77
5	Pre-operative Exp.	25.00	192.14	217.14
6	Working Capital	1341.00	1965.89	3306.89
7	Contingencies and Escalation	-	215.04	215.04
	<b>Total</b>	<b>2346.00</b>	<b>4106.67</b>	<b>6452.67</b>

<b>Means of Finance</b>				
1	Equity Share Capital	546.00	1306.67	1852.67
2	4% Non Convertible Debentures	1500.00	2500.00	4000.00
3	Term Loan	300.00	300.00	600.00
	<b>Total</b>	<b>2346.00</b>	<b>4106.67</b>	<b>6452.67</b>

SPFPL has applied to the State Bank of India, Overseas branch, New Delhi for appraisal of the above proposed projects and sanction of term loan to the extent of Rs.600.00 lacs to part finance the same.

**Break up of above Cost of Project is as follows:**

▪ **Land**

SPFPL has acquired 33920 sq.mtrs of land situated at Integrated Industrial Estate, BHEL, Ranipur, Dist. Haridwar, Uttaranchal from State Infrastructure & Industrial Development Corporation of Uttaranchal Ltd. (SIDCUL) for 90 years lease. The cost for acquisition of the said land was Rs.199.45 lacs. The balance money of Rs.120.55 lacs will be deployed on development of land, construction of road etc. since the land is located in non developed area.

The details of plot & lease arrangement are as follows:

Plot No.	Plot No. -5 , Sector -11, BHEL
Plot Area	33920 sq. mtr.
Date of Lease Agreement	25/05/2007
Lease Rent	Rs.5/- per sq.mtr. i.e. Rs.1,69,600/-

▪ **Building & Civil Work**

**For Condensed Milk Plant**

<b>Particulars</b>	<b>Sq. Ft.</b>	<b>Rate per Sq.ft. (Rs.)</b>	<b>Amount (Rs. in lacs)</b>
RCC Shed (Milk receiving , Processing,Cream Handling, Butter making,Powder Recombination/ sugar dissoving,CIP,Laborateries)	9038	500	45.19
RCC Shed (Sweetend condensed milk)	2582	750	19.36
RCC Shed (Evaporator)	1452	900	13.07
RCC Shed (Spray Dryer)	2421	2000	48.42
FG Stores & Butter Cold Store	19368	400	77.47
Utilities Section Building	1500	350	5.25
Foundation/Internal Roads/ETP-Civil /Loghting Gates			25.00
Others (Sanitation, electrification etc)			37.24
<b>Total</b>			<b>271.00</b>

**For Chocolate Plant**

<b>Particulars</b>	<b>Sq. Ft.</b>	<b>Rate per Sq.ft. (Rs.)</b>	<b>Amount (Rs. in lacs)</b>
RCC Sheds (3 floors)	46500	600	279.00
Other Sheds	85253	400	341.01
Office Building, canteen Laboratory	8600	850	73.10
<b>Total</b>			<b>693.11</b>

- Plant & Machinery

**For Condensed Milk Plant**

	<b>Machinery</b>	<b>Amount (Rs.in lacs)</b>
<b>A)</b>	<b>Fresh Milk receiving Section</b>	17.42
	<i>Comprising following machineries:</i>  Dump Tank (1), Milk Transfer Pump(2), Duplex Filter (1), Milk Chiller (1), Milk Storage Tank(2)	
<b>B)</b>	<b>Milk Processing Section</b>	100.22
	<i>Comprising following machineries:</i>  HTST Milk Pasteurizer(1), Cream Separator(2), Milk Storage Tank (3), Milk Transfer Pump (1), SS Pipes, Valves, Fittings (1 Set)	
<b>C)</b>	<b>Cream Handling , Butter &amp; Ghee Manufatring Section</b>	69.80
	<i>Comprising following machineries:</i>  Cream pasteurizer(1), Cream Balance Tank(1), Cream Transfer pump(2), Continuous Butter making M/c (1), Cream Storage Tank (2), Butter Milk Transfer Pump (1), Butter Trolley (1), Melting Vat (1), Prestratification Tank (2), Ghee Kattel (2), Ghee Settling Tank (2), Ghee Clarifier (1), Ghee Storage Tank (1), Ghee Filling M/c (1), S S Pipes, Valves, Fittings (1 Set)	
<b>D)</b>	<b>Milk Evaporator with Thermal Recompression (Food &amp; Biotech-)</b>	83.24
	<i>Comprising following machineries:</i>  Feed Balance Tank (1), Feed pump with Duplex Filter (1), Pre-Heater (4), DSI (1), DSI/Flash Vessel pumps (2), Caalndria (4), Vapour Seperator (4), Intermediate Pumps (8), Thermo Vapour Recompressor(1), Condensate Pump(1), Condensor(1), Vaccum pump (1), Water Balance Tank (1), S S Pipes, Valves, Fittings (1 lot), Instrumentation and control Penal (1 lot).	
<b>E)</b>	<b>Spray Drying Section (Single Stage)</b>	85.00
	<i>Comprising following machineries:</i>  Feed Balance Tank (2), Feed pumps with duplex Filter (1), Water Balance Tank (1), Feed Pipes and Fittings (1 lot), Tubular Heater (1), Disc Automizer Automizer Stand (1), Drying Chamber Air Distributer (1), Neck Cooling Fan (1),	

	Air Intake Filter (1), Delevery Fan (1), Air Heating System (1), Conveying System (Cooling) Fan (1), Air Intake Filter (1), Dehumidifier Battery (1), Bagging Cyclone (1), Cyclone Separator (2), BTV/Rotary Valve (4), Exhaust Fan (1), Sifter (1), Instrumentation and control Penal (1).	
<b>F)</b>	<b>Sweetened Condensed Milk Section (Milkraft)</b>	95.00
	<i>Comprising following machineries:</i>  Feed Balance Tank (1), Feed pump with duplex filter (1), Pre-Heater (1), High Heater (1), Hot Well (1), Sugar Mixing Unit (1), Evaporator (1), Condensor (Shell & Tube) (1), Vapour Ducts Products Pump, Vacum Pump, Duplex Filter (2), Positive Pump (1), Coolers ( Crystalization) (2), Storage Tanks (2), Lactose Mill & Sterlization (1), Pulveriser, Drum Filling, Arrangement Instrumentation and control Penal (1 Set) Homozonising.	
<b>G)</b>	<b>Miscellaneous Dairy Equipments</b>	12.32
	<i>Comprising following machineries:</i>  Steam & Water Mixure (10), Reconstitution Unit (1), CIP Unit (3), Forward Pump (1), Return Pump (2), PHE GES (1), Packaging Table (1)	
H)	CIP without pipes & fittings	14.00
	<b>Grand Total</b>	<b>477.00</b>

#### For Chocolate Plant

	<b>Machinery</b>	<b>No of Units</b>	<b>Rate (Rs.in lacs)</b>	<b>Amount (Rs.in lacs)</b>
<b>A)</b>	<b>Waffer Unit</b>			
	Plantetory Mixer	1.00	3.40	3.40
	<i>Waffer Oven WA72 plate size 350 x 470 mm</i>	1.00	111.00	111.00
	<b>Total</b>			<b>114.40</b>
<b>B)</b>	<b>Enrobing Unit</b>			
	<i>Enrober 1200 mm with Cooling Conveyor with AC</i>	1.00	46.12	46.12
	Take Off Conveyor	1.00	0.50	0.50
	Moulded Chocolate Holding Tank	2.00	7.00	14.00
	Feeding Conveyor for flow pack	1.00	4.50	4.50
	Flow Pack Machines	8.00	4.61	36.90
	Take Off Conveyor	2.00	1.50	3.00
	Metal Detector	1.00	3.00	3.00
	Sealing Machine C.Box	3.00	1.20	3.60
	<b>Total</b>			<b>111.62</b>
<b>C)</b>	<b>Moulding Line</b>			
	<i>Chocolate Moulding Line</i>	1.00	46.12	46.12
	<i>Tempering Machine</i>	1.00	12.30	12.30

	<i>Set of Moulds</i>	5.00	2.80	14.00
	Moulded Chocolate Holding Tank	2.00	7.00	14.00
	Vibro Sifter	1.00	1.50	1.50
	Magnetic Seperator	1.00	0.75	.75
	Chocolate handling and pumping system	1.00	5.00	5.00
	Take off Conveyor	1.00	1.50	1.50
	Wrapping Machines	5.00	4.61	23.06
	Wad Sealing Machine	1.00	0.75	.75
	C.Box Sealing Machine	1.00	1.20	1.20
	Metal Detector	1.00	3.00	3.00
	<b>Total</b>			<b>123.18</b>
<b>D)</b>	<b>Nut Coating Machine</b>			
	Chocolate Holding Tank	1.00	1.50	1.50
	<i>Auto Coaters</i>	2.00	9.60	19.19
	FFS Machine with loader	1.00	20.00	2
	Bucket Alibater	1.00	5.00	5.00
	<b>Total</b>			<b>45.69</b>
<b>E)</b>	<b>Chocolate making and processing unit</b>			
	<i>5 Stage Chocolate Refiner</i>	2.00	16.00	32.00
	<i>Chocolate Councing</i>	2.00	16.00	32.00
	Z arm Mixer 500 Ltr	2.00	18.00	36.00
	Conveyor	2.00	3.00	6.00
	Vibro Sifter	2.00	1.50	3.00
	Magnetic Seperator	2.00	0.75	1.50
	Chocolate handling and pumping system	2.00	0.60	1.20
	Sugar Pulverizer	1.00	5.23	17.70
	Trolleys for collecting refined and mixed product	2.00	0.50	1.00
	<b>Total</b>			<b>130.40</b>
<b>F)</b>	<b>Cookies Machines</b>			
	Fully computerised Cookies - Machine with Roating Heat	1.00	7.50	7.50
	Gas Operated Battery Pack oven with Full Automation	1.00	13.50	13.50
	Trolleys	12.00	0.09	1.08
	Tray	600.00	Rs.175	1.05
	CEPHAS-150 Planatery Mixer	3.00	3.40	10.20
	Extra Bowl & Trolley	6.00	0.35	2.10
	<b>Total</b>			<b>35.43</b>
	<b>Grand Total</b>			<b>560.72</b>

Our subsidiary SPFPL has identified and placed orders for procuring some of the above machineries.

- **Utilities and Misc. Fixed Assets**

The total value of the Miscellaneous Fixed Assets which includes, the cost of erection, excise duty and other charges and other equipments to be purchased for the project.

**For Condensed Milk Plant**

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (Rs.in lacs)</b>
1.	DG Set	218.50
2.	Furniture & Fixtures	2.50
3.	Air Conditioner	1.00
4.	Delivery Van for 5 Ton for SCM	10.00
	<b>Grand Total</b>	<b>232.00</b>

**For Chocolate Plant**

<b>Sr. No.</b>	<b>Machinery</b>	<b>No of Units</b>	<b>Rate (Rs.in lacs)</b>	<b>Amount (Rs.in lacs)</b>
<b>A)</b>	Hot water generation unit	1.00	5.09	5.09
	Air Compressor	1.00	3.88	3.88
	Chiller for refiner	1.00	5.15	5.15
	Generator 500 KVA	1.00	22.16	22.16
	Transformer 800 KVA	1.00	7.86	7.86
	Electrical Power Control Panel	1.00	5.50	5.50
	Power Cables/ Trays		10.00	10.00
	Plant Lighting		4.00	4.00
	Electrical Earthing System		2.00	2.00
	Water processing unit (Softener 3 Kl/hr)	1.00	2.50	2.50
	Water & Air Pipe Lines		5.00	5.00
	Gas Bullets & distribution	1.00	22.00	22.00
	Air Conditioner & Dehumidifier	1.00	28.20	28.20
	False Ceiling & Al. Partitions	1.00	7.00	7.00
	ETP	1.00	3.00	3.00
	<b>Total</b>			<b>133.34</b>
<b>B)</b>	<b>Miscellaneous Items</b>			
	Weighing Scales	10.00	0.15	1.50
	Insectocutors	12.00	0.075	0.90
	Exhaust Fan	12.00	0.075	0.90
	Air Curtains	6.00	0.19	1.12
	Strapping Machine	2.00	0.55	1.10
	Hand Pallet Trucks	3.00	0.25	0.75
	Pallets	200.00	0.03	6.00
	Crates	300.00	0.0045	1.35
	Weighing Bridge	1.00	5.00	5.00
	Shrink Tunnel	2.00	1.00	2.00
	<b>Total</b>			<b>20.62</b>
<b>C)</b>	<b>Laboratory Equipments</b>			
	Viscometer	1.00	0.75	0.75
	Titration Kit	1.00	0.10	0.10
	Analytical Kit	1.00	0.50	0.50
	Vacuum Oven	1.00	0.13	0.13
	Laboratory Oven with Air Circulation	1.00	0.35	0.35

	Scientific Balance	1.00	0.84	0.84
	Refractometer	2.00	0.05	0.10
	Muffle Furnace	1.00	0.23	0.23
	B.O.D Incubator	1.00	0.68	0.68
	Incubator Bacteriological	1.00	0.26	0.26
	Colony Counter	1.00	0.05	0.05
	Laminar Flow	1.00	0.60	0.60
	Auto Clave	1.00	0.73	0.73
	Soxlet apparatus	1.00	0.03	0.03
	Water Bath (Serological)	1.00	0.10	0.10
	Melting Point Apparatus	1.00	0.06	0.06
	Hot Plate Rectangular	1.00	0.07	0.07
	Analytical weight Box	1.00	0.03	0.03
	Magnetic Stirrer	1.00	0.04	0.04
	Distillation Unit	1.00	0.06	0.06
	Microscope	1.00	0.12	0.12
	<b>Total</b>			<b>5.80</b>
	<b>Grand Total</b>			<b>159.77</b>

- **Pre-Operative Expenses**

Pre operative expenses for Condensed Milk plant and Chocolate plant are estimated at Rs.25.00 lacs and Rs.192.14 lacs respectively. The expenses include expenses towards Wages & Remuneration, interest cost, fuel charges and other charges incurred for the project.

- **Working Capital**

**For Condensed Milk Plant**

Sr. No.	Particulars	No of Days	Amount (Rs.in lacs)
1.	Raw Material & Packaging Material	2	34.00
2.	Finished Goods	30	632.00
3.	Debtors	30	640.00
4.	Working Expenses		
	a) People	30	8.00
	b) Power & Fuel	30	27.00
	<b>Total</b>		<b>1341.00</b>

**For Chocolate Plant**

Sr. No.	Particulars	No of Days	Amount (Rs.in lacs)
1.	Raw Material & Packaging Material	90	866.82
2.	Goods in Process	5	48.16
3.	Finished Goods	15	311.34
4.	Debtors	30	707.14
5.	Working Expenses		
	a) People	30	19.50
	b) Power & Fuel	30	12.93
	<b>Total</b>		<b>1965.89</b>

▪ **Contingencies & Escalation**

A contingency & escalation provision of Rs. 215.04 Lacs is provided for.

**Schedule of implementation**

The proposed schedule of implementation for the projects of SPFPL is detailed below:

Sr. No.	Activity	Commencement	Completion	Status
1	Land	-	-	Acquired
2	Factory Building & Civil Work	December 2007	March 2008	In the process of short listing contractors
3	Plant & Machinery	February 2008	March 2008	In the process of obtaining quotations.
4	Erection of Equipment	April 2008	May 2008	Will be commenced after completion of construction of building.
5	Trial Run	May 2008	-	-
6	Commencement of commercial production	June 2008	-	-

We are proposing to deploy the funds within a period of 6-8 months to commence the production at the earliest.

**Sources and Deployment of Funds**

We have commenced the implementation of project for expansion of biscuit manufacturing facility at our existing unit & invested an amount of Rs.548.37 lacs in subsidiary company. Thus we have spent an amount of Rs.1247.69 lacs towards the implementation of project till 30/09/2007. We have received the Sources and Deployment of Funds Certificate dated 22/10/2007, from Vinay Aggarwal & Associates, Chartered Accountants & Statutory Auditors of the Company. Details of the sources and deployment of the funds as per the certificate are as follows:

(Rs. in Lacs)	
Particulars	Amount
<b>Deployment of Funds</b>	
Building	649.32
Advance for Plant & machinery	50.00
Investment in Subsidiary Company i.e. Surya Processed Food Pvt. Ltd.	548.37
<b>Total</b>	<b>1247.69</b>
<b>Sources of Funds</b>	
Internal Accruals	1247.69
<b>Total</b>	<b>1247.69</b>

Our subsidiary has spend and amount of Rs.548.71 lacs till 30/09/2007 on implementation of project for condensed milk and Chocolate plant. Sources & Deployment of funds on project for setting up of condensed milk plant and chocolate plant by Surya Processed Food Pvt. Ltd. as certified by M/s M.B.

Gupta & Co., Chartered Accountant & Statutory Auditors of Surya Processed Food Pvt. Ltd vide their certificate dated 19/10/2007 is as follows:

(Rs. in Lacs)

<b>Particulars</b>	<b>Amount</b>
<b>Deployment of Funds</b>	
Land	187.75
Building	35.91
Advance for Plant & machinery	316.56
Pre-operative expenses	6.21
Cash & Bank balance	2.27
<b>Total</b>	<b>548.71</b>
<b>Sources of Funds</b>	
Share Capital from Surya Food & Agro Ltd.	548.37
Unsecured Loan	0.34
<b>Total</b>	<b>548.71</b>

### **Interim Use of Proceeds**

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds received through the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with any investment criteria approved by our Board of Directors from time to time.

### **Monitoring of Utilization of Funds**

Our project is appraised by our Banker State Bank of India, Overseas Branch, New Delhi, who will oversee deployment of funds & implementation of project. We will disclose the utilization of the proceeds of the Issue under a separate head in their financial statements clearly specifying the purposes for which such proceeds have been utilized. We will also, in their financial statements, provide details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue. No part of the proceeds of this Issue will be paid by the company as consideration to their Promoters, their Directors, key management employees or companies promoted by their Promoters, save and except in the course of normal business.

### **Basic Terms of the Issue**

The Equity shares being offered are subject to the provision of the Companies Act, 1956, the Memorandum and Articles of Association of our Company, the terms of this DRHP and other terms and conditions as may be incorporated in the Allotment advice and other documents /certificates that may be executed in respect of the issue. The Equity shares shall also be subjected to laws as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, RBI, ROC and /or other authorities as in force on the date of issue and to the extent applicable.

## E) BASIS OF ISSUE PRICE

The Price for the Issue Price will be decided by us in consultation with the BRLM and specified in the Prospectus that will be filed with the Registrar of Companies. The Price will also be advertised in [●], an English language newspaper [●] and a Hindi language (Regional Newspaper) with wide circulation. The face value of the Equity Shares is Rs. 10 and the Issue Price is [●] times the face value.

### Qualitative Factors

- Existing profit making company engaged in manufacturing of biscuits for past 15 years.
- We established brand/trademark “Priyagold” & “Hak Se Mango” commanding excellent recall value with various sub-brands.
- Diversified portfolio through subsidiary includes established brands for juices such as “Fresh Gold”, “Treat” supplemented by recently launched aerated drink “Fresh Fizzy”.
- Extensive distribution network through Consignee agents/ Super stockists and retail distributors through out the country.

### Quantitative Factors

Information presented in this section is derived from restated financial statements of the Company, prepared in accordance with Indian GAAP.

#### 1. Earnings Per Share (EPS)

Year Ended	EPS (Rs.)	Weight
March 31,2005	35.87	1
March 31, 2006	18.82	2
March 31, 2007	16.36	3
<b>Weighted Average</b>		<b>20.43</b>

**Note:** EPS is calculated on the basis of weighted average number of shares in each year. Weighted average number of shares has been calculated on time basis.

EPS based on audited financial results for Half Year ended 30/09/2007 is Rs. 3.27 which translate into an EPS of Rs.6.54 on annualized basis.

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

a.	Based on half year ended 30/09/2007, annualized basic EPS of Rs.9.96	[●]*
b.	Based on weighted average EPS of Rs. 20.43	[●]*

\* would be calculated after discovery of the Issue Price through Book-building

#### 3. Return on Net Worth (RONW)

Year Ended	RONW %	Weight
March 31,2005	3.79	1
March 31, 2006	1.95	2
March 31, 2007	4.09	3
<b>Weighted Average Return on Net Worth</b>		<b>3.33</b>

Return on Net worth for half Year ended 30/09/2007 is 7.82 % which translates into annualized RONW of 15.64%.

**4. Minimum Return on Increased Net Worth required to maintain pre-issue EPS:**

Based on half year ended 30/09/2007, annualized basic EPS of Rs.6.54: [●] %  
Weighted average EPS of Rs.20.43 : [●] %

**5. Net Asset Value (NAV) per share**

a.	As on March 31, 2007	: Rs. 399.71
b.	Issue Price	: Rs. [●]
c.	NAV after this Issue*	: Rs. [●]

\*would be computed after discovery of the Issue Price through Book Building  
NAV based on audited financial results for half year ended 30/09/2007 is 41.81.

**Note:** NAV per share is calculated on the basis of weighted average number of shares in each year. Weighted average number of shares has been calculated on time basis.

**6. Industry Average P/E**

	Name of Company	P/E Multiple
Highest	Nestle India Ltd.	36.20
Lowest	GlaxoSmithkline Consumer Healthcare Ltd	18.40
<b>Industry Composite</b>		<b>31.30</b>

(Source: Capital Market – Vol. Oct 08 -21, 2007, Segment - Food Processing – MNC)

**7. Comparison with Peer Group**

The comparable ratios of the companies which are to some extent similar in business are given as follows:

Name of the Company	EPS	RONW (%)	Book Value (Rs.)	P/E Multiple
Britannia Industries Ltd.	39.30	18.50	257.40	32.80
GlaxoSmithkline Consumer Healthcare Ltd.	28.80	24.90	129.00	18.40
Nestle India Ltd.	29.40	84.80	40.30	36.20

(Source: Capital Market – Vol. Oct 08 -21, 2007, Segment - Food Processing – MNC)

Surya Food and Agro Limited	16.36	4.09	399.71	-
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Figures based on 31/03/2007 numbers.

We are in the business of biscuit & fruit juices (through our subsidiary) manufacturing and proposing to enhance capacity for manufacturing of biscuits and enter into the business of manufacturing of Condensed milk products and chocolates through our subsidiary. The industry comparison shown above considers comparable companies who are focused on biscuit manufacturing. The business model of these companies may not be directly comparable to the business of Surya Food and Agro Limited.

**8. The face value of Equity Shares of Surya Food & Agro Limited is Rs.10 and the Issue Price is [\*] time of the Face Value.**

On the basis of the above parameters the Issue Price of Rs. [●] per share is justified.

## **F) STATEMENT OF TAX BENEFITS**

To  
The Board of Directors  
**Surya Food & Agro Ltd.**  
D-1 Sector-2  
Noida-201301, U.P.

**Sub : Statement of possible Tax Benefits available to the Company and its shareholders**

Dear Sirs,

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

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws and the fact that the Company will not distinguish between the shares offered for subscription and the shares offered for sale by the Selling Shareholders, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

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

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

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

**For Vinay Aggarwal & Associates**  
Chartered Accountants  
Sd/-  
Vinay Aggarwal  
Partner

Dated: 22/10/2007  
Place: New Delhi

## **STATEMENT OF TAX BENEFITS AVAILABLE TO SURYA FOOD & AGRO LTD. ("THE COMPANY") AND ITS SHAREHOLDERS**

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### **1. BENEFITS TO THE COMPANY UNDER THE INCOME TAX ACT, 1961 ("THE ACT"):**

The Company will be entitled to deduction under the sections mentioned hereunder from its total income chargeable to Income Tax.

#### **Dividends Exempt Under Section 10(34)**

Under section 10(34) of the act, the Company will be eligible for exemption of income by way of dividend from its subsidiary Company and other domestic company referred to in section 115-O of the Act.

#### **Income from Units of Mutual Funds exempt under section 10(35)**

The company will be eligible for exemption of income received from units of mutual funds specified under section 10(23D) of the Act, income received in respect of units from the administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of section 10(35) of the Act.

#### **Computation of Capital Gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding Shares in a company, listed securities or units of Unit Trust of India or unit of Mutual Fund specified under section 10(23D) or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "Long Term Capital Gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "Short Term Capital Gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/ improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition/improvement with the indexed cost of acquisition/improvement, which adjusts the cost of acquisition/ improvement by a cost inflation index as prescribed from time to time.

As per the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(36) or 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units (whether listed or unlisted) or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction Tax ("STT") shall be subject to tax at a rate of 10 percent (plus applicable surcharge and education cess).

### **Exemption of capital gain from income tax**

- Under section 10(36) of the Act, long term capital gains arising on eligible equity share in a company (acquired on or after the 1st day of march 2003 and before the 1st day of march 2004) sold through a recognised stock exchange in India will be exempt from tax.
- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under section 115JB.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

### **Other specified deductions**

Subject to the fulfillment of conditions, besides General Deduction mentioned under section 37 of the Income Tax Act,1961 the company will be eligible, inter-alia, for the following specified deductions in computing its business income:-

Section 35(1)(i) and (iv) of the Act, in respect of any revenue or capital expenditure incurred, other than expenditure on the acquisition of any land, on scientific research related to the business of the company.

Section 35(1)(ii) and (iii) of the Act, in respect of any sum paid to a scientific research association which has as its object, the undertaking of scientific research or to any approved university, college or other institution to be used for scientific research or for research in social sciences or statistical research to the extent of a sum equal to one and one fourth times the sum so paid.

Subject to compliance with certain conditions laid down in section 32 of the Act, the company will be entitled to deduction for depreciation:

Depreciation shall be allowed:

- In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income-tax rules, 1962;
- In respect of any new machinery or plant which has been acquired and installed after 31st March 2005 by an assessee engaged in the business of manufacture or production of any article of thing, a further sum of 20% of the actual cost of such machinery or plant;

Under section 36(1)(i) of the Act, A deduction is available to the Company for any premium paid in respect of insurance against risk of damage, or destruction of stocks or stores, used for the purpose of business.

Under section 36(1)(ib) of the Act, a deduction is available to the Company in respect of any premium paid to keep in force an insurance on the health of the employees.

Under section 36(1)(ii) of the Act, Bonus or Commission paid to employees is eligible for deduction to the Company.

Under section 36(1)(iv), 36(1)(v), 36(1)(va), a deduction is available to the Company for any sum contributed in Recognised Provident Fund, Approved Gratuity Fund and other staff welfare scheme.

Any Bonafide expenditure incurred by the Company for the purpose of promoting family planning among its employees is allowable as deduction. If however, such expenditure is of a capital nature, one-fifth of such expenditure is allowable as deduction for the previous year in which it was incurred and the balance is deductible in equal installments in the next four years u/s 36(1)(ix) of the Act.

Under Section 80 G of the Act, deduction is available to the Company for any sum paid as Donation to certain fund, Charitable Institution @ 50% and 100% at the case may be, subject to Net Qualifying Amount.

Under section 80 JJAA of the Act, a deduction in respect of employment of new workmen is available to the Company to the extent of 30% of additional wages paid to the new "regular workmen" employed by the Company in the previous year.

Under section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years succeeding the year in which the MAT becomes allowable.

As per the provisions of Section 90, for taxes on income paid in Foreign Countries from projects/activities undertaken thereat, the company will be entitled to the deduction from the Indian Income-tax of a sum calculated on such doubly taxed income to the extent of taxes paid in Foreign Countries.

## **2. BENEFITS AVAILABLE TO RESIDENT SHAREHOLDERS:**

### **Dividends exempt under section 10(34)**

Under section 10(34) of the Act, income earned by way of dividend from domestic company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

### **Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or unit of Mutual Fund specified under section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act, which prescribes the mode of computation of capital gains, provides for deduction of cost of acquisition/ improvement and expenses incurred in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, in respect of long term capital gains, it offers a benefit by permitting substitution of cost of acquisition / improvement with

the indexed cost of acquisition / improvement, which adjusts the cost of acquisition / improvement by a cost inflation index as prescribed from time to time.

As per the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 per cent (plus applicable surcharge and education cess).

#### ***Exemption of capital gain from income tax***

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately. In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act.

However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

#### **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

### **3. BENEFITS AVAILABLE TO NON-RESIDENT INDIAN SHAREHOLDERS (OTHER THAN FIIs AND FOREIGN VENTURE CAPITAL INVESTORS):**

#### **Dividends exempt under section 10(34)**

Under section 10(34) of the Act, income earned by way of dividend from domestic company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

#### **Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or units of mutual fund specified under section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian rupees at the prevailing rate of exchange.

According to the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost. According to the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 10 percent (plus applicable surcharge and education cess).

Options available under the Act

*Where shares have been subscribed to in convertible foreign exchange -*

Option of taxation under chapter XII-A of the Act:

Non-resident Indians [as defined in section 115C(e) of the Act], being shareholders of an Indian company, have the option of being governed by the provisions of chapter XII-A of the Act, which inter-alia entitles them to the following benefits in respect of income from shares of an Indian company acquired, purchased or subscribed to in convertible foreign exchange:

- According to the provisions of section 115D read with section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian company not exempt under section 10(38), will be subject to tax at the rate of 10 percent (plus applicable surcharge and education cess), without indexation benefit.
- According to the provisions of section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset.

If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

Further, if the specified asset in which the investment has been made is transferred within a period of three years from the date of investment, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such specified asset or savings certificates are transferred.

- As per the provisions of section 115G of the Act, non-resident Indians are not obliged to file a return of income under section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of chapter XVII-B of the Act.
- Under section 115H of the Act, where the non-resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the assessing officer, along with his return of income for that year under section 139 of the Act to the effect that the provisions of the chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clause (ii), (iii), (iv) and (v) of section 115C(f) for that year and subsequent assessment years until such assets are converted into money.
- As per the provisions of section 115-I of the Act, a non-resident Indian may elect not to be governed by the provisions of chapter XII-A for any assessment year by furnishing his return of income for that assessment year under section 139 of the Act, declaring therein that the provisions of chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

#### *Exemption of capital gain from income tax*

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, capital gains not exempt under section 10(38) and arising on transfer of a long term capital asset shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, if the said bonds are transferred or converted into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

#### **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

#### **4. BENEFITS AVAILABLE TO OTHER NON-RESIDENT SHAREHOLDERS (OTHER THAN FIIS AND FOREIGN VENTURE CAPITAL INVESTORS):**

##### **Dividends exempt under section 10(34)**

Under section 10(34) of the Act, income earned by way of dividend from domestic company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

##### **Computation of capital gains**

Capital assets may be categorized into short term capital assets and long term capital assets based on the period of holding. Shares in a company, listed securities or units of UTI or units of mutual fund specified under section 10(23D) of the Act or a zero coupon bond will be considered as long term capital assets if they are held for a period exceeding 12 months. Consequently, capital gains arising on sale of these assets held for more than 12 months are considered as "long term capital gains". Capital gains arising on sale of these assets held for 12 months or less are considered as "short term capital gains".

Section 48 of the Act contains special provisions in relation to computation of capital gains on transfer of shares of an Indian company by non-residents. Computation of capital gains arising on transfer of shares in case of non-residents has to be done in the original foreign currency, which was used to acquire the shares. The capital gain (i.e., sale proceeds less cost of acquisition/ improvement) computed in the original foreign currency is then converted into Indian rupees at the prevailing rate of exchange.

As per the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess).

In case investment is made in Indian rupees, the long-term capital gain is to be computed after indexing the cost.

As per the provisions of section 112 of the Act, long term gains as computed above that are not exempt under section 10(38) of the Act would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess). However, as per the proviso to section 112(1), if the tax on long term capital gains resulting on transfer of listed securities or units or zero coupon bond, calculated at the rate of 20 percent with indexation benefit exceeds the tax on long-term gains computed at the rate of 10 percent without indexation benefit, then such gains are chargeable to tax at a concessional rate of 10 percent (plus applicable surcharge and education cess).

As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares, where the transaction of sale is chargeable to STT, shall be subject to tax at a rate of 10 percent (plus applicable surcharge and education cess).

#### *Exemption of capital gain from income tax*

- Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.
- According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

In such a case, the cost of such long term specified asset will not qualify for deduction under section 80C of the Act. However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

- According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a HUF, gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately. For this purpose, net consideration means full value of the consideration received or accrued as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

#### **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

### **5. BENEFITS AVAILABLE TO FOREIGN INSTITUTIONAL INVESTORS ('FIIS'):**

#### **Dividends exempt under section 10(34)**

Under section 10(34) of the Act, income earned by way of dividend from domestic company referred to in section 115-O of the Act is exempt from income tax in the hands of the shareholders.

## **Taxability of capital gains**

Under section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

The income by way of short term capital gains or long term capital gains [in cases not covered under section 10(38) of the Act] realized by FIIS on sale of shares of the company would be taxed at the following rates as per section 115 AD of the Act-

- Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable surcharge & education cess).
- Long term capital gains @ 10% (plus applicable surcharge and education cess) (without cost indexation).

It may be noted here that the benefits of indexation and foreign currency fluctuation protection as provided by section 48 of the Act are not applicable.

According to the provisions of section 54EC of the Act and subject to the conditions specified therein, long term capital gains not exempt under section 10(38) shall not be chargeable to tax to the extent such capital gains are invested in certain notified bonds within six months from the date of transfer. If only part of the capital gain is so reinvested, the exemption shall be allowed proportionately.

However, if the assessee transfers or converts the notified bonds into money within a period of three years from the date of their acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long term capital gains in the year in which the bonds are transferred or converted into money.

## **Rebate under section 88E**

Section 88E provides that where the total income of a person includes income chargeable under the head "profits and gains of business or profession" arising from taxable securities transactions, he shall get rebate of STT paid by him in the course of his business. Such rebate is to be allowed from the amount of income tax in respect of such transactions calculated by applying average rate of income tax.

## **6. BENEFITS AVAILABLE TO MUTUAL FUNDS**

As per the provisions of section 10(23D) of the Act, any income of mutual funds registered under the Securities And Exchange Board of India Act, 1992 or regulations made there under, mutual funds set up by public sector banks or public financial institutions or authorized by the reserve bank of India would be exempt from income tax. However, the mutual funds shall be liable to pay tax on distributed income to unit holders under section 115R of the Act.

## **7. VENTURE CAPITAL COMPANIES / FUNDS**

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

## **8. TAX TREATY BENEFITS**

An investor has an option to be governed by the provisions of the Act or the provisions of a tax treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

## **9. BENEFITS AVAILABLE UNDER THE WEALTH-TAX ACT, 1957**

Shares of the company held by the shareholder will not be treated as an asset within the meaning of section 2(ea) of Wealth Tax Act, 1957, hence no wealth tax will be payable on the market value of shares of the company held by the shareholder of the company.

### ***Notes:***

1. All the above benefits are as per the current tax law as amended by the Finance Act, 2006.
2. The stated benefits will be available only to the sole / first named holder in case the shares are held by joint holders
3. In view of the individual nature of tax consequences, each investor is advised to consult his/her own tax advisor with respect to specific tax consequences of his/her participation in the Issue.

## IV. ABOUT SURYA FOOD & AGRO LIMITED

### A) INDUSTRY OVERVIEW

*The information presented in this section has been obtained from publicly available documents from various sources, including officially prepared materials from the industry websites/publications and company estimates. Industry websites/publications generally state that the information contained in therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although the Company believes industry, market and government data used in this DRHP is reliable, it has not been independently verified. Similarly, internal Company estimates, while believed to be reliable, have not been verified by any independent agencies.*

#### **Indian Food Processing Industry**

Food processing involves any type of value addition to agricultural or horticultural produce and also includes processes such as grading, sorting, packaging which enhance shelf life of food products. The Industry provides vital linkages and synergies between industry and agriculture.

India has a strong competitive advantage in food processing being blessed with unsurpassed natural advantages. India ranks first in the world in production of cereals. It is among the top five producers of wheat and oilseeds. This gives it the unique advantage and tremendous potential for processing of agriculture produce.

India with arable land of 184 million hectares, produces annually 90 million tonnes of milk (highest in the world), 150 million tonnes of fruits & vegetables (second largest), 204 million tonnes food grain (third largest). (Source: MOFPI annual report 2006-07)

While the industry is large in size, it is still at a nascent stage in terms of development. Of the country's total agriculture and food produce, only 2% is processed. The share of India's export of processed food in global trade is only 1.5%. (Source: MOFPI annual report 2006-07)

The Food Processing activity is poised for rapid expansion. The Ministry of Food Processing Industries, Government of India estimates the size of the Processed Food Industry at Rs.1440 billion. The unorganized small players process more than 75% of the industry output in volume terms and 50% in value terms. Average Growth rate of Food Processing Industries during the last five years (upto 2003-04) has been 7.15% (Source: MOFPI annual report 2005-06).

#### **Major Challenges for the Indian Food Processing Industry**

Food processing industry is facing constraints like non-availability of adequate critical infrastructural facilities like cold chain, packing and grading centres, etc.lack of adequate quality control & testing infrastructure, inefficient supply chain, lack of processable varieties of farm produce, seasonality of raw material, high inventory carrying cost, high taxation, high packaging cost, affordability and cultural preference of fresh food. Major Challenges for the Indian Food Processing Industry are:

- Consumer education that processed foods can be more nutritious
- Low price-elasticity for processed food products
- Need for distribution network and cold chain
- Backward-forward integration from farm to consumers
- Development of marketing channels
- Development of linkages between industry, government and institutions
- Taxation in line with other nations
- Streamlining of food laws

### **Economic Survey 2006-07 says:**

The increasing trend in gross domestic savings as a proportion of GDP observed since 2001-02 has continued with the savings ratio rising from 26.4 per cent in 2002-03 to 29.7 per cent in 2003-04, 31.1 per cent in 2004-05 and 32.4 per cent in 2005-06.

As the savings rate has gone up, private final consumption expenditure (PFCE), at current prices as a proportion of GDP, has shown a declining trend particularly from 2001-02. PFCE as a proportion of GDP declined from 63.1 per cent in 2002-03 to 62.1 per cent in 2003-04, 60.0 per cent in 2004-05, and further to 58.7 per cent in 2005-06. This decline has also been accompanied by substantial changes in the consumption basket in terms of the shares of different commodity groups. In PFCE, the share of food, beverages and tobacco came down from 43.3 per cent in 2002-03 to 39.4 per cent in 2005-06.

The food industry is on a high as Indians continue to have a feast. Fuelled by what can be termed as a perfect ingredient for any industry - large disposable incomes - the food sector has been witnessing a marked change in consumption patterns, especially in terms of food.

### **Biscuit Manufacturing Industry**

The biscuit industry is classified into core and non-core segments. While staples like Glucose, Milk, Marie and Arrowroot Biscuits are classified as core biscuits, Cream, Wafer cream, Salt Crackers and Cookies are non-core biscuits. Broad categorization of the biscuit segment includes Glucose (44%), Marie (13%), Cream (10%), Crackers (13%), Milk (12%) and others (8%). The biscuit industry in India, in the organized sector produces around 60% of the total production in India, the balance 40% being contributed by unorganized bakeries. The ratio of the organized to unorganized sector has moved from 50:50 in 2003-04 to 60:40 currently on account of consumers migrating from unbranded to branded products. In value terms of volume, biscuit production in 2005-06 is estimated at 1.50 million MT, a growth of around 11-13 percent over last year. The high growth attributed to differentiated products, smaller stock keeping units (SKU) and aggressive distribution.

Parle and Britannia are the largest players in the domestic market with shares of 43% and 39% respectively. ITC, a relatively new entrant (2003-04) in the segment has picked up well with a share of around 8%. Priya Gold has a strong presence in the north and has a share of around 7%. The other small players like Cremica, Dukes, Anmol, Sobisco, Horlicks, Real Elite etc have a combined share about 3%. Competition has intensified with ITC reinventing the biscuit market by launching new flavours. This has thus been an increasing pressure to innovate and launch new variants in quick successions.

The biscuit industry derives more than 60% sales from glucose biscuits which is highly price sensitive segment. On the other hand the premium segment enables pricing flexibility but involves high level of product innovation and marketing skills to gain market share. Also the domestic biscuit market has become fiercely competitive due to fuel prices going up along with increase in prices of commodities such as sugar, flour and vanaspati. A ability to pass on raw material price hikes to the customers will influence its margins over the medium term.

Strong brand equity and extensive distribution network are the main competitive factors in the branded biscuit market. The distribution network ensures the availability of the brand at points of sale and also determines a products level of penetration. An efficient network ensures lower response times and reduces the working capital needs of the business. Further, established channels provide opportunities for understanding consumer profiles and changes in consumption habits. (*source: Crisiface, 05-06*)

**The snapshot of Biscuit Industry is as follows:**

(source: [www.ibmabiscuits.in](http://www.ibmabiscuits.in))

**Exports** of Biscuits are estimated to around 10% of the annual production during the year 2006-07.

**Imports** of biscuits into India have not shown any significant growth during the last two years and have not affected production/sales by the Indian Biscuit industry.

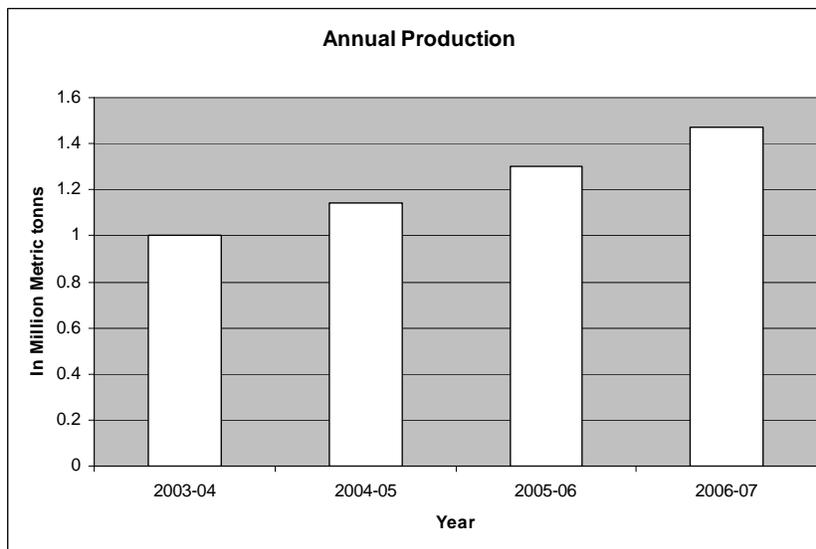
**Marketing:** Wholesale and Retail marketing in the Biscuit industry is carried out with a network of C & F Agencies (for States and /specific Districts) Dealers / Wholesalers and Retail shops.

**Biscuit Industry**, especially the Small & Medium Sector, consisting of around 150 units(besides three Large Industries), are facing erosion in their profitability and competitive capability, due to imposition of Value Added Tax (VAT) by the State Governments @ 12.5% on Biscuits, compared to VAT at 4% levied on other similar food products.

**Taxation:** On behalf of the industry, IBMA has been pursuing the issue with the Chief Ministers/Finance Ministers of all States and also with the Chairman of the Empowered Committee on VAT, seeking reduction in the rate of VAT on biscuit to 4%. IBMA estimates annual growth in the range of 15% to 20% during the next five years, in the event of reduction in the rate of VAT on Biscuits to 4%.

**Per capita consumption** of Biscuits in the country is only 1.8 kg, as compared to 2.5 kg to 5.5 kg in South eastern countries and European countries & USA respectively.

**Annual Production of Biscuits**



(Source: Indian Manufacturers Association)

The recent exemption of excise duty on biscuits upto MRP of Rs 100 per kg is expected to support industry growth. However, the unabated inflation in input prices, especially wheat, edible oils and dairy products, will continue to strain profitability.

## **Fruits & Vegetable Processing Industry**

The installed capacity of fruits and vegetables processing industry has increased from 11.08 lakh tons on 01/01/1993 to 21.18 lakh tons as on 01/01/2006 and 24.74 lakh tons as on 01/01/2007. The utilization of fruits and vegetables processing is estimated to be around 2.20% of the total production.

Over the last few years, there has been a positive growth in ready to serve beverages, fruit juices and pulps, dehydrated and frozen fruits and vegetable products, tomato products, pickles, convenience vegetable pastes, processed mushrooms and curried vegetables. The domestic consumption of value added fruits and vegetable products is also low compared to the primary processed food in general and fresh fruits and vegetables in particular which is attributed to higher incidence of tax and duties including that on packaging material, lower capacity utilisation, non-adoption of cost effective technology, high cost of finance, infrastructural constraints, inadequate farmers-processors linkage leading to dependence upon intermediaries. The smallness of units and their inability for market promotion is also other main reasons for inadequate expansion of the domestic market. In order to give fresh impetus to processing of Fruit and Vegetables, Government in 2004-05 has allowed under I.T. Act, 100% deduction of profit for first five year and 25% deduction for another five years for new upcoming Fruits & Vegetables Processing units.

## **Dairy Processing Industry**

It is a matter of pride that India is the number one milk producing country in the world, maintaining the top position since 1988, thanks to successful implementation of the operation flood programmes. World milk production is estimated at 613 million tones growing at a CAGR of 1.1%. India ranks first in the world in terms of milk production. Indian production stands at 91million tones growing at a CAGR of 4%. Hence, India contributes 4 million tones to the world's incremental production of 7.5 million tonnes. Despite a higher growth rate, the per capita availability of milk in India (229 grams per day) is lower than the world average (285grams per day).Buffalo milk is now estimated to account for 57% of the total milk production in India.

India has a unique pattern of production, processing and marketing/consumption of milk, which is not comparable with any large milk producing country. Approximately 70 million rural households (primarily, small and marginal farmers and landless labourers ) in the country are engaged in milk production. Over 11 million farmer are organized into about 0.1 million village Dairy Cooperative Societies (DCS)(about 110 farmers per DCS). The cumulative milk handled by DCS across the country is about 18 million kg of milk per day. These cooperatives form part of a national milk grid which links the milk producers through out India with consumers in more than 700 towns and cities bridging the gaps on account of seasonal and regional variations in the availability of milk.

In India current annual growth rate in Milk production is pegged between 4% to 6%. This is primarily due to the initiatives taken by the Operation flood programmes in the organizing milk producers into cooperatives; building infrastructure for milk procurement, processing and marketing; and providing financial, technical and management inputs by the Ministry of Agriculture & Ministry of Food processing Industries to turn the Dairy sector into viable self-sustaining organized sector. About 35% of milk produced in India is processed. The organized sector (large scale dairy plants) processes about 13 million tones annually, while the unorganized sector (halwaiis and vendors) processes about 22 million tones per annum. In the organized sector, there are 676 dairy plants in the Cooperative, Private and Government sectors registered with the Government of India and the state Governments.

The Ministry of food Processing Industries is promoting organized Dairy processing sector to accomplish upcoming demands of processed dairy products and helping to identify various areas of research for future product development and quality improvement to revamp the Indian dairy export by way of providing financial assistance to the dairy processing units. 32 Units have been sanctioned financial

assistance (Rs.591 lakhs) under the plan scheme of the Ministry during the year 2006-07 (Upto December 2006).

## **Growth Drivers**

### *Changing age profile of the Indian population*

As a consequence of the high birth rates prevalent until the 1990s, a large proportion of the Indian population is relatively young - in the age group of 20- 59 years. This group is also high in consumption and therefore, this trend is expected to provide a further boost to the growth of consumption in India.

### *Changing lifestyles*

Urban consumers in India have become more exposed to western lifestyles, through overseas travel and presence of foreign media in India. Increase in the population of working women and increasing prevalence of nuclear double income families, especially in urban areas, are other trends shaping lifestyles. The food processing sector has been impacted by these trends as there has been an increase in the demand for processed, ready-to-cook and ready-to-eat food.

### *Growth of Retail Industry*

One of the segments of the food industry that has been experiencing a growing interest has been food retailing. At present, only 1 per cent of the food items retailed in India flow through the organised retail channel. But this situation is expected to change due to the following reasons: changing lifestyle, increasing number of nuclear and dual income families, changing consumer tastes, increasing disposable incomes among others.

Some of the players that have shown a keen interest in this segment are Reliance, Tatas, ITC Group, Lohias-promoted Indo Rama, Mumbai-based RK Hospitality, Kishore Biyani with his Big Bazaar, RPG group.

## **Advantage India**

Due to its diverse agro-climatic conditions, it has a wide-ranging and large raw material base suitable for food processing industries. Presently a very small percentage of these are processed into value added products. The semi-processed and ready to eat packaged food segment is relatively new and evolving. India has the largest irrigated land in the world.

India's comparatively cheaper workforce can be effectively utilized to set up large low cost production bases for domestic and export markets. Cost of production in India is lower by about 40 per cent over a comparable location in EU and 10-15 per cent over a location in UK.

Along with these factor conditions, India has access to significant investments to facilitate food processing industry. There have been increasing investments not only by domestic firms and Indian government, but also foreign investors.

## **Industry competitiveness**

The Indian food processing sector is highly competitive. There are a large number of players in the organised as well as unorganized sector. The organized sector is small but growing. The sector offers potential for growth and a large number of MNCs have entered into India to leverage this opportunity such as Unilever. These players face competition from strong Indian brands. Companies have adopted various strategies to maintain and increase their market share in India. These include competitive pricing, aggressive advertising campaign, expansion plans etc.

High level of competition within the industry has led to innovations in several areas, thereby raising the overall capability levels in the sector. This will facilitate sustained growth in the sector and help it to become globally competitive.

### **Policy Initiatives**

Government is actively encouraging investment in agro processing industries to reduce wastage and encourage value addition. A strong and dynamic food processing sector plays a significant role in diversification of agricultural activities, improving value addition opportunities and creating surplus for export of agro-food products.

The Government has formulated and implemented several schemes to provide financial assistance for setting up and modernizing of food processing units, creation of infrastructure, support for research and development and human resource development in addition to other promotional measures to encourage the growth of the processed food sector.

- Most of the processed food items have been exempted from the purview of licensing under the Industries (Development and regulation) Act, 1951, except items reserved for small-scale sector and alcoholic beverages.
- Food processing industries were included in the list of priority sector for bank lending in 1999.
- Automatic approval for foreign equity up to 100 per cent is available for most of the processed food items except alcohol, beer and those reserved for small-scale sector subject to certain conditions.

### **Future Outlook**

Indian food processing industry has seen significant growth and changes over the past few years, driven by changing trends in markets, consumer segments and regulations. These trends, such as changing demographics, growing population and rapid urbanization are expected to continue in the future and, therefore, will shape the demand for value added products and thus for food processing industry in India. The Government of India's focus towards food processing industry as a priority sector is expected to ensure policies to support investment in this sector and attract more FDI. India, having access to vast pool of natural resources and growing technical knowledge base, has strong comparative advantages over other nations in this industry. The food processing sector in India is clearly an attractive sector for investment and offers significant growth potential to investors.

The Confederation of Indian Industry (CII) has estimated that the food processing sector has the potential of attracting US\$ 33 billion of investment in 10 years and generates employment of 9 million person-days.

## B) BUSINESS OVERVIEW

### Our Business

We are one of the leading manufacturers of Biscuits in India. We are into the business of manufacturing and selling of Biscuits for the past 15 years. During this period, we have established strong manufacturing capabilities and have invested substantially in developing consumer preference for our products. Our Biscuits are sold under a well known brand name "Priyagold". Our trademarks/ brands "Hak Se Maango" & "Priyagold" have emerged as one of the most powerful brands in FMCG sector. We have continued to invest in the front end on Brands, our manufacturing capabilities, deliverables and distribution strength.

Today, we have 4 plants located in Greater Noida, Lucknow (U.P) and Surat (Gujarat). We also outsource some of our requirements from another plant located in Hyderabad. Our capacities have reached 85,000 MT p.a. during this time which along with strong brand building and distribution capabilities have enabled us to command a sizable market share in the Biscuit market despite competition from well established players in the industry.

We have developed a distribution channel through Consignee sales agents / super stockists and distributors throughout the country. Though our concentration is largely in the Northern & Central part of the country, we have penetrated into the other regions considerably. Our Brands now have greater availability in rural markets in Northern India and also up markets in major cities across pan India.

After establishing our foothold in Biscuit industry, we have continued to adopt a strategy to identify and commercialize profitable growth opportunities by leveraging established brand and distribution network. Following this strategy, we diversified into manufacturing of fruit juices through our subsidiary Surya Fresh Foods Ltd. The manufacturing facility is located at Greater Noida, UP. It has a capacity of 130 Kilo Litres/Day and has state of art manufacturing/processing facilities which are ISO 9001:2000 certified.

We have consciously invested in creating markets for fruit juices and have established brands such as "Fresh Gold" and "Treat". Both the brands are also well established and have penetrated into the fruit juice market aggressively by commanding considerable market share. Recently, we have also forayed into the aerated fruit drink segment with a launch of "Fresh Fizzy" which is launched into two flavours, Apple and Orange.

Our sales and marketing team has been working towards innovative and effective marketing tools to remain competitive in a fiercely competitive environment. Recently, we have won a tender for supply of Priyagold Biscuits products and "Fresh gold" & "Treat" brands of fruit juices to catering units on Indian Railway Stations. **This tender is awarded by Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) which allows us to set-up food Kiosk for sale of our products at 193 Railway Stations which will translate into approximately 300 food Kiosks spread across various cities in India.** We have commenced establishment of these Kiosks by establishing about 30 Kiosks on various Railway Stations and balance would also be functional soon. We will sell our products at Kiosks which will give us enhanced brand visibility and would contribute considerably to the turnover. This initiative has added new dimensions to our marketing and distribution effort recently.

We are also aggressively marketing our products in institutional category directly. Presently our products viz. biscuits and juices are supplied to Air lines, Hotels, Railways and organized retail outlets.

In fiscal 2007, we posted consolidated gross sales of Rs. 29513.02 lacs and consolidated profits after taxes stood at Rs. 435.92 lacs. In the half year ended 30/09/2007 we have pooled consolidated gross sales of Rs. 19402.66 lacs and profit after tax at Rs. 671.65 lacs.

## **Our Business Strategy**

- ***Expansion & Diversification***

There is a general optimism in the market at macro economic as well as industry specific (FMCG & Package Food) levels. The Government of India has recently announced exemption on excise duty on Biscuits up to MRP of Rs.100/- per KG. Our Company is expected to benefit tremendously as our products fall in this category. Though continued inflation in input prices especially wheat, edible oils and dairy products will have a strain on profitability; the exemption in excise duty would support the growth of our Company. With continued best managerial inputs, procurement and distribution policy, our Company is well placed to reap the benefits of duty structure and the buoyant economic conditions in the country as a whole.

We continued to pursue a strategy to identify and commercialize profitable growth opportunities on the strength of established brands. We are proposing to increase our capacities by 64,500 MT p.a. by establishing new manufacturing unit for the Biscuit segment. We are also diversifying to establish a “**chocolate plant**” and “**condensed milk**” plant through our another 100% subsidiary Surya Fresh Foods Ltd. We have procured the required licenses and approvals and have also acquired the land at Haridwar, Uttaranchal where various fiscal benefits are available. The proposed condensed milk plant also has a great synergy to us as almost 50% of the condensed milk products would be utilized by us for biscuits manufacturing. It has twin benefits of backward integration, price & supply competitiveness.

- ***Brand***

Our strategy of strengthening the brands especially the Umbrella brand “**Priyagold**” has resulted in creating immense brand recall value. We are continuing with our effort of strengthening the brand with a scientific approach which will result in growth of customer base, price premium, consumer loyalty which is expected to result in increased earnings and ultimately enhancing enterprise value of our Company.

We have identified and established in various growth sectors for eg. Snacks & Health with launch of various sub brands such as “Butter Bite”, “Classic Cream”, “Kids Cream”, “Butter Lite”, “Big Boss”, “Marie Lite”, “Marie Gold”, “CNC”, “Cheese Cracker”, “Snacks Zigzag”, “DON”, “Coconut Crunch”.

The strategy is continued in fresh juice segment where brands such as Fresh Gold, Treat have been supplemented with newly launched “Fresh Fizzy” which is available in 3 pack sizes of 1 litre, 500 ml. and 250 ml.

We have till date invested about Rs.86 crores in the brand building exercise and will continue to invest in the front end of brands. We are also proposing to conduct an exercise for benchmarking the value of Company’s brand portfolio with market value to have greater understanding of intrinsic value of the enterprise. The strength of the brand will be leveraged for all the new initiatives proposed by the Company.

- ***Intellectual Property Rights (IPRS)***

As the Company has developed several brands, it has also created different recipes in respect of its large product portfolio. We are proposing to initiate process to protect and safeguard the IPR's by creating a system to tackle the issue of unauthorized use of the recipes by any other market participants.

*Thus the company's manifesto is to build on the present strength created over the years and diversify into products and geographic portfolio. We aim at achieving profitable growth by penetrating into the consumption market to enhance market share by constantly innovating on product profile, investing in infrastructure thereby accelerating the top line growth to enhance the market share.*

### **Our Competitive Strengths**

#### ***Established brand name***

Our umbrella brand "**Priyagold**" is one of the leading brands in biscuits manufacturing across the country which is supported by popular trade mark "Hak Se Mango". Since inception we have successfully launched several brands such as 'Butter Bite', "Marie Lite", "CNC", "Big Boss", "DON", "Coconut Crunch". Continuous investment & relentless efforts to spread the brand has resulted in increasing the market share.

#### ***Strong marketing & distribution network***

The credit for the establishment of "Priyagold" brand across the country goes to our strong marketing & distribution network. Today we have nearly 83 Consignee Agents/Super Stockists catering to approx. 2157 distributors reaching retail outlets every part of India..

Our efforts in strengthening the marketing & distribution network are continuous campaign through media, newspapers, promotional events, sponsorships, participation in melas etc. This has resulted in registering robust growth in sales & market share.

#### ***Experienced Management team***

We have an experienced, qualified and dedicated management team; many of them have over 10 years of experience in their respective fields. Our experienced management and its in-depth understanding of the market in India will enable us to continue to take advantage of both current and future market opportunities.

### **DETAILS OF OUR BUSINESS**

#### **a. Location**

##### **Existing manufacturing facilities**

We have four biscuit manufacturing plants in India. Out of four two plants are located in NOIDA. The main factory of the Company is located at Udyog Vihar, Greater Noida, while other factories are located at Surajpur, Greater NOIDA (U.P.), Lucknow (U.P.) and Surat (Gujarat) for manufacturing of biscuits. Besides this , we have an outsourcing arrangement with M/s Kritika Food Products Pvt. Ltd.,Hyderabad for manufacturing & supply of biscuits. This outsourcing arrangement helps us to

penetrate our market in southern region. All these factories are located at strategic locations so as to ensure a constant output & easy distribution.

Surya Fresh Foods Ltd., one of the Subsidiary Company has a manufacturing facility at NOIDA, for manufacturing of fruit juices.

### **Registered and Corporate Office**

Our registered office is situated at D-1, Sector-2, Noida-201301, District Gautam Budh Nagar, U.P. We also have a corporate office located in Mumbai.

### **Proposed Project**

The proposed expansion in biscuit manufacturing is going on at the location of Plant I situated at Udyog Vihar, Greater Noida, Uttar Pradesh. On completion of expansion we will be one of the company having largest biscuit manufacturing facility at one location. The enhanced capacity will improve our ability to cater to the growing demand for our products throughout the country.

We also propose to invest in subsidiary Surya Processed Food Pvt. Ltd. for setting up a Condensed Milk Plant and a Chocolate Plant. These plants will be set up at Haridwar, Uttaranchal.

The Government of India, Department of Industrial Policy & Promotion has announced a new Industrial Policy in 2003 for the state of Uttaranchal and the state of Himachal Pradesh. Our subsidiary company will enjoy following benefits for setting up a plant in Uttaranchal:

- 100% outright excise duty exemption for a period of 10 years from the date of commencement of production.
- 100% income tax exemption for initial period of 5 years and thereafter 30% for companies and 25% for other than companies for a further period of five years from the date of commencement of commercial production.
- Capital investment subsidy @15% of investment in plant & machinery subject to a ceiling of Rs.30 lacs.

The proposed condensed milk plant will have a synergy to us as 50% of the output will be utilized by us in our biscuit manufacturing which is being outsourced presently.

### **b. Plant, Machinery, Technology, Process, etc.**

Our main production facility is located at NOIDA. We also have two other production facilities located at Lucknow and Surat. The details of all these facilities are as follows:

<b>Facility</b>	<b>Location</b>	<b>Installed Capacity</b>	<b>Principle Function</b>
<b>Our Company</b>			
Surajpur, NOIDA	Uttar Pradesh	26000 MT	Biscuit Manufacturing
Greater NOIDA	Uttar Pradesh	40700 MT	Biscuit Manufacturing
Lucknow	Uttar Pradesh	13000 MT	Biscuit Manufacturing
Surat	Gujarat	2500 MT	Biscuit Manufacturing
Hyderabad	Andhra Pradesh	2800 MT	Outsourcing of Biscuit manufactured by Kritika Food Products Pvt. Ltd.

<b>Of our Subsidiary Company</b>			
Surajpur, NOIDA	Uttar Pradesh	130 Kilo Litre/Day	Fruit Juice plant

### c. Manufacturing Process

**Brief process of Biscuit manufacturing is as follows:**

- 1- Preparation and weighing of Raw Material as per Batch formulation, i.e. First of all crystal sugar is grinded to powder form & weighed. Wheat Flour is sifted and weighed, Fat, Liquid Glucose, Sweetened Condensed Milk, S.M.P., Invert Syrup, G.M.S. Emulsion is weighed as per batch Formula.
- 2- **Mixing** :- (a)- Creaming :- Fat, Liquid Glucose, Colour, Invert syrup, Milk (SMP) or Sweetened Condensed Milk is charged to mixer. Creaming is done at higher speed for 10 minutes. Then Chemicals ( Soda, Ammonium Bi-Carbonate & Salt) is dissolved in known quantity of water. Then it is charged into mixer after sieving. Mixing is done for 10 minutes at High Speed. Then flavour is added. Again mixing is done at slow speed for 1 minute.  
  
(b)- Dough Mixing (Final Mixing) :- Wheat Flour is charged in the mixer. Final mixing is done for 5-6 minutes at slow speed. During the final mixing, SMBS (Sodium meta Bi sulphite) salt is added. In few varieties, MACP (Mono Acid calcium Phosphate) is dissolved in water, sieved and then adding during final mixing. Dough consistency is checked after final mixing.
- 3- **Make-Up Plant** :- (a) Rotary moulder section :- Mixed Dough is feed into feeding conveyor (Dough Breaker). Then it is passed through Metal Detector and finally feed into Rotary Moulder Hopper. Depending on the variety (different moulding Die) Biscuit is formed on endless canvas, goes to Panner web into oven for Basking. In makeup plant, Biscuit weight, shape, size is maintained as per standard.
- 4- **Baking** :- Baking is the continuous Process. Each variety is having standard heat Profile setting of Top/ Bottom heat, Damper setting is fixed. Baking time for each Variety is fixed\*.  
*\*During Baking, Biscuit is first heated puffed then baked. Colour on the Biscuit is given in the last section of Tunnel Oven.*  
  
(b) Rotary Cutting :- Mixed Dough is feed to Laminator hopper. Sheet is made, automatic lamination is done by the machine. Laminated Dough sheet is passed through 1<sup>st</sup> reduction gauge roller, then to 2<sup>nd</sup> reduction gauge roller, and finally to final gauge roller. The weight of Biscuit is controlled hereby Adjusting the Thickness of sheet. Then the final sheet is passed through rotary cutter and then Biscuit is formed. Milk spray is done on Biscuit before it enter to Oven. The return scrap is again recycled into Laminator Hopper.
  - 1- **Cooling** :- After Baking, Biscuit is transferred on a cooling conveyor. Since it is a continuous process, Biscuit is cooled at room temperature.
  - 2- **Stacking** :-After cooling, biscuit is stacked in Rows on packing table.
  - 3- **Packing** :- Then packing of Biscuit is done online by Automatic Packing Machines. Depending on market demand, different sizes of packets are packed.

Then the Packets are stacked in Corrugated Box, and Top/ Bottom of Corrugated Box is sealed with the help of self adhesive BOPP Tape.

**d. Collaborations, any performance guarantee or assistance in marketing by the collaborators**

The Company does not have any collaboration.

**e. Infrastructure facilities for raw materials and utilities like water, electricity etc.**

**Raw Materials**

The major raw material required by us is wheat, sugar and Edible Refined Hydrogenated Vegetable Oils (Palm Oil/ Soya Bean Oil/ Cotton Seed Oil and Sesame Oil) for manufacturing of biscuits. Presently we are procuring these basic raw materials from local market. We are proposing to enter into forward contracts for supply of raw materials with different agents to ensure negate to the impact of price fluctuation in commodity market.

Besides this we need, Sweetened Condensed Milk, Butter, Invert Syrup, Liquid Glucose, Iodized Salt, Leavening Agents (Ammonium Bi-Carbonate & Sodium Bi-Carbonate), Processed Cheese, Mono Acid Calcium Phosphate, Dough Conditioners, Skim Milk Powder, Permitted Emulsifiers, Soya Lecithin, Permitted Synthetic Food Color , Cocoa Powder, Yeast, Protease Enzymes, Dessicated Coconut Powder, Added Flavours etc. Some of these raw materials are imported and some are procured from local market.

**Utilities**

**Power:** All our plants are connected with sufficient power supply. The details of sanctioned load to all these plants are as follows:

UNIT	SANCTION LOAD
SURAJPUR	400 K.V
LUCKNOW	250 K.V
SURAT	180 K.V. The plant is running on L.P.G which is supplied by Gujarat Gas Company Ltd.
GREATER NOIDA	Running by Diesel Generator Set of total load capacity of 1.5 Megawatt.

**Water:** We have installed borewell machines in all our plants for supply of water for industrial use. The required water is transferred to water treatment plant and then supplied directly to production process and cooling plant after processing.

**Effluent Treatment:** We are in compliance with all existing environmental and other regulations applicable to our business. We have effluent treatment plants in all our manufacturing facilities namely; NOIDA, Lucknow and Surat.

**Manpower:** The total manpower directly employed by us as on date is 1200 personnel. Distribution of the manpower is as follows:

Location	Factory	Office	Total
Unit I & II	1059	29	1088
Lucknow	81	07	88
Surat	17	02	19

Hyderabad	Nil	03	03
Mumbai	Nil	02	02
<b>Total</b>	<b>1157</b>	<b>43</b>	<b>1200</b>

The total requirement of manpower for the proposed plant will be 730 persons comprising of skilled, semi-skilled, unskilled workers, supervisory and administrative staff. The Company will have a combination of permanent employees and contract workers.

## f. Products of the Company

### i. Nature of Products

We manufacture & sell various biscuits under our umbrella brand “Priyagold”. The products description characterized on its contents & taste is as follows:



**Butter Bite:** Priyagold’s Butter Bite is a combination of pure butter and fresh flour. It is available in five flavours i.e. Premium, Badam Pista, Cashew, Nice and Kesar. These biscuits are available in 100g and 250g pack.



**Classic Cream:** It is classic cream pasted between fresh flour made crispy biscuits. It is available in four flavours i.e. Orange, Elaichi, Chocolate and Milk. These biscuits are available in 75g, 150g and 250g pack.



**Kids Cream:** Kids Cream Biscuit is real creamy sensation for the taste. It is rich in protein and calcium. These biscuits are available in 75g and 150g pack.



**Butter Lite:** Butter Lite biscuit are choked with butter. These biscuits are available in 75g and 200g pack.



**Big Boss:** Priyagold's Big Boss with milk is enriched with the healthy combination of Vitamins, Iron and Calcium which are necessary for the total health which leads to a perfect growth. These biscuits are available in 75g and 150g pack.



**Marie Lite:** Marie Lite is all goodness of natural fiber and quality wheat to give nutrition with 89.9% fat free. These biscuits are available in 20g, 100g, 200g, 250g and 400g pack.



**Magic Gold:** Magic Gold is a perfect blend of milk & butter to give the real crisp and taste. It is full of calcium & minerals to provide good health. These biscuits are available in 100g and 200g pack.



**CNC:** C N C brings the ultimate balance of sugar and salt in the form of crispy biscuit. These biscuits are available in 14g, 25g, 75g and 150g pack.



**Snacks Zig Zag:** Snacks ZigZag is the ultimate topping biscuit. The great light taste of Snacks ZigZag goes well with just about anything, making it just the right party-time snack. These biscuits are available in 75g and 150g pack.



**Don:** The biscuit contains the real power of glucose and milk clubbed together. These biscuits are available in 16g, 60g, 80g and 200g pack.



**Coconut Crunch:** Coconut Crunch is the combination of coconut, butter and flour which makes the biscuit real crunchy and tasty. These biscuits are available in 75g and 150g pack.



**Cheese Cracker:** Cheese Cracker is piece of mouth watering cheese, wrapped in crispy flour biscuit. These biscuits are available in 75g and 200g pack.

**Other snacks**



**Chat Patta Cashew:** Crisp n fresh Chatpatta cashew with the perfect blend of sizzling and crackling spices. available in 100g, ATC, 350g jar, 500g loose, 500g jar & 1.25kg jar.

**Products manufactured by our Subsidiary Company**

One of our subsidiary company Surya Fresh Foods Ltd. (SFFL) manufactures fruit juices. These fruit juices are marketed in the brand name of "Fresh Gold". SFFL is also manufactures fruit drink in the brand name "Treat". SFPL has also forayed into the aerated fruit drinks segment with the launch of "Fresh Fizzy". "Fresh Fizzy" was launched in two flavours, apple and orange. Fresh Fizzy is available in three pack sizes – one litre, 500 ml and 250 ml. The products catalogue is as follows:



## ii. Approach to marketing and proposed marketing set-up

The extensive distribution network, built over the years, is a major strength of our Company. "Priyagold" biscuits are available to consumers across the country.

We have developed distribution channel of nearly 83 Consignee agents/Super stockist catering to approx.2157 wholesalers, reaching to retail outlets every part of India.

Our marketing philosophy emphasizes catering to the masses. We constantly endeavour at designing products that provide nutrition & fun to the common man at affordable price. Most of the Priyagold offerings are in the low & mid-range price segments. This is based on the cultivated understanding of the Indian consumer psyche. The value-for-money positioning helps generate large sales volumes for the products.

The following table illustrates presence of Consignee Agents/Super stockists appointed by us across the country for marketing and distribution of our products:

Sr. No.	STATE	No. Consignee Agents
1.	Uttar Pradesh	25
2.	Maharashtra & Goa	10
3.	Haryana	08
4.	Bihar & Jharkhand	08
5.	Delhi	06
6.	Gujarat	05
7.	Punjab	04
8.	Chandigarh, H.P & Jammu	04
9.	Madhya Pradesh	03
10.	Chattisgarh	03
11.	Rajasthan	02
12.	Uttaranchal	02
13.	Orissa & West Bengal	02
14.	Tamil Nadu	01
	<b>Total</b>	<b>83</b>

## iii. Export possibilities and export obligations

We have certain export obligations to be fulfilled. The quantum of these obligation is as follows:

*Export obligation of Surya Food & Agro Limited:*

(Rs.in Lacs)				
S.No.	EPCG Lic. No. & Date	Period (yrs)	Duty Saved (Rs. in lacs)	Export Obligation (Rs. in lacs)
1	0530136529 Dt. 08/07/04	8	74.61	596.89
2	0530138275 Dt. 25/06/05	8	3.47	27.76
3	0530140962 Dt. 28/04/06	8	102.41	819.27
4	0530142732 Dt. 29/12/06	8	4.96	39.25
	<b>Total</b>		<b>185.45</b>	<b>1483.17</b>

The quantum of our export till date to fulfill the export obligation is as follows:

Year	Amount (Rs.in Lacs)
2004-05	25.06
2005-06	355.34
2006-07	139.58
<b>Total</b>	<b>519.98</b>

Export obligation of Surya Fresh Foods Limited:

(Rs.in Lacs)

S.No.	EPCG Lic. No. & Date	Period (yrs)	Duty Saved	Export Obligation
1	0530137940 Dt. 28.01.05	8	11.08	88.62
2	0530139278 Dt. 09.08.05	12	1.02	12.26
3	0530143111 Dt. 22.02.07	8	29.29	234.36
4	0530144257 Dt. 03.08.07	8	11.09	88.72
	<b>Total</b>		<b>52.48</b>	<b>423.96</b>

The quantum of export by our subsidiary till date to fulfill the export obligation is as follows:

Year	Amount (Rs.in Lacs)
2005-06	5.23
2006-07	56.38
<b>Total</b>	<b>61.61</b>

## COMPETITION

The Company faces competition from various domestic as well as multi national companies. The competitors of the Company includes multi national companies such as Parle Biscuits Ltd., Britannia Industries Ltd. and ITC Ltd. and domestic players especially in northern region of India such as Anmol Bakers Ltd., Super Snacks Pvt. Ltd., Bakemans Industries Ltd., Bakewell Agro Ltd., Cremica Agro Food Ltd., Gokul Food Pvt. Ltd. etc. and other small unorganized sectors.

## CAPACITY AND CAPACITY UTILISATION:

The following is the capacity utilisation, production and sales of product manufactured by us and our subsidiary as of 31/03/2007.

Product	Unit	Installed Capacity	Production Quantity	Sales	
				Quantity	Value (Rs. in Lacs)
Biscuits	M.T.	85000 MT p.a.	67399	67692	26550.73
Fruit Juices	Kilolitre	130 Kilo Litre per day	7565	7799	2658.52

## INSURANCE

All our manufacturing facilities are adequately insured. We regularly renew the policies to keep the properties adequately insured. The details of insurance covers are as follows:

Sr.no	Risk	Policy No	Sum Assured (Rs.in Lacs)	Description of goods	Validity Upto
1	Standard fire & Special Perils	OG08-1302-4001-00000009	2525.19	Building, P&M, D.G.Set, Air Cond, P&M(import), Computer, Furniture & Fixture At plot no-14, Surajpur, Noida. (Unit-I)	31/03/2008
2	Standard fire & Special Perils	OG-08-1302-4005-00000003	1150.00	Stock of Maida, Sugar, Vanaspati, Flavour, Packing Material, finished goods and others At plot no-14, Surajpur, Noida.(Unit-I)	31/03/2008
3	Standard fire & Special Perils	OG-08-1302-4005-00000002	1100.00	Covering Stocks of Maida, Sugar, Vanaspati, Flavour, Packing Material, finished goods and others at A-1, Udyog Vihar, Greater Noida (Unit-II)	31/03/2008
4	Standard fire & Special Perils	OG-08-1302-4001-00000007	3262.45	Building, Plant & Machinery at A-1, Udyog Vihar, Greater Noida (Unit-II)	31/03/2008
5	Standard fire & Special Perils	OG-08-1302-4005-00000001	150.00	Covering Stocks at Lucknow Unit-3	31/03/2008
6	Standard fire & Special Perils	OG-08-1302-4001-00000010	425.25	Building & Plant Mechinary at Lucknow, Unit-3	31/03/2008
7	Standard fire & Special Perils	OG-08-1302-4001-00000008	140.00	Building, Plant & Mechinary, Computers, Furniture and Stock at Sachin, Surat .(unit-5)	31/03/2008

## PROPERTY

A summary of the properties of the Company is given below:

Sr. no	Address/location	Area	Ownership details
1.	Plot No.01, Block-92A Sector-44, Noida-201301, U.P	4026.21 Sq.Mts	Taken on 90 years lease from NOIDA on 22/12/2006.
2.	Plot No-01, Block-D, Sector-	938.40 Sq.	Taken on 90 years lease from NOIDA on

	2,Noida .-201301 U.P.	Mts	23/09/1982. (previously allotted to Shyam Paper Products which was Transferred to Priyagold Polymers (India) Ltd on 13/05/1996, which was subsequently merged with Surya Food & Agro Ltd in 2003)
3	Plot No.-1A, Udyog Vihar, Greater Noida, U.P	19905 Sq. Mts	Taken on 90 years lease from Greater Noida Industrial Development Authority on 15/03/2004.
4.	Plot No 1A, Udyog Vihar, Gr. Noida, U.P.	41603.16 Sq.Mts	Taken on 90 years lease from Greater Noida Industrial Development Authority on 02/11/2000.
5.	Khasra No 420M, 421M, 422, 423, 425, 426 on Surajpur, Greater Noida, U.P.	6075 Sq. Mts	Taken on 90 years lease from Greater Noida Industrial Development Authority on 26/03/2002. (Sub-leased to Surya Fresh Food Ltd on 01/11/2004 for 25 yrs)
6.	SPL(B) Ind Area, Kotputli, Rajasthan	161677.72 Sq. Mts	Taken on 99 years (from 19/03/2002) lease from Rajasthan State Ind. Dev & Investment Corporation on 27/03/2002.
7.	C-4,Sarojini Nagar, Ind. Area, Lucknow, U.P	3783.41 Sq. mts	Taken on 90 years lease from U.P State Dev. Corporation on 29/09/2001.
8.	Surajpur, Dadri ,Greater Noida, U.P	4.17 killa	Freehold Property allotted to K.B.Agro Pvt Ltd. (later name changed to Priya Protien Pvt. Ltd. which was merged with Surya Food & Agro Ltd in 2002)
9	Plot No 4311, GIDC, Sachin, Surat, Gujrat.	-	Surya Food & Agro Ltd made a rent agreement with M/s Devika Food Products Pvt. Ltd., for use of complete manufacturing unit including land, Building along with Plant & Machinery on rent for Rs 2 lacs per month w.e.f. 01/04/2004.

### Properties of Subsidiary Companies

#### *Surya Fresh Foods Limited*

1.	Plot No. 14 Noida Dadri Road, Surajpur, Greater Noida, Uttar Pradesh	6075 Sq. Mts	Taken on lease from Surya Food & Agro Limited 25 years from 01/11/2004.
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#### *Surya Processed Food Pvt. Ltd.*

1	Plot No. 5, Sector-11, Integrated Industrial Estate, BHEL, Ranipur, Distt. Haridwar	33920 sqm	Taken on 90 years (from 25/05/2007) lease from State Industrial Development Corporation of Uttaranchal Limited (SIDCUL).
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**Intellectual property**

The Company has its own registered Brand/Trade Mark in the name of “Priyagold” and “Hak se Mango” . For details of registration of other trademarks and their status as on date please refer to section “Regulatory and Other Approvals” page no.136 of this DRHP.

**PURCHASE OF PROPERTY**

As stated in this DRHP and save in respect of the property purchased or acquired or to be purchased or acquired in connection with the business or activities contemplated by the objects of the issue (if any), there is no property which the Company has purchased or acquired or proposes to purchase or acquire which is to be paid for wholly or partly out of the proceeds of the present issue.

## KEY INDUSTRY REGULATION

Some of the industry regulations applicable to us and gist of these regulations is as follows.

- **Essential Commodities Act, 1955**

The Essential Commodities Act, 1955 was enacted to ensure easy availability of essential commodities to the consumers and to protect them from exploitation by unscrupulous traders. The Act provides for regulation and control of production, distribution and pricing of commodities, which are declared as essential for maintaining or increasing supplies or for securing their equitable distribution and availability at fair prices. Most of the powers under the Act have been delegated to the State Governments.

Using the powers under the Act, various Ministries/Departments of the Central Government have issued Control Orders for regulating production/ distribution/ quality aspects/ movement etc. pertaining to the commodities which are essential and administered by them.

The Essential Commodities Act is being implemented by the State Governments/UT Administrations by availing of the delegated powers under the Act. The State Governments/UT Administrations have issued various Control Orders to regulate various aspects of trading in Essential Commodities such as food grains, edible oils, pulses kerosene, sugar etc. The Central Government regularly monitors the action taken by State Government/ UT Administrations to implement the provisions of the Essential Commodities Act, 1955.

The items declared as essential commodities under the Essential Commodities Act, 1955 are reviewed from time to time in the light of liberalized economic policies in consultation with the Ministries/Departments administering the essential commodities and particularly with regard to their production, demand, and supply.

- **Prevention of Food Adulteration Act and Rules, 1955**

Adulteration of food and drugs can cause serious damage to human life. This antisocial menace is sought to be countered by making the legal provisions more stringent and deterrent even entailing life imprisonment for adulterations causing grievous hurt and danger to human life. This malpractice is also being tackled through effective health education measures.

Food is one of the essentials for proper maintenance of human health. Access to pure, nutritious food, free from any type of adulteration is the right of every citizen. The Directorate of Prevention of Food Adulteration is responsible for checking adulteration/misbranding of food articles. Although sec.272 & 273 of IPC were in existence the same were considered not sufficient for control of adulteration of food articles. The Prevention of Food Adulteration Act was enacted in 1954 to strengthen the system for preventing adulteration in articles of food. The Central Government framed rules known as the "Prevention of Food Adulteration Rules, 1955". Under sec.23 of the Act the responsibility of implementation of Prevention of Food Adulteration Act and Rules framed there under vests in the State Governments and Union Territories. Each State Government and Union Territory has created its own structure/organization for implementation of the Act.

**Aims and Objectives:** Food Safety through Food Quality Control Programme is of paramount importance. It can be achieved through the combined efforts and cooperation of food industry (self disciplined programmes and codes of practices) and the Government Authorities (Legislative Measures). In all the cases, the co-operation of the Consumer Organizations/Non-Governmental Organizations (NGOs) is a must.

The Legislative measures adopted for food safety are provided under the Prevention of Food Adulteration (PFA) Act - a piece of Central Legislation promulgated in 1954 which repealed all earlier Acts of the State Governments.

The Act which came into effect from 1st June, 1955 has been amended thrice, in 1964, 1976 and 1986 for plugging the loopholes and making the punishments more stringent and empowering the Consumers and Voluntary Organizations to play more effective role in its implementation.

- **Standards of Weights and Measures Act, 1976**

The Standards of Weights and Measures Act, 1956 was the first enactment by which the uniform standards of weights and measures, based on the metric system were established. The standards established by the 1956 act were based on the international system of units, recognized by the General Conference of Weights and Measures (CGPM) and the International Organization of Legal Metrology (OIML). Standards of weights and measures were subsequently revised by CGPM to SI units.

In view of the revision by the CGPM of the standards of weights and measures and the changes in the law suggested by the OIML, the 1956 Act was replaced by a comprehensive legislation, The Standard of Weights and Measures Act, 1976.

Salient features of **the Standards of Weights and Measures Act, 1976** are as follows:

- Establishment of the weights and measure based on the SI units, as adopted by the CGPM and recognized by the OIM.
- Provides to prescribe specification of measuring instruments used in commercial transaction, industrial production a measurement involved in public Health and Human safety. The specifications are given in the Standard of weights and Measures (General) Rules 1987.
- Regulation of inter-state trade and commerce in weights and measures and commodities sold, distributed or supplied by weights or measures;
- Regulation of pre-packed commodities sold or intended to be sold in the course of inter-state and commerce;
- Control and regulation of export and import of weights and measures and commodities in packaged form;
- Inspection of weighing and measuring instruments during their use to prevent fraudulent practices.
- Powers of inspectors to search, seize and forfeiture of non-standard weight or measure
- Power to file case in the court for prosecution

### **Indian Environment Regulations:**

The three major statutes in India that seek to regulate and protect the environment against pollution related activities in India are the Water (Prevention and Control of Pollution) Act, 1974, the Air (Prevention and Control of Pollution) Act, 1981 and the Environment Protection Act, 1986. The basic purpose of these statutes is to control, abate and prevent pollution. In order to achieve these objectives, Pollution Control Boards (PCBs) are vested with diverse powers to deal with Water and Air Pollution have been set up in each state. The PCBs are responsible for setting the standards for maintenance of clean air and water, directing the installation of pollution control devices in industries and undertaking investigations to ensure that industries are functioning in compliance with standards prescribed. These authorities also have the power of search, seizure and investigation if the authorities are aware of or suspect pollution. All industries and factories are required to obtain consent orders from PCBs, which are indicative of the fact that the factory or industry in question is functioning in compliance with the pollution control norms laid down. These are required to be renewed annually.

The management, storage and disposal of hazardous waste is regulated by the Hazardous waste Management Rules, 1989 made under the Environment Protection Act, 1986. Under these rules, the PCBs are empowered to grant authorization for collection, treatment, storage and disposal of hazardous waste, either to the occupier or the operator of the facility.

**Others:**

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

- Contract Labour (Regulation and Abolition) Act, 1970;
- Industries (Development and Regulation) Act, 1951;
- Factories Act, 1948;
- Employees' State Insurance Act, 1948;
- Employees' Provident Funds and Miscellaneous Provisions Act, 1952;
- Payment of Gratuity Act, 1972;
- Payment of Bonus Act, 1965;
- Payment of Wages Act, 1936;
- Industrial Disputes Act, 1947 and Industrial Disputes (Central) Rules, 1957;
- Shops and Commercial Establishments Act; and
- Environment (Protection) Act, 1986, and Environment (Protection) Rules, 1986.

**Excise Regulations**

The Central Excise Act, 1944 seeks to impose an excise duty on excisable goods which are produced or manufactured in India. The rate at which such a duty is imposed is contained in the Central Excise Tariff Act, 1985. However, the Indian Government has the power to exempt certain specified goods from excise duty by notification. Steel products are classified under Chapter 72 of the Central Excise Tariff Act and presently attract an ad-valorem excise duty at the rate of 16% and also an education cess of 2% over the duty element. Presently Excise duty is exempted on biscuits having MRP less than Rs.100/- per Kg.

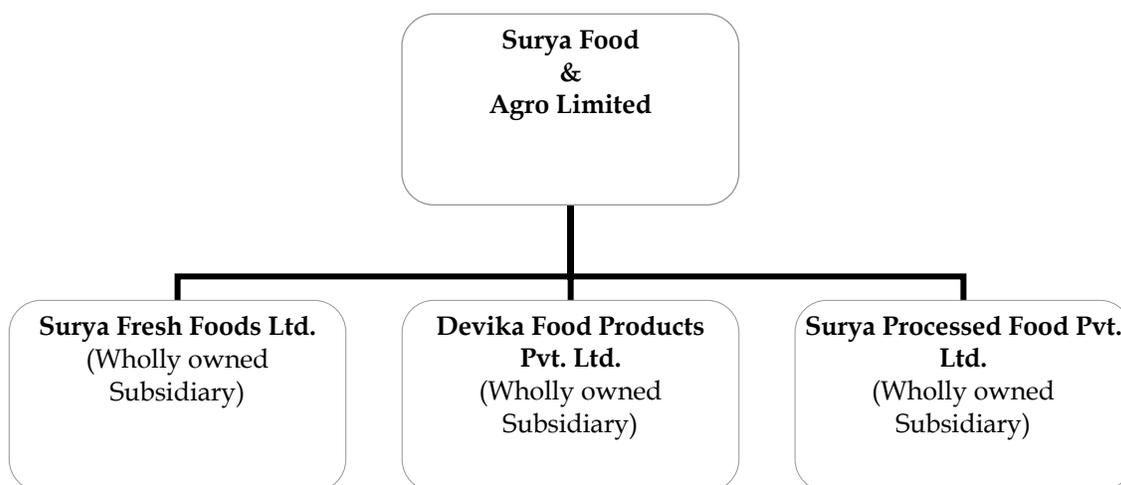
We have been complying with all the industry regulations wherever applicable.

## C) HISTORY AND CORPORATE STRUCTURE OF THE COMPANY

### a. History and Corporate Structure of the Company

Our Company was incorporated as ‘Surya Food & Agro Private Limited’ on 26/11/1992 with Registrar of Companies, U.P., Kanpur. The Company was converted into public limited company and the name of the Company was changed to “Surya Food & Agro Limited” vide certificate of incorporation dated 27/03/2000.

Our Company is promoted by Shri. Ballabh Prasad Agarwala . The Corporate Structure of the Company is as follows:



Our Company started commercial production in 1993 with a modest installed capacity of 5400 M.T. p.a. of biscuits at village Surajpur Dadri Road, Greater Noida, which is the main plant of the Company. The details of the increase in production capacity over the years and capacity utilized in past 5 years thereof is as follows:

Year	Installed Capacity (M.T.)	Actual production (M.T.)	Capacity Utilisation
2001-02	20000	14320	72 %
2002-03	33000	27327	83%
2003-04	45000	37736	84%
2004-05	72000	68763	96%
2005-06	85000	78127	85%
2006-07	85000	67399	79%

The Company also started its manufacturing activity in Lucknow (in the year 2002) and in Surat (in the year 2004). In the past 15 years, the Company has established itself as leading biscuit manufacturer under its brand name “Priyagold”.

In 2001-2002, Fasten Trading Ltd. having its registered office at 39 Kali Krishna, Tagore Street, Kolkatta-700007 and Priya Proteins Pvt. Ltd. having its registered office at E-67 (LGF) Greater Kailash-III (Masjid Moth), New Delhi-110048 after getting approval from Hon’ble High Courts of Kolkatta, Allahabad and Delhi vide their orders dated 23/07/2001, 16/01/2002 and 19/03/2002 were merged with our Company.

In 2002- 2003, Priyagold Industries (India) Ltd. having its registered office at D-1, Sector-2, Noida-201301, U.P. and Kanhaiya Exports Pvt. Ltd. having its registered office at 308 Central Plaza, 2/6 Sarat Bose Road, Kolkatta-700020 after getting approval from Hon'ble High Courts of Allahabad and Kolkatta vide their orders dated 12/11/2002 and 20/03/2003 were merged with our Company.

In the past, we have received International Quality Crown Award in London in December, 2004.

**b. Main Objects**

The main objects of our company as per the memorandum and articles of association of the company are as follows.

1. To carry on the business of manufacturers, processors, preservers, dealers, distributors, agents, stockists, vendors, contractors, concessionaires, exporters and importers, of all kinds of preparation made for wheat, rice, pulses, vegetable, fruits, dry fruits, including biscuits, bread, chocolates, sweets, baby foods, ghee, butter, cream, cheese, cheesewhey, curd, canned and or packaged fruits, nuts, fruit juices, fruit powders, jams, sauses pickles, ciders, paneer, vegetable oils, vegetable ghee, artificial ghee, aerated drinks of all kinds and their bye-products, derivatives and allied products of all kinds and ice cream, desserts and or novelty ice cream and all kinds of aerated, artificial and mineral waters, soft drinks, carbonated drinks and juices of all kind an descriptins, lactose, glucose and medical and pharmaceutical preparations of all kinds and descriptions.
2. To carry on the business of manufacturers, producers, processors, buyers, sellers, importers, exporters, vendors, contractors, concessionaires and dealers in all kinds of pharmaceutical grade lactose, edible casein, tea/coffee whitener, humanized milk powder, cheese and allied milk and weaning food products, milk products such as milk, condensed milk, skimmed milk powder, dairy whitener, whole milk powder, cream milk, standardized milk, skimmed milk, fresh, all kinds of infant foods, malted milk, soya milk and all types of such other milk preparations, derivatives and fast food, ready to serve food cooked, semi cooked, uncooked food and food products of all types vegetarian, non vegetarian, packed foods, processed foods and also to run fast food centres, ice cream parlours, restaurants, hotels and dinning centres.
3. To carry on the business of preservation, dehydration, freezing, drying, canning, tinning, bottling and packaging of all kinds of pharmaceutical grade lactose, edible casein, tea/coffee whitener, humanized milk powder, cheese and allied milk and weaning food products, milk food products, meat and meat products, vegetable and vegetable products and eatables of all types and description.
4. To carry on the business of manufacturers processors and to prepare, refine, extract, manipulate, hydrollize, spellings, crush, grind, bleach, hydrogenate and otherwise deal in all kinds of agricultural, horticultural, dairy and farm produce, grains, cereals, deeds, oil seeds, vegetables, fruits, agricultural products and other perishable items, edible oils and such other food products and preparations of all description and kinds.
5. To carry on the business as manufacturers, processors, distributors, agent and dealers in and purchasers and sellers of dairy farm garden, poultry, eggs, fruits, porkples, spellirgs, brawn, potted meat, table delicacies, loaves, bread, manures and to carry on the business as farmers, housekeepers millers and milk, gardeners, agriculturists, horticulturists, goat keepers and also to run a poultry farm and to buy, sell, import, export and deal in poultry and poultry products and to carry on the business of raising, packing, grading and preparing for and market eggs, farm

and poultry products of all description and to buy, sell and deal in chickens, chickens food, incubators, ducks, turkeys, geese and guinea fowls, partridge and other birds.

#### **Changes in our Memorandum of Association**

Since incorporation, the following changes have been made to Memorandum of Association of the Company:

##### ***Change in Registered office of the Company***

The registered office of the Company was changed from C-80 Sector-4, Noida-201301, U.P., India to D-1, Sector-2, Noida-201301, U.P., India w.e.f. 29/12/1995.

##### ***Change in Authorised Share Capital***

<b>Date</b>	<b>From</b>	<b>To</b>
23/07/1993	Rs.25 lacs comprising 2,50,000 equity shares of Rs.10/- each.	Rs.40 lacs comprising 4,00,000 equity shares of Rs. 10/- each.
05/06/2000	Rs.40 lacs comprising 4,00,000 equity shares of Rs. 10/- each.	Rs.100 lacs comprising 10,00,000 equity shares of Rs. 10/- each.
30/12/2003	Rs.100 lacs comprising 10,00,000 equity shares of Rs. 10/- each.	Rs.250 lacs comprising 25,00,000 equity shares of Rs. 10/- each.
08/03/2007	Rs.250 lacs comprising 25,00,000 equity shares of Rs. 10/- each.	Rs.3000 lacs comprising 3,00,00,000 equity shares of Rs. 10/- each.

##### ***Change of Name***

The name of the Company was changed from “Surya Food & Agro Private Limited” to “Surya Food & Agro Limited” w.e.f. 27/03/2000 subsequent to conversion into Public Limited Company.

#### **c. Subsidiaries of the our Company and their business**

We have following 100 % subsidiaries:

##### **1. Surya Fresh Foods Ltd. (SFFL)**

It was incorporated on 28/09/2004 with the Registrar of Companies, NCT of Delhi & Haryana and obtained Certificate of Commencement of Business on 14/10/2004. It became our subsidiary on 02/03/2005 and wholly-owned subsidiary on 10/08/2007 by transfer of beneficial interest of individual members to the Company. The registration No. is U15134DL2004PLC129491. The authorized share capital is Rs.11,00,00,000/- comprising of 1,10,00,000 equity shares of Rs.10/- each and paid-up share capital is Rs.6,98,88,000/- comprising of 69,88,800 equity shares of Rs. 10/- each . Equity Shares of SFFL are not listed on any stock exchanges. Its registered office is situated at E-67 (LGF), Greater Kailash-III (Masjid Moth), New Delhi-110048.

SFFL is engaged in the business of manufacturing fruit juices and aerated fruit drinks. These fruit juices are marketed under the brand “*Fresh Gold*” and “*Treat*”. “*Fresh Gold*” is available in different flavours such as Apple, Mango, Pineapple, litchi, mixed fruit etc. and “*Treat*” is a mango flavour drink.

SFFL has recently forayed into the aerated fruit drinks segment with the launch of “*Fresh Fizzy*”. “*Fresh Fizzy*” was launched in two flavours, apple and orange. “*Fresh Fizzy*” is available in three pack sizes – one litre, 500 ml and 250 ml.



Shareholding pattern of DFPPL is given below:

Sr. No.	Name	No. of Equity Shares of Rs.10/- each
1	Surya Food & Agro Ltd.	2,99,994
2	Mr.Ballabh Prasad Agarwala *	1
3	Mr.Manoj Kumar Agarwal *	1
4	Mr.Navin Kumar Agarwal *	1
5	Mr.Shekhar Agarwal *	1
6	Mrs.Bina Agarwal *	1
7	Mrs.Chhavi Agarwal *	1
	<b>Total</b>	<b>3,00,000</b>

(\* Beneficial interest with Surya Food & Agro Ltd.)

Its financial performance based on audited accounts is given below:

(Rs. in lacs)

Particulars	For the year ended/as at		
	31.03.2007	31.03.2006	31.03.2005
Total Income	24.26	24.18	24.00
Profit after Tax	15.10	14.85	10.15
Equity Share Capital	30.00	30.00	30.00
Reserves	32.69	16.38	1.53
Book Value (Rs.)	20.90	15.46	10.43
EPS (Rs.)	5.03	4.95	3.38

It has not become a sick company under the meaning of SICA and it is not under winding up.

### 3. Surya Processed Food Pvt. Ltd. (SPFPL)

SFPPL was incorporated on 25/07/2006 with the Registrar of Companies, NCT of Delhi & Haryana. It became our subsidiary on 26/08/2006 and wholly-owned subsidiary on 10/08/2007 by transfer of beneficial interest of individual members to the Company. Its registration No. is L15139DL2006PTC151222. Its authorized share capital is Rs.6,00,00,000/- comprising of 60,00,000 equity shares of Rs. 10/- each and paid-up share capital is Rs.5,48,37,000/-comprising of 54,83,700 equity shares of Rs. 10/- each. The equity shares of SFPPL are not listed on any of the stock exchanges. Its registered office is situated at R-52, 3<sup>rd</sup> Floor, Vikas Marg, Shakarpur, Delhi-110092.

SPFPL is proposing to enter into business of manufacturing Diary products and Chocolates. SPFPL has acquired 33920 sq.mtr. land situated at Integrated Industrial Estate, BHEL, Ranipur, Dist. Haridwar, Uttaranchal from State Infrastructure & Industrial Development Corporation of Uttaranchal Ltd. (SIDCUL) for 90 years lease. The Government of India, Department of Industrial Policy & Promotion has announced a new Industrial Policy in 2003 for the state of Uttaranchal and the state of Himachal Pradesh. Our subsidiary company will enjoy following benefits for setting up a plant in Uttaranchal:

- 100% outright excise duty exemption for a period of 10 years from the date of commencement of production.
- 100% income tax exemption for initial period of 5 years and thereafter 30% for companies and 25% for other than companies for a further period of five years from the date of commencement of commercial production.

- Capital investment subsidy @15% of investment in plant & machinery subject to a ceiling of Rs.30 lacs.

We are proposing to install “chocolate” and “condensed milk plant” in SFPPL and will infuse capital into the company as appraised by our bankers for the said purpose.

Its Board of Directors comprises of below mentioned Directors:

Mr.Manoj Kumar Agarwal	Mr.Navin Kumar Agarwal
Mrs.Bina Agarwal	

Its shareholding pattern is given below:

Sr. No.	Name	No. of Equity Shares of Rs.10/- each
1	Surya Food & Agro Ltd.	54,83,693
2	Mr.Ballabh Prasad Agarwala *	1
3	Mr.Manoj Kumar Agarwal *	1
4	Mr.Navin Kumar Agarwal *	1
5	Mr.Shekhar Agarwal *	1
6	Mrs.Bina Agarwal *	1
7	Mrs.Chhavi Agarwal *	1
8	Mrs.Nidhi Agarwal *	1
	<b>Total</b>	<b>54,83,700</b>

(\* Beneficial interest with Surya Food & Agro Ltd.)

**Its financial performance based on audited accounts is given below:**

Particulars	For the year ended/as at 31.03.2007
Total Income	-
Profit after Tax	-
Equity Share Capital	150.00
Reserves	-
Book Value (Rs.)	10
EPS (Rs.)	-

It has not become a sick company under the meaning of SICA and it is not under winding up.

## D) SHAREHOLDERS' AGREEMENT

There are no Shareholders' Agreements existing as on date.

### Other Agreements

Except the Contracts / Agreements entered into in the ordinary course of the business carried on or intended to be carried on by the Company, the Company has entered into following Agreement / Contract.

<b>Name of the Party</b>	<b>Date of Agreement</b>	<b>Purpose</b>
M/s Kritika Food Products Pvt. Ltd. (a Company incorporated in India having its registered office at 4-4-884/2, K.S.Lane, Sultan Bazar, Hyderabad- 500095,Andhra Pradesh )	14/11/2005 For a period of 3 years, renewable for a further term of three years	The Agreement is for manufacture of biscuits by the Kritika Food Products Private Limited on behalf of Company for a processing charge. The manufactured goods are the property of the Company.

### Financial / Strategic Partners

There are no financial or strategic partners.

## E) MANAGEMENT

### a. Board of Directors

The Board of Directors conducts the day to day operations of the company. As per the Articles of Association, Company can not have less than three or more than twelve directors. The following table sets forth details regarding the members of Board as of date of filing this DRHP with SEBI:

Sr. No.	Name, (Age), Father's name, Qualification, Designation & Occupation	Residential Address	Other Directorships
1	<b>Shri Ballabh Prasad Agarwala</b> (59yrs), S/o Late Shri Kali Charan Agarwala, <i>Qualification:</i> B.Com Chairman & Managing Director Business	B-14 Sector-14, Noida-201301, U.P.	1. Surya Fresh Foods Ltd. 2. Devika Food Products Pvt. Ltd. 3. Surya Shopping Arcade Pvt. Ltd.
2	<b>Shri Manoj Kumar Agarwal</b> (38 yrs) S/o Shri Ballabh Prasad Agarwala <i>Qualification:</i> B.Com Whole-time Director Business	B-14 Sector-14, Noida-201301, U.P.	1. Surya Processed Food Pvt. Ltd. 2. Devika Food Products Pvt. Ltd. 3. Surya Agrotech Infrastructure Ltd.
3	<b>Shri Navin Kumar Agarwal</b> (35 yrs) S/o Shri Ballabh Prasad Agarwala <i>Qualification:</i> B.Com Whole-time Director Business	B-14 Sector-14, Noida-201301, U.P.	1. Surya Processed Food Pvt. Ltd. 2. Devika Food Products Pvt. Ltd. 3. Surya Agrotech Infrastructure Ltd
4	<b>Shri Shekhar Agarwal</b> (31 yrs) S/o Shri Ballabh Prasad Agarwala <i>Qualification:</i> B.Com Whole-time Director Business	B-14 Sector-14, Noida-201301, U.P.	1. Devika Food Products Pvt. Ltd. 2. Surya Agrotech Infrastructure Ltd

Sr. No.	Name, (Age), Father's name, Qualification, Designation & Occupation	Residential Address	Other Directorships
5	<b>Shri Pradeep Kumar Jain</b> (42 yrs) S/o Shri Sheetal Prasad Jain <i>Qualification::B.A.</i> Director (Independent) Industrialist	10 Babar Lane, 1 <sup>st</sup> Floor, Bengali Market, New Delhi-110001	1. Parsvnath Developers Ltd. 2. Amazon India Ltd. 3. Parasnath & Associates Pvt. Ltd. 4. Parsvnath Landmark Developers Pvt. Ltd. 5. Parsvnath Telecom Pvt. Ltd. 6. Honey Builders Pvt. Ltd. 7. New Hind Enterprises Pvt. Ltd. 8. Parasnath Travels and Tours Pvt. Ltd. 9. Indo Continental Hotels and Resorts Ltd. 10. PHD Chamber of Commerce and Industry
6	<b>Shri Ram Laxhan Prasad Sinha</b> (68 yrs) S/o Late Shri Rohan Prasad Sinha <i>Qualification: C.A</i> Director (Independent) Chartered Accountant	141/1C Lenin Sarani, Kolkata, West Bengal-700013	Nil
7	<b>Shri Ajay Kumar Ghosh</b> (66 yrs) S/o Late Shri Dharani Kanta Ghosh <i>Qualification: B.Sc. (Hons), B. Tech, M. Tech</i> Director (Independent) Consultant	89D, D D Mondal Ghat Road, Dakshineswar, Kolkata, 700076	Sona Biscuits Limited
8.	<b>Shri Ajay Kumar Raman</b> (70 yrs) S/o. Shri Radha Raman <i>Qualification: B.E. Mechanical</i> Director (Independent) Business	11 Jain Mandir Road, New Delhi - 110001	Qualitech India Consultants Private Limited

**Brief Profile of the executive and non-executive directors of the company is given below:**

**Shri Ballabh Prasad Agarwala**, 59 years, Chairman & Managing Director is the founder Director and Promoter of the Company. He is having about 35 years of experience in the business and industry. He is a well known personality in the biscuit manufacturing industry and has received "U.P.Ratan" award for his entrepreneurship. He is responsible for overall working of the Company and is instrumental in making strategic decisions of the Company. Under his leadership, the Company has grown manifold and achieved a "International Quality Crown Award, London 2004" for best quality biscuit manufacturer

**Shri Manoj Kumar Agarwal**, , 38 years, Whole-time Director has about 18 years of experience in the business and industry. He is a commerce graduate looking after the manufacturing operations and Quality Control and is instrumental in increasing the overall biscuit manufacturing capacity of the Company.

**Shri Navin Kumar Agarwal**, 35 years, Whole-time Director has about 15 years of experience in the business and industry. He is a commerce graduate looking after the manufacturing operations and Quality Control of products of the Company

**Shri Shekhar Agarwal**, , 31 years, Whole-time Director has about 10 years of experience in the business and industry. He is a commerce graduate responsible for marketing of products as well as financial matters of the Company. He is instrumental in increasing the overall turnover & profitability of the Company.

**Shri Pradeep Kumar Jain**, 42 years, is a leading industrialist with two decades of experience having interest in the real estate sector. He has received various awards including 'Jawaharlal Nehru Award for Excellence', 'Vijay Ratna Award', 'Udyog Ratna Award' and the 'World Economic Progress Award' for his entrepreneurship. He is also a member of the Board of Trustees of the Moradabad Institute of Technology. He joined Company's Board of Directors on 1<sup>st</sup> September, 2007 as Independent Director.

**Shri Ajay Kumar Ghosh**, 66 years, , is an Independent Director of the Company. He has done B.Sc. (Hons), B. Tech, M. Tech and has over 27 years of technical expertise in biscuit manufacturing industry.

**Shri Ram Lakhon Prasad Sinha**, 68 years is an Independent Director of the Company. By profession he is a Chartered Accountant in practice.

**Shri Ajay Kumar Raman**, 70 years is B.E. Mechanical, has over 46 years of experience in organizing and managing international projects. He was recognized by WHO in 2001 for outstanding consultancy services provided to enterprises. He handled assignments with United Nations Industrial Development Organisation (UNIDO) and World Bank projects. He joined Company's Board as Independent Director.

#### **Details of Borrowing Powers of the Directors**

The Company has passed an ordinary resolution at its AGM held on September 18, 2007 in terms of the provisions of section 293(1)(d) of the Act, whereby it has authorized the Board of Directors to borrow money up to Rs.2,00,00,00,000 (Rupees Two Hundred crores) from time to time (apart from temporary loans obtained by the Company from its bankers in the ordinary course of business).

#### **b. Compensation of Directors**

##### *Compensation to Executive Directors*

**Shri Ballabh Prasad Agarwala** is appointed as Chairman and Managing Director of the Company for the period of three years w.e.f. 01/09/2007. The brief terms of the appointment are as follows:

**Salary, perquisites and allowance** : Rs. 3,50,000/- per month

**Other terms** : The below mentioned privileges shall not be included in the computation of ceiling on remuneration specified above:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity

Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961

- (ii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- (iii) Encashment of un-availed leave at the end of the tenure.
- (iv) Free use of Company's car for official purposes and telephone at the residence shall not be considered as perquisites.
- (v) Re-imburement of entertainment expenses, traveling and all other expenses actually & properly incurred for the purpose of the Company shall not be considered as perquisites.

**Shri Manoj Kumar Agarwal** was appointed as Whole-time Director of the Company for the period of three years w.e.f. 01/09/2007. The brief terms of the appointment are as follows:

**Salary, perquisites and allowance** : Rs. 3,50,000/- per month

**Other terms** : The below mentioned privileges shall not be included in the computation of ceiling on remuneration specified above:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961
- (ii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- (iii) Encashment of un-availed leave at the end of the tenure.
- (iv) Free use of Company's car for official purposes and telephone at the residence shall not be considered as perquisites.
- (v) Re-imburement of entertainment expenses, traveling and all other expenses actually & properly incurred for the purpose of the Company shall not be considered as perquisites.

**Shri Navin Kumar Agarwal** was appointed as Whole-time Director of the Company for the period of three years w.e.f. 01/09/2007. The brief terms of the appointment are as follows:

**Salary, perquisites and allowance** : Rs. 3,50,000/- per month

**Other terms** : The below mentioned privileges shall not be included in the computation of ceiling on remuneration specified above:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961
- (ii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- (iii) Encashment of un-availed leave at the end of the tenure.
- (iv) Free use of Company's car for official purposes and telephone at the residence shall not be considered as perquisites.
- (v) Re-imburement of entertainment expenses, traveling and all other expenses actually & properly incurred for the purpose of the Company shall not be considered as perquisites.

**Shri Shekhar Agarwal** was appointed as Whole-time Director of the Company for the period of three years w.e.f. 01/09/2007. The brief terms of the appointment are as follows:

**Salary, perquisites and allowance** : Rs. 3,50,000/- per month

**Other terms** : The below mentioned privileges shall not be included in the computation of ceiling on remuneration specified above:

- (i) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these, either singly or put together, are not taxable under the Income Tax Act, 1961
- (ii) Gratuity payable at a rate not exceeding half month's salary for each completed year of service.
- (iii) Encashment of un-availed leave at the end of the tenure.
- (iv) Free use of Company's car for official purposes and telephone at the residence shall not be considered as perquisites.
- (v) Re-imbursement of entertainment expenses, traveling and all other expenses actually & properly incurred for the purpose of the Company shall not be considered as perquisites.

*Compensation to Non-Executive Director*

All the Non-Executive Directors are entitled for sitting fee of Rs. 5000/- for attending each Board Meeting. No sitting fees is payable to the Executive Director.

**c. Compliance with Corporate Governance Requirements:**

Our Company stand committed to good Corporate Governance practices. The Guidelines issued by SEBI in respect of Corporate Governance will be applicable to our Company immediately upon applying for in-principle approval for listing of our Equity Shares on the Stock Exchanges. Accordingly, the Company has undertaken steps to comply with the SEBI Guidelines on Corporate Governance.

**I. Composition of the Board of Directors**

The Board has Eight Directors, out of which four are independent directors in accordance with the requirements of Clause 49 of the listing agreement of the Stock Exchanges. The Chairman of the Board is an executive Director.

Sr. No.	Name of the Director	Status
1.	Shri Ballabh Prasad Agarwala	Chairman & Managing Director
2.	Shri Manoj Kumar Agarwal	Whole-time Director
3.	Shri Navin Kumar Agarwal	Whole-time Director
4.	Shri Shekhar Agarwal	Whole-time Director
5.	Shri Pradeep Kumar Jain	Independent Director
6.	Shri Ajay Kumar Ghosh	Independent Director
7.	Shri Ram Lakhn Prasad Sinha	Independent Director
8.	Shri Ajay Kumar Raman	Independent Director

## II. Corporate Governance Committees

Committees of the Board have been constituted by us in order to look into the matters in respect of audit, compensation of executive directors and key managerial personnel, shareholding/Investors Grievance Redressal, details of which are as follows:

### 1. Audit Committee

The Audit Committee was constituted on 12/02/2007. The Audit Committee was re-constituted on 01/09/2007 and on 19/09/2007 in terms of requirement of clause 49 of the listing agreement. The Committee currently consists of three directors Shri Ram Lakhan Prasad Sinha, Shri Ajay Kumar Ghosh and Shri Ajay Kumar Raman. All these directors are independent directors and majority having finance and accounting background. Shri Ram Lakhan Prasad Sinha shall be the Chairman of the Committee. The terms of the Audit Committee as per the terms of its constitution, comply with the requirements of section 292 A of the Companies Act and Clause 49 of the listing agreement to be entered into with the Stock Exchange (S).

Composition of Audit Committee is as follows:

Sr. No	Name of the Director	Designation in committee	Nature of Directorship
1.	Shri Ram Lakhan Prasad Sinha	Chairman	Director (Independent)
2.	Shri Ajay Kumar Ghosh	Member	Director (Independent)
3.	Shri Ajay Kumar Raman	Member	Director (Independent)

The essential functions of the Audit Committee are as illustrated in the clause 49 of the listing agreement to be entered by the Company with the Stock Exchanges.

### 2. Remuneration Committee

The Remuneration Committee was constituted by the Company on 12/02/2007 and was re-constituted on 01/09/2007 and on 19/09/2007. The present members of the Committee are Shri Ram Lakhan Prasad Sinha, Shri Ajay Kumar Ghosh and Sh Ajay Kumar Raman. The Chairman of the Remuneration Committee is Shri Ajay Kumar Ghosh. The Company Secretary of the Company shall be the secretary of this Committee.

The role of the Remuneration Committee is to review and determine the remuneration packages for Managing Director as well as Whole-time Director(s) and key managerial personnel including pension rights and any compensation payment.

### 3. Share Transfer & Investor Grievance Committee

The Share Transfer & Investor Grievance Committee was constituted at the Board Meeting of the Company held on 01/09/2007 consisting of Shri Ram Lakhan Prasad Sinha, Shri Ballabh Prasad Agarwala and Shri Shekhar Agarwal. The Chairman of the Share Transfer & Investor Grievances Committee is Shri Ram Lakhan Prasad Sinha. The Company Secretary of the Company shall be the secretary of this Committee.

The terms of reference of the Share Transfer & Investor Grievances Committee are to look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend etc.

#### 4. Finance & Operating Committee

The Finance & Operating Committee was constituted at the Board Meeting of the Company held on 01/09/2007 consisting of Shri Ballabh Prasad Agarwala, Shri Manoj Kumar Agarwal, Shri Navin Kumar Agarwal and Shri Shekhar Agarwal. The Chairman of the Finance & Operating Committee is Shri Ballabh Prasad Agarwala. The Company Secretary of the Company shall be the secretary of this Committee.

The role of the Finance & Operating Committee shall be to authorize opening of bank accounts, change in operating instructions of bank accounts, borrowings from time to time from banks, financial institutions etc. and creating charges for securing the aforesaid borrowings within the limits set by the Board of Directors and any other matter relating to financial matters of the Company.

#### 5. IPO Committee

The IPO Committee was constituted at the Board Meeting of the Company held on 01/09/2007 consisting of Shri Ballabh Prasad Agarwala, Shri Manoj Kumar Agarwal, Shri Navin Kumar Agarwal and Shri Shekhar Agarwal. The Chairman of the IPO Committee is Shri Ballabh Prasad Agarwala. The Company Secretary of the Company shall be the secretary of this Committee.

The role of the IPO Committee shall be to appoint issue intermediaries, authorise issue of shares, authorise demat of shares, allotment of shares, listing of shares on stock exchanges and any other matter relating to IPO of the Company.

#### d. Shareholding of the Directors

Sr. No.	Name	No. of Shares	% of Post Issue Share Capital
1.	Shri Ballabh Prasad Agarwala	3316820	[●]
2.	Shri Manoj Kumar Agarwal	4328896	[●]
3.	Shri Navin Kumar Agarwal	2422784	[●]
4.	Shri Shekhar Agarwal	2711514	[●]
5.	Shri Pradeep Kumar Jain	Nil	Nil
6.	Shri Ajay Kumar Ghosh	Nil	Nil
7.	Shri Ram Lakhan Prasad Sinha	Nil	Nil
8.	Shri Ajay Kumar Raman	Nil	Nil

#### Qualification Shares required to be held by our Directors

Our directors are not required to hold any qualification shares.

#### e. Interest of our Directors

All our executive directors of the Company are interested to the extent of remuneration paid to them for services rendered to the Company.

All our non executive directors of the Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or Committee thereof as well as to the extent of sitting fees and/or reimbursement of expenses payable to them as per the applicable laws.

Our directors may also be regarded as interested in the shares & dividend payable thereon, if any, held by or that may be subscribed by and allotted/transferred to them or the companies, firms and trust, in which they are interested as Directors, Members, partners and or trustees. All Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by us with any Company in which they hold Directorships or any partnership/proprietorship firm in which they are proprietor/partners as declared in their respective declarations.

### **Changes in the Board of Directors during last three years**

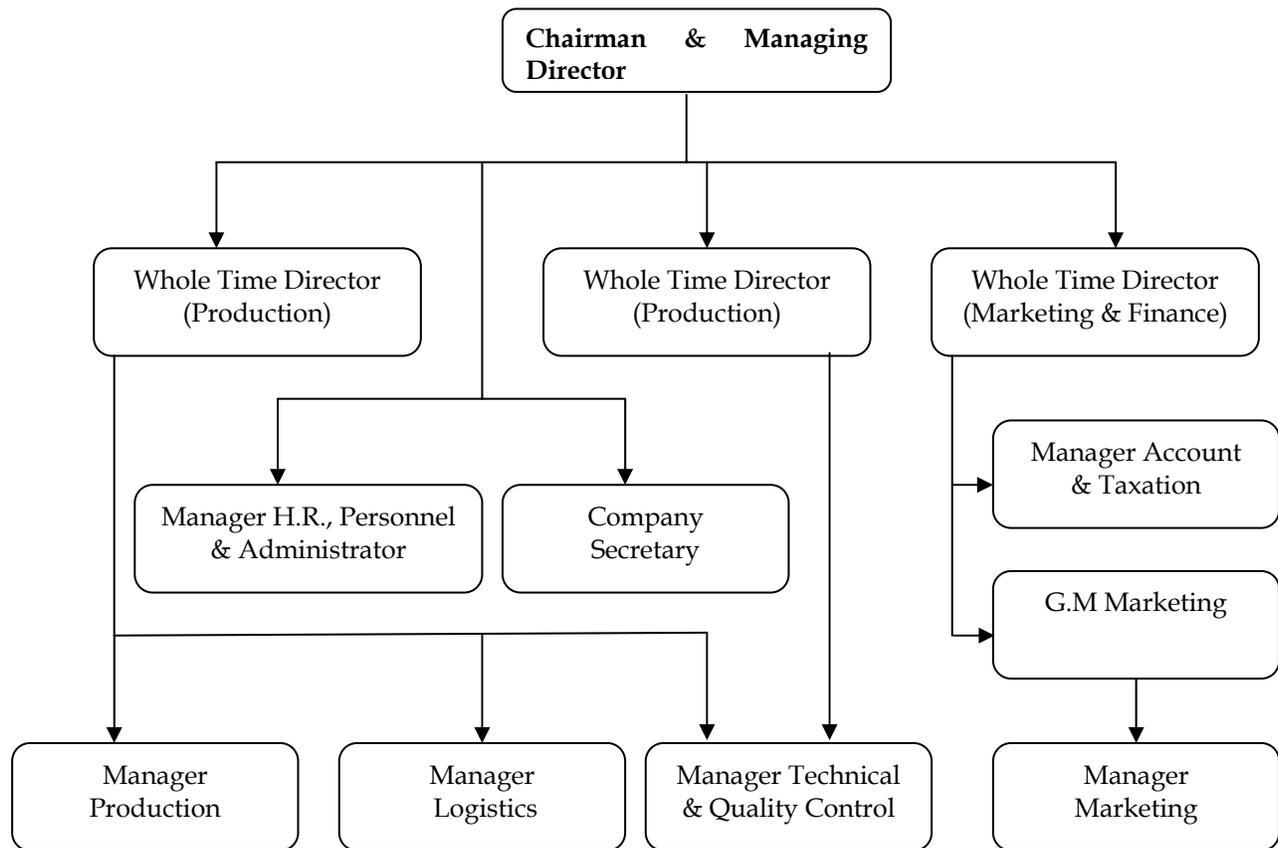
The changes in the Board of Directors of the Company in last three years are as follows:

<b>Name of the Director</b>	<b>Date of Change</b>	<b>Reasons for Change</b>
Smt. Bina Agarwal	12/02/2007	Appointed as Additional Director
Smt. Chhavi Agarwal	12/02/2007	Appointed as Additional Director
Smt. Usha Devi Agarwala	12/02/2007	Appointed as Additional Director
Smt. Bina Agarwal	01/09/2007	Resigned
Smt. Chhavi Agarwal	01/09/2007	Resigned
Smt. Usha Devi Agarwala	01/09/2007	Resigned
Shri Pradeep Kumar Jain	01/09/2007	Appointed as Additional Director (Independent)
Shri Ajay Kumar Ghosh	01/09/2007	Appointed as Additional Director (Independent)
Shri Ram Lakhan Prasad Sinha	01/09/2007	Appointed as Additional Director (Independent)
Shri Ajay Kumar Raman	01/09/2007	Appointed as Additional Director (Independent)

### **Payment or Benefit to Promoters or principal shareholder of our Company.**

No benefit or payments have been made to any promoters or principal shareholders of the company except as stated in the terms and remuneration payable as per the compensation agreement entered into by them and lease rent paid to them in respect land acquired for the proposed project.

**f. Management Organization Structure**



**g. Key Management Personnel**

Our Company is managed by its Board of Directors, and assisted by qualified professionals, with vast experience in the field of production/finance/distribution/marketing. The following key personnel assist the Management.

Details of the Key Managerial Personnel are as follows:

Sr. No.	Name, (Age)	Designation	Qualification	Date of Appointment	Exp.	Previous Employer
1	Mr.A.K.Mishra (41 years)	Manager-Accounts & taxation	M.Com	01/12/1992	19 years	Amrita Moulding Ltd.
2	Mr. Anil Sharma (48 years)	Manager-Production	B.Tech (Food Technology)	15/02/1998	26 years	Parle Biscuits Ltd.
3	Mr. Arun Sharma (57 years)	Manager-Mktg & Sales	M.Sc (Maths)	01/03/2002	30 years	Khemka Container Ltd.

4	Mr. D.D.Tyagi (52 years)	Manager- HR, Planning & Administra tion	B.Sc, F.M (Tech)- Food Technology	01/12/1992	30 years	S.K.B Agro & Allied Industries
5	Mr. Agnimitra (42 years)	Manager- Logistics	B.Sc, Diploma in Dairy Engg.	15/10/2004	18 years	Dalmia Industries Ltd.
6.	Mr. Amitabh Ghosh (36 years)	Manager- Technical & Quality Control	Mechanical Engg., Post graduate certificate in Food technology (American Inst. of baking)	17/01/2007	11 years	Sobisco Food Pvt. Ltd.
7	Mr. Rajesh Sodhi (40 years)	Company Secretary	B.com (Hons) FCS	06/08/2007	14 years	Essel Shyam Technologies Ltd.
8	Mr. Atul Salwan (52 years)	Head Marketing	B.A.	10/09/2007	26	Today Tea Ltd.

**Note:** None of the key managerial personnel are relatives of the promoters. As on date all the employees named above are on the roll of our company as permanent employees.

#### **Shareholding of the Key Managerial Personnel:**

The Key Managerial Personnel of the Company do not hold any shares in our company as on the date of this DRHP.

#### **Bonus or Profit Sharing Plan for the Key Managerial Personnel**

Currently, we do not have a performance-linked bonus or a profit sharing scheme for key managerial personnel. However, key managerial personnel are entitled to bonus payable annually. The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration of benefits to which they are entitled as per their terms of appointment, reimbursement of expenses incurred by them during the ordinary course of business and to the extent of Equity Shares held by them, if any in our Company.

#### **Loans to key managerial personnel**

There are no loans outstanding in the name of our key managerial personnel as on 31/03/2007.

### Changes in the Key Managerial Personnel in the last one year:

Except for the following, there have been no changes in the Key Managerial Personnel of the Company in the last three years:

Sr. No	Name	Designation	Date of Change	Reason
1.	Mr. Amitabh Ghosh	Manager- Technical & Quality Control	17/01/2007	Appointed
2.	Mr. Rajesh Sodhi	Company Secretary	06/08/2007	Appointed
3.	Mr. Atul Salwan	Head Marketing	10/09/2007	Appointed

### h. Employees

The total manpower directly employed by us as on date is 1200 personnel. Distribution of the manpower is as follows:

Location	Factory	Office	Total
Unit I & II	1059	29	1088
Lucknow	81	07	88
Surat	17	02	19
Hyderabad	Nil	03	03
Mumbai	Nil	02	02
<b>Total</b>	<b>1157</b>	<b>43</b>	<b>1200</b>

### i. Disclosures Regarding Employees Stock Option Scheme / Employees Stock Purchase Scheme

Till date Company has not introduced any Employees Stock Option Schemes/ Employees Stock Purchase Schemes.

## F) PROMOTERS/ PRINCIPAL SHAREHOLDERS

<p><b>1 Shri Ballabh Prasad Agarwala</b>, 59 years, Chairman &amp; Managing Director is the founder Director and Promoter of the Company. He is having about 35 years of experience in the business and industry. He is a well known personality in the biscuit manufacturing industry and has received “U.P.Ratan” award for his entrepreneurship. He is responsible for overall working of the Company and is instrumental in making strategic decisions of the Company. Under his leadership, the Company has grown manifold and achieved a “International Quality Crown Award, London 2004” for best quality biscuit manufacturer.</p> <p>Passport No. G0872478 Voter Identity No. UP\77\387\0174329 Driving License No. N.A.</p>	
<p><b>2 Shri Manoj Kumar Agarwal</b>, 38 years, Whole-time Director has about 18 years of experience in the business and industry. He is a commerce graduate looking after the manufacturing operations and Quality Control and is instrumental in increasing the overall biscuit manufacturing capacity of the Company.</p> <p>Passport No. B2970478 Voter Identity No. FJF-9520248 Driving License No. C-0707-38713-N-12-07-2007</p>	
<p><b>3 Shri Navin Kumar Agarwal</b>, 35 years, Whole-time Director has about 15 years of experience in the business and industry. He is a commerce graduate looking after the manufacturing operations and Quality Control of products of the Company.</p> <p>Passport No. F4245680 Voter Identity No. FJF-9520230 Driving License No. NT-6067-N-16-10-1995</p>	
<p><b>4 Shri Shekhar Agarwal</b>, 31 years, Whole-time Director has about 10 years of experience in the business and industry. He is a commerce graduate responsible for marketing of products as well as financial matters of the Company. He is instrumental in increasing the overall turnover &amp; profitability of the Company.</p> <p>Passport No. G2457776 Voter Identity No. FJF-9520271 Driving License No. NT-6069-N-10-10-1995</p>	

The Permanent Account Number, Bank Account Number and Passport Number if any, of all the Promoters/ Principal Shareholders have been submitted to BSE and NSE.

#### ***Common Pursuits***

There are no common pursuits amongst Surya Food & Agro Limited and other group companies since no other entity is engaged in the line of activity in which company is engaged.

#### ***Interest of Promoters***

All the Promoters who are on the Board of Company may be deemed to be interested to the extent of the sitting fees and other remuneration for the services rendered and the reimbursement of expenses, if any, payable to them under the articles. The Promoters may also be deemed to be interested to the extent of the shares, if any, held by them or by the relatives or by firms or companies of which any of them is a partner and a director/member respectively.

Except as mentioned above the promoters do not have any interest in the business of the company.

#### **Payment or benefit to Promoters of the Issuer Company**

Other than the salary and remuneration of the Promoter Directors, dividend, if any declared by the Company on shares held by them, there are no payment or benefit to promoters of the Company.

#### **Related Party Transactions as per Financial Statements**

The details of related party transactions please refer to page no.108 of this Prospectus.

#### **G) CURRENCY OF PRESENTATION**

In this DRHP, all references to "Rupees" "Rs." are to the legal currency of India and all references to "U.S. Dollars", and "US\$" are to the legal currency of the United States.

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this DRHP, unless otherwise indicated, have been calculated on the basis of our financial statements prepared in accordance with Restated Financial Statements prepared as per Indian GAAP.

For the convenience of the Shareholders, as far as possible the reporting unit has been maintained as Rupees in Lacs (Rupees in Hundred Thousands).

#### **H) DIVIDEND POLICY**

The declaration and payment of dividends in future, if any, will be recommended by the Board of Directors and approved by the shareholders, at their discretion, and will depend on a number of factors, including but not limited to the earnings, capital requirements and overall financial condition.

For the year 2006-07, the company has declared 10% dividend on the face value of Rs.10/- each.

## V: FINANCIAL STATEMENTS

Lead Manager confirms that all notes to the accounts, significant accounting policies as well as well as auditors' qualifications (if any) have been incorporated.

### A) FINANCIAL INFORMATION OF THE ISSUER COMPANY

#### AUDITORS' REPORT

To,  
The Board of Directors,  
Surya Food & Agro Limited  
D-1, Sector-2, Noida.  
U.P.-201301.

Dear Sirs,

We have examined the Restated financial information of Surya Food and Agro Limited ('the Company') annexed to this report for the purpose of inclusion in the Prospectus ('the Prospectus'). The said Restated Financial information has been prepared in accordance with the requirements of paragraph B(1) of Part-II of Schedule II to the Companies Act, 1956 ('the Act'), the Securities and Exchange Board of India ("SEBI")- Disclosure and investor Protection Guidelines, 2000 ('the Guidelines'), as amended vide notification No. SEBI/CFD/DIL/DIP/14/2005/25/1 dated January 25, 2005 issued by the Securities and Exchange Board of India in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992; and related clarification; and in accordance with the terms of reference received from the Company requesting us to carry out work in connection with the offer document being issued by the Company in connection with its Proposed Initial Public Offer ('IPO') of the equity shares. The financial information has been prepared by the Company and approved by the Board of Directors.

#### A. Financial Information as per Audited Financial Statement:

We have examined the attached 'Restated Summary Statement of Assets and Liabilities' of the Company as at 30<sup>th</sup> September, 2007, 31<sup>st</sup> March, 2007, 31<sup>st</sup> March, 2006, 31<sup>st</sup> March, 2005, 31<sup>st</sup> March, 2004 and 31<sup>st</sup> March, 2003 (Annexure 1 and 4) and the attached 'Restated Summary Statements, Profit and Loss ' (Annexure 2 and 5) and the attached 'Restated Statement of Cash Flows' (Annexure 3 and 6) for **Six** months period ended 30<sup>th</sup> September 2007 and each of the years ended 31<sup>st</sup> March, 2007, 2006, 2005, 2004 and 2003 together referred to as 'Restated Summary Statements'. These Summary Statements have been extracted from the financial statements of the March, 2003, 2004, 2005, 2006 and 2007 audited by us and the other auditors of the Company for those years, and have been adopted by the Board of Directors/Members for those respective years. The financial statements for the **Six Month period** 30<sup>th</sup> September, 2007 have been adopted by the Board of Directors and examined by us. Based on our examination of these summery statements, we state that:-

- i) The 'Restated Summary Statements' have to be read in conjunction with the notes given in Annexure 7 and 8 to this report
- ii) The 'Restated Summary Statements' of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as on 30<sup>th</sup> September, 2007.

iii) The restated profits have been arrived at after charging all expenses including depreciation and after making such adjustment and regroupings as in our opinion are appropriate in the year/period to which they are related.

**B. Other Financial Information:**

We have examined the following information in respect of the **Six Months** period ended 30<sup>th</sup> September 2007 and the year ended 31<sup>st</sup> March, 2007, 2006, 2005, 2004 and 2003 of the Company, proposed to be included in the DRHP/RHP, as approved by the Board of Directors and annexed to this report:

- i) Restated Schedule of Investments- Surya Food & Agro Ltd. Annexure-9
- ii) Restated Schedule of Rates of Dividend- Surya Food & Agro Ltd. Annexure-10
- iii) Accounting Ratios- Surya Food & Agro Ltd. Annexure-11
- iv) Capitalisation Statement-Surya Food & Agro Ltd. Annexure-12
- v) Statement of Taxation - Surya Food & Agro Ltd. Annexure-13
- vi) Restated Schedule of other income- Surya Food & Agro Ltd. Annexure-14
- vii) Schedule of Loans- Surya Food & Agro Ltd. Annexure-15
- viii) Unsecured Loans- Surya Food & Agro Ltd. Annexure-16
- ix) Schedule of Sundry Debtors- Surya Food & Agro Ltd. Annexure-17
- x) Contingent Liabilities- Surya Food & Agro Ltd. Annexure-18

In our opinion, the 'Financial Information as per Audited Financial Statements' and 'Other Financial Information' mentioned above for the **Six months** period ended 30<sup>th</sup> September, 2007 and for the year ended 31<sup>st</sup> March, 2007, 2006, 2005, 2004 and 2003 have been prepared in accordance with Part II of schedule II of the Act and the Guidelines.

This report should not in any way be construed as a re-issuance or re-drafting of any of the previous audit report by other firms of Chartered Accountants nor should this be construed as a new opinion on any of the financial statements referred to herein.

This report is intended solely for your information and for inclusion in the Prospectus in connection with the proposed IPO of the Company and is not to be used, referred to or distributed for any other purpose without our prior written consent.

**For Vinay Aggarwal & Associates**

Chartered Accountants

Sd/-

Vinay Aggarwal

Partner

Membership No. 82045

New Delhi.

Date:22/10/2007

## Annexure-1

## RESTATED STATEMENT OF ASSETS AND LIABILITIES- SURYA FOOD AND AGRO LTD.

(Rs./ Lacs)

PARTICULARS	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b>Fixed Assets</b>						
Gross Block	10908.46	10684.46	6560.96	6288.60	5484.77	3252.07
Less:- Depreciation	2157.08	1939.47	1554.65	1176.20	721.99	418.10
Net Block	8751.38	8744.98	5006.31	5112.40	4762.77	2833.97
Capital Work in Progress	649.32	547.15	444.22	244.53	0.00	327.14
<b>Total -A</b>	<b>9400.70</b>	<b>9292.14</b>	<b>5450.53</b>	<b>5356.93</b>	<b>4762.77</b>	<b>3161.11</b>
<b>Investments- B</b>	<b>1277.25</b>	<b>872.30</b>	<b>724.99</b>	<b>903.62</b>	<b>1621.65</b>	<b>0.00</b>
<b>Deferred Tax Assets-C</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Assets, Loans & Advances						
Inventory	2022.33	2171.17	2447.05	2099.30	1189.04	2735.16
Sundry Debtors	2023.20	1009.44	698.44	414.90	219.70	177.51
Cash & Bank Balance	162.49	78.54	174.39	72.61	69.05	54.68
Loans & Advances	794.56	876.10	1018.10	852.80	936.22	707.93
<b>Total -D</b>	<b>5002.58</b>	<b>4135.25</b>	<b>4337.98</b>	<b>3439.61</b>	<b>2414.01</b>	<b>3675.27</b>
<b>Total Assets (A+B+C+D)= E</b>	<b>15680.53</b>	<b>14299.69</b>	<b>10513.49</b>	<b>9700.16</b>	<b>8798.43</b>	<b>6836.38</b>
<b>Liabilities and Provision</b>						
Secured Loans	3362.42	3819.41	363.09	10.13	0.00	0.00
Unsecured Loans	1125.63	972.09	438.36	95.75	0.00	0.00
Deferred Tax Liabilities	683.58	683.58	630.49	673.92	551.13	413.93
Current Liabilities	2569.99	1693.15	2160.54	2168.34	1786.67	479.94
Provision	419.76	200.21	253.15	216.16	174.41	101.14
<b>Total- F</b>	<b>8161.38</b>	<b>7368.44</b>	<b>3845.63</b>	<b>3164.30</b>	<b>2512.21</b>	<b>995.01</b>
<b>Net Worth (E-F)</b>	<b>7519.15</b>	<b>6931.25</b>	<b>6667.86</b>	<b>6535.86</b>	<b>6286.22</b>	<b>5841.37</b>
<b>Net Worth Represented by</b>						
Share Capital	1798.50	1798.50	69.17	69.17	69.17	69.17
Reserve & Surplus	5270.65	5132.75	6598.69	6468.54	6220.44	5776.33
<b>Total</b>	<b>7519.15</b>	<b>6931.25</b>	<b>6667.86</b>	<b>6537.71</b>	<b>6289.61</b>	<b>5845.50</b>
<b>Less:- Miscellaneous Expenditure</b> (to the extent not written off or adjusted)	0.00	0.00	0.00	1.85	3.39	4.13
<b>Net Worth</b>	<b>7519.15</b>	<b>6931.25</b>	<b>6667.86</b>	<b>6535.86</b>	<b>6286.22</b>	<b>5841.37</b>

## RESTATED STATEMENT OF PROFIT AND LOSSES- SURYA FOOD AND AGRO LTD.

PARTICULARS	(Rs./ Lacs)					
	Six Months Ending 30 SEPT. 2007	For the Financial Year Ended				
		31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b>INCOME</b>						
<b>Sales</b>						
Of the products manufactured by company	17419.61	26856.95	29536.45	28096.90	19601.31	11452.60
Of the products traded by company	0.00	0.00	0.00	0.00	0.00	678.24
Other Income	0.60	81.15	26.65	125.85	119.60	114.13
Increase / ( Decrease) in Inventory	4.71	36.46	(35.30)	149.58	158.84	1295.29
<b>Total</b>	<b>17424.92</b>	<b>26974.56</b>	<b>29527.80</b>	<b>28372.33</b>	<b>19879.75</b>	<b>13540.26</b>
<b>EXPENDITURES</b>						
Raw Material Consumed	12077.50	19409.17	20751.64	18159.84	12550.99	8932.73
Staff Costs	389.70	499.07	417.84	364.59	179.87	128.34
Other Manufacturing Expenses	1544.40	2437.03	2607.64	4381.42	2829.38	2230.81
Administrative Expenses	291.20	653.29	872.68	615.41	388.24	257.09
Selling & Distribution Expenses	1929.41	3007.66	4337.28	3991.07	2957.38	1723.75
	<b>16232.21</b>	<b>26006.22</b>	<b>28987.08</b>	<b>27512.33</b>	<b>18905.86</b>	<b>13272.72</b>
<b>Earning Before Interest and Tax</b>	<b>1192.71</b>	<b>968.34</b>	<b>540.72</b>	<b>860.00</b>	<b>973.89</b>	<b>267.54</b>
Depreciation	225.64	421.32	393.54	479.48	309.97	141.39
Interest	69.72	131.37	27.75	13.09	2.60	4.04
<b>Net profit before tax and extra ordinary items</b>	<b>897.35</b>	<b>415.65</b>	<b>119.43</b>	<b>367.43</b>	<b>661.32</b>	<b>122.12</b>
<b>Provision for Taxation</b>						
Current Tax	307.16	75.00	19.25	53.72	80.00	11.00
Deferred Tax	0.00	53.09	(43.44)	122.79	137.20	77.18
Fringe Benefit Tax	2.29	3.88	7.76	0.00	0.00	0.00
<b>Net profit before extra ordinary items</b>	<b>587.90</b>	<b>283.67</b>	<b>135.86</b>	<b>190.92</b>	<b>444.12</b>	<b>33.94</b>
Extra ordinary items	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net profit after extra ordinary items</b>	<b>587.90</b>	<b>283.67</b>	<b>135.86</b>	<b>190.92</b>	<b>444.12</b>	<b>33.94</b>
Adjustment on account of prior period expenses	0.00	0.00	5.70	(57.18)	0.00	0.00
<b>Adjusted Profit</b>	<b>587.90</b>	<b>283.67</b>	<b>130.16</b>	<b>248.10</b>	<b>444.12</b>	<b>33.94</b>

## RESTATED CASH FLOW STATEMENT - SURYA FOOD AND AGRO LTD.

(Rs./ Lacs)

	PARTICULARS	Six months ended 30/09/07	Year ended 31/03/07	Year ended 31/03/06	Year ended 31/03/05	Year ended 31/03/04	Year ended 31/03/03
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
	Profit before tax and appropriations	897.35	415.65	113.73	424.61	661.31	122.13
	<b>Adjustments for:</b>						
	Depreciation	217.61	384.82	378.46	454.21	303.89	139.20
	(Profit)/Loss on sale of Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00
	Prior period Items & Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
	Profit on Sale of Investments	0.00	0.00	0.00	0.00	0.00	0.00
	Preliminary Expenses written Off.	0.00	0.00	1.85	1.54	0.74	1.38
	Bad Debts/ Advances Written Off/ rebates	0.00	0.00	0.00	0.00	0.00	0.00
	Interest expense	67.86	122.37	14.16	3.54	0.74	0.30
	<b>Operating Profit before Working Capital Changes</b>	<b>1182.82</b>	<b>922.84</b>	<b>508.20</b>	<b>883.90</b>	<b>966.68</b>	<b>263.01</b>
	<b>Adjustments for:</b>						
	(Increase)/Decrease in Sundry Debtors	(1013.76)	(311.00)	(283.54)	(195.20)	(42.19)	(29.16)
	(Increase)/Decrease in Loans and Advances	81.54	141.99	(165.30)	83.42	(228.29)	1912.47
	(Increase)/Decrease in Inventories	148.86	275.88	(347.75)	(910.26)	1546.12	(1488.15)
	Increase/ (Decrease) in Current Liabilities	789.23	(520.33)	29.19	423.42	1380.00	412.09
	Cash generated from/ (used in) operations	<b>1188.69</b>	<b>509.38</b>	<b>(259.20)</b>	<b>285.27</b>	<b>3622.32</b>	<b>1070.26</b>
	Tax Paid	2.29	78.88	27.01	53.72	80.00	11.00
	<b>Net cash from/(used in) operating</b>	<b>1186.40</b>	<b>430.50</b>	<b>(286.21)</b>	<b>231.55</b>	<b>3542.32</b>	<b>1059.26</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
	Purchase of Fixed Assets	(224.00)	(4123.50)	(272.36)	(803.83)	(1905.56)	(1141.76)
	Capital WIP	(102.17)	(102.93)	(199.69)	(244.52)	0.00	(215.32)
	Sale of Assets	0.00	0.00	0.00	0.00	0.00	0.00
	Investments	(404.97)	(147.31)	0.00	(693.88)	(1621.64)	0.00
	Sale of Investments	0.00	0.00	178.62	1411.89	0.00	0.00
	Interest received	0.00	0.00	0.00	0.00	0.00	0.00
	Dividend received	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Net Cash from/(used in) investing activities</b>	<b>(731.14)</b>	<b>(4373.74)</b>	<b>(293.43)</b>	<b>(330.34)</b>	<b>(3527.20)</b>	<b>(1357.08)</b>

<b>C.</b>	<b>CASH FLOW FROM</b>						
	<b>FINANCING ACTIVITIES</b>						
	Interest Expenses	(67.86)	(122.37)	(14.16)	(3.54)	(0.74)	(0.30)
	Increase/ (Decrease) in secured loans	(456.99)	3456.32	352.97	10.13	0.00	0.00
	Share Capital	0.00	0.00	0.00	0.00	0.00	0.00
	Increase/ (Decrease) in un-secured loans	153.54	533.73	342.61	95.75	0.00	0.00
	Dividend paid (including dividend tax)	0.00	(20.29)	0.00	0.00	0.00	0.00
	<b>Net Cash from/(used in) financing</b>						
	<b>activities</b>	<b>(371.31)</b>	<b>3847.39</b>	<b>681.42</b>	<b>102.34</b>	<b>(0.74)</b>	<b>(0.30)</b>
	Net increase/ (decrease) in cash	83.95	(95.85)	101.78	3.55	14.38	(298.12)
	and cash equivalents						
	Cash and Cash equivalents as	78.54	174.39	72.61	69.05	54.68	352.80
	at the beginning of the year						
	<b>Cash and cash equivalent as at the end of</b>						
	<b>the year</b>	<b>162.49</b>	<b>78.54</b>	<b>174.39</b>	<b>72.61</b>	<b>69.05</b>	<b>54.68</b>

#### Notes

1.	The Cash flow Statement has been prepared under indirect method as set out in Accounting Standard-3 on Cash Flow Statement issued by the institute of Chartered Accounts of India.
2.	Negative figures have been shown in brackets

## CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES-RASTATED

(Rs./ Lacs)

PARTICULARS	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b>Fixed Assets</b>						
Gross Block	13377.59	12749.68	8338.55	6448.02	5644.19	3252.07
Less:- Depreciation	2319.66	2071.53	1604.70	1199.94	738.36	418.10
Net Block	11057.93	10678.15	6733.85	5248.08	4905.82	2833.97
Capital Work in Progress	694.82	587.90	467.88	678.11	0.00	327.14
<b>Total -A</b>	<b>11752.75</b>	<b>11266.06</b>	<b>7201.73</b>	<b>5926.19</b>	<b>4905.82</b>	<b>3161.11</b>
<b>Investments- B</b>	<b>0.00</b>	<b>29.81</b>	<b>17.19</b>	<b>180.24</b>	<b>1592.15</b>	<b>0.00</b>
<b>Deferred Tax Assets-C</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
Current Assets, Loans & Advances						
Inventory	3064.42	3095.49	3121.48	2099.30	1189.04	2735.16
Sundry Debtors	2230.68	1068.14	717.14	414.90	219.70	177.51
Cash & Bank Balance	237.11	85.62	179.15	76.93	69.09	54.68
Loans & Advances	1207.84	1162.35	654.16	1291.63	832.06	707.93
Cost of Control	0.00	5.01	5.01	27.36	5.43	0.00
<b>Total -D</b>	<b>6740.05</b>	<b>5416.60</b>	<b>4676.94</b>	<b>3910.12</b>	<b>2315.32</b>	<b>3675.27</b>
<b>Total Assets (A+B+C+D)= E</b>	<b>18492.80</b>	<b>16712.47</b>	<b>11895.85</b>	<b>10016.55</b>	<b>8813.30</b>	<b>6836.38</b>
<b>Liabilities and Provision</b>						
Secured Loans	4689.71	5288.56	1745.19	336.41	0.00	0.00
Unsecured Loans	1314.47	1098.09	459.36	21.00	0.00	0.00
Deferred Tax Liabilities	704.16	704.03	651.20	694.50	568.47	413.93
Current Liabilities	3520.23	2319.84	2256.34	2235.15	1842.51	563.07
Provision	482.80	204.43	102.98	220.01	158.17	73.26
<b>Total- F</b>	<b>10711.37</b>	<b>9614.95</b>	<b>5215.07</b>	<b>3507.07</b>	<b>2569.15</b>	<b>1050.26</b>
<b>Net Worth (E-F)</b>	<b>7781.43</b>	<b>7097.52</b>	<b>6680.79</b>	<b>6509.48</b>	<b>6244.14</b>	<b>5786.12</b>

PARTICULARS	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b>Net Worth Represented by</b>						
Share Capital	1798.50	1798.50	69.17	69.17	69.17	69.17
Reserve & Surplus	5982.93	5290.99	6605.78	6436.79	6178.00	5721.08
Minority Interest(Devika Food Products Pvt.Ltd.)						
Share Capital	0.00	0.50	0.50	0.50	0.50	0.00
Reserves	0.00	0.55	0.28	0.03	(0.14)	0.00
Minority Interest ( Surya Fresh Foods Ltd.)						
Share Capital	0.00	5.00	5.00	5.00	0.00	0.00
Reserves	0.00	0.90	0.05	(0.16)	0.00	0.00
Minority Interest ( Surya Processed Food (P) Ltd.)						
Share Capital	0.00	1.08	0.00	0.00	0.00	0.00
Reserves	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>7781.43</b>	<b>7097.52</b>	<b>6680.79</b>	<b>6511.33</b>	<b>6247.53</b>	<b>5790.25</b>
<b>Less:- Miscellaneous Expenditure</b>						
(to the extent not written off or adjusted)	0.00	0.00	0.00	1.85	3.39	4.13
<b>Net Worth</b>	<b>7781.43</b>	<b>7097.52</b>	<b>6680.79</b>	<b>6509.48</b>	<b>6244.14</b>	<b>5786.12</b>

The accompanying significant accounting policies and notes (Annexure -7) are an integral part of the Accounts.

CONSOLIDATED STATEMENT OF PROFIT AND LOSSES-  
RESTATED

Annexure-5

(Rs./ Lacs)

PARTICULARS	Six Months	For the Financial Year Ended				
	Ending					
	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b><u>INCOME</u></b>						
<b>Sales</b>						
Of the products manufactured by company	19208.56	29500.01	30032.61	28096.90	19601.31	11452.60
Of the products traded by company	0.00	0.00	0.00	0.00	0.00	678.24
Other Income	8.45	85.63	26.27	125.35	119.60	114.14
Increase / ( Decrease) in Inventory	185.65	(72.62)	91.21	149.58	158.84	1295.29
<b>Total</b>	<b>19402.66</b>	<b>29513.02</b>	<b>30150.09</b>	<b>28371.83</b>	<b>19879.75</b>	<b>13540.27</b>
<b><u>EXPENDITURES</u></b>						
Raw Material Consumed	13462.14	20919.25	21122.50	18159.82	12550.99	8932.73
Staff Costs	417.01	537.75	433.34	364.59	179.87	128.34
Other Manufacturing Expenses	1724.37	2539.06	2623.69	4381.43	2829.38	2230.81
Administrative Expenses	319.03	761.56	831.86	592.01	378.77	257.09
Selling & Distribution Expenses	2061.06	3388.23	4480.50	3990.58	2959.09	1723.75
	<b>17983.61</b>	<b>28145.85</b>	<b>29491.89</b>	<b>27488.43</b>	<b>18898.10</b>	<b>13272.72</b>
<b>Earning Before Interest and Tax</b>	<b>1419.05</b>	<b>1367.17</b>	<b>658.20</b>	<b>883.40</b>	<b>981.65</b>	<b>267.55</b>
Depreciation	256.17	503.51	426.66	487.04	315.80	141.39
Interest	138.38	298.57	61.63	13.09	2.87	4.04
<b>Net profit before tax and extra ordinary items</b>	<b>1024.50</b>	<b>565.09</b>	<b>169.91</b>	<b>383.27</b>	<b>662.98</b>	<b>122.12</b>
<b><u>Provision for Taxation</u></b>						
Current Tax	350.47	72.06	4.93	55.46	63.76	10.17
Deferred Tax	0.00	52.83	(43.31)	126.03	142.35	77.18
Fringe Benefit Tax	2.38	4.28	8.11	0.00	0.00	0.00
<b>Net profit before extra ordinary items</b>	<b>671.65</b>	<b>435.92</b>	<b>200.18</b>	<b>201.78</b>	<b>456.87</b>	<b>34.77</b>
Extra ordinary items	0.00	0.00	0.00	0.00	0.00	0.00
<b>Net profit after extra ordinary items</b>	<b>671.65</b>	<b>435.92</b>	<b>200.18</b>	<b>201.78</b>	<b>456.87</b>	<b>34.77</b>
Adjustment on account of prior period expenses	0.00	0.00	5.70	(57.18)	0.00	0.00
<b>Adjusted Profit</b>	<b>671.65</b>	<b>435.92</b>	<b>194.48</b>	<b>258.96</b>	<b>456.87</b>	<b>34.77</b>
<b>Minority in Devika Food Products Pvt. Ltd.</b>	<b>0.00</b>	<b>0.27</b>	<b>0.25</b>	<b>0.17</b>	<b>(0.06)</b>	<b>0.00</b>
<b>Minority in Surya Fresh Foods Ltd.</b>	<b>0.00</b>	<b>0.82</b>	<b>0.05</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Minority in Surya Processed Food (P) Ltd.</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Surya Food and Agro Ltd.</b>	<b>671.65</b>	<b>434.82</b>	<b>194.18</b>	<b>258.79</b>	<b>456.93</b>	<b>34.77</b>

## CONSOLIDATED CASH FLOW STATEMENT- RESTATED

(Rs./ Lacs)

	PARTICULARS	Six Months ended 30/09/07	Year ended 31/03/07	Year ended 31/03/06	Year ended 31/03/05	Year ended 31/03/04	Year ended 31/03/03
<b>A.</b>	<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
	Profit before tax and appropriations	1024.50	565.09	139.03	440.45	662.98	122.12
	<b>Adjustments for:</b>						
	Depreciation	248.13	466.83	404.77	461.58	309.52	139.20
	(Profit)/Loss on sale of Fixed Assets	0.00	0.00	0.00	0.00	0.00	0.00
	Prior period Items & Extra Ordinary Items	0.00	0.00	0.00	0.00	0.00	0.00
	Profit on Sale of Investments	0.00	0.00	0.00	0.00	0.00	0.00
	Preliminary Expenses written Off.	0.00	0.00	24.35	(20.53)	0.84	1.38
	Bad Debts/ Advances Written Off/ rebates	0.00	0.00	0.00	0.00	0.00	0.00
	Interest expense	133.57	279.78	46.93	3.54	0.74	0.30
	<b>Operating Profit before Working Capital Changes</b>	<b>1406.20</b>	<b>1311.70</b>	<b>615.08</b>	<b>885.04</b>	<b>974.08</b>	<b>263.00</b>
	<b>Adjustments for:</b>						
	(Increase)/Decrease in Sundry Debtors	(1165.61)	(333.85)	(319.40)	(195.20)	(42.19)	(29.16)
	(Increase)/Decrease in Loans and Advances	211.79	(210.59)	212.70	(540.08)	(225.58)	1912.47
	(Increase)/Decrease in Inventories	31.09	25.99	(1022.18)	(910.26)	1546.12	(1488.15)
	Increase/(Decrease) in Current Liabilities	910.32	(129.10)	458.80	439.93	1386.47	468.17
	Cash generated from/(used in) operations	<b>1393.79</b>	<b>664.15</b>	<b>(55.00)</b>	<b>(320.58)</b>	<b>3638.90</b>	<b>1126.33</b>
	Tax Paid	14.65	97.04	29.99	56.17	80.04	11.00
	<b>Net cash from/(used in) operating activities</b>	<b>1379.14</b>	<b>567.11</b>	<b>(84.99)</b>	<b>(376.75)</b>	<b>3558.86</b>	<b>1115.33</b>
<b>B.</b>	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
	Purchase of Fixed Assets	(627.91)	(4387.49)	(1480.61)	(803.83)	(1922.44)	(1141.76)
	Capital WIP	(106.92)	(143.67)	(199.69)	(678.10)	0.00	(215.32)
	Sale of Assets	0.00	0.00	0.00	0.00	0.00	0.00
	Investments	(404.97)	(161.54)	(15.58)	(693.88)	(1621.64)	0.00
	Sale of Investments	29.82	0.00	178.62	1411.89	0.00	0.00
	Interest received	0.00	0.00	0.00	0.00	0.00	0.00
	Dividend received	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Net Cash from/(used in) investing activities</b>	<b>(1109.97)</b>	<b>(4692.70)</b>	<b>(1517.26)</b>	<b>(763.92)</b>	<b>(3544.08)</b>	<b>(1357.08)</b>

	PARTICULARS	Six Months ended 30/09/07	Year ended 31/03/07	Year ended 31/03/06	Year ended 31/03/05	Year ended 31/03/04	Year ended 31/03/03
C.	<b>CASH FLOW FROM</b>						
	<b>FINANCING ACTIVITIES</b>						
	Interest Expenses	(133.57)	(279.76)	(46.93)	(3.54)	(0.76)	(0.29)
	Increase/ (Decrease) in secured loans	(598.85)	3543.37	1408.79	336.41	0.00	0.00
	Share Capital	398.37	150.00	0.00	698.88	0.00	0.00
	Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00
	Increase/ (Decrease) in un-secured loans	216.38	638.73	342.61	116.75	0.00	0.00
	Dividend paid (including dividend tax)	0.00	(20.29)	0.00	0.00	0.00	0.00
	<b>Net Cash from/(used in) financing activities</b>	(117.67)	4032.05	1704.47	1148.50	(0.76)	(0.29)
	Net increase/ (decrease) in cash and cash equivalents	151.50	(93.54)	102.22	7.83	14.02	(242.04)
	Cash and Cash equivalents as at the beginning of the year	141.70	235.23	133.01	125.17	111.16	352.80
	<b>Cash and cash equivalent as at the end of the year</b>	<b>293.19</b>	<b>141.70</b>	<b>235.23</b>	<b>133.01</b>	<b>125.17</b>	<b>110.76</b>

**Notes**

1. The Cash flow Statement has been prepared under indirect method as set out in Accounting Standard-3 on Cash Flow Statement issued by the Institute of Chartered Accountants of India.
2. Negative figures have been shown in brackets

## SIGNIFICANT ACCOUNTING POLICIES FOR STANDALONE ACCOUNTS

**1 ACCOUNTING COVENTION**

The financial statements have been prepared generally on mercantile basis and they generally comply with the mandatory accounting standards issued by The Institute of Chartered Accountants of India.

**2 FIXED ASSETS AND DEPRECIATION**

- a) Expenditure of the capital nature are capitalized at cost comprising of purchase price (net of rebates, discount and CENVAT where applicable) and any other cost which is directly attributable to bringing the asset to its working condition for the intended use.
- b) Expenditure incurred during the period of construction is carried forward as capital work in progress, and on completion the cost are allocated to the respective fixed assets in the ratio of their value.
- c) Depreciation has been provided on Straight-line method at the rates and in the manner specified under Schedule XIV of the Companies Act 1956.

**3 INVESTMENTS**

Long-term investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments.

**4 INVENTORIES**

- a) Stock of raw material is valued at cost or net realizable value, whichever is lower Cost for the purpose is identified on the basis of FIFO method.
- b) Finished goods are valued at cost or net realizable value whichever is lower. Value for the purpose is identified on the basis of FIFO basis.
- c) Packing Materials, Stores and other materials, Power & Fuel (Diesel and LDO) have been valued at cost or net realizable value whichever is lower. Value for this purpose is identified on the basis of FIFO

**5 CAPITAL GRANTS/ SUBSIDY**

Grants received from the Government are retained as Capital Reserve till the conditions stipulated in the respective schemes are complied with. However, the unconditional grants/subsidy are deducted from the gross value of the respective assets.

**6 REVENUE AND EXPENSES RECOGNITION**

- a) **The company generally adopts the accrual concepts in the preparation of accounts.**
- b) **Sales are inclusive of excise duty and net of sales return and trade discount and are booked on the basis of dispatches from the factory gate. However at the end of the year**

**total excise duty included in sales is reduced.**

- c) **Sales Tax has been treated as expenses and same is paid to Government on the basis of Business used by the Company in manufacturing of biscuits and therefore sale is inclusive of Sales Tax**
- d) **Claims recoverable on account of insurance are accounted for as and when the amounts recoverable can be reasonably determined.**
- e) **Expenses are accounted for on an accrual basis except retirement benefits.**

## **7 TAXATION**

Tax expenses (tax saving) is the aggregate of current year tax and deferred tax charged(credited) to the Profit and Loss Account for the year. However, in the year of transition the accumulated deferred tax liability at the beginning of the year has been recognized with a corresponding charge to the General Reserve in accordance with Accounting Standard-22 "Accounting for Taxes on Income" and measured at the tax rates that have been enacted or substantially enacted by the Balance Sheet Date.

### **a) CURRENT YEAR CHARGE**

The provision for taxation is based on assessable profits of the company as determined under the Income Tax Act, 1961. Provisions are recorded as considered appropriate for matters under appeal due to disallowances or for other reasons.

### **b) DEFERRED TAX**

The Company provides for deferred tax using the liability method, based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

## **8 FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions, other than those covered by forward contracts, are accounted for at the exchange rate prevailing on the transaction date. Gain/loss arising out of fluctuation in rate between transaction date and settlement date in respect of revenue items are recognized in the Profit & Loss Account and in case of fixed assets are adjusted to the carrying cost of the respective assets.

Foreign currency assets and liabilities are restated at the exchange rate prevailing at the year end and the overall net gain/loss is adjusted to the Profit & Loss Account, except in the case of liabilities relating to the acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

## **9 RETIREMENT BENEFITS**

- a) **Regular contributions of the Company are made to Provident fund and charged to**

**revenue.**

- b) Leave encashment and gratuity benefits are accounted for on payment basis.

**10 BORROWING COST**

**Borrowing Costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use as part of the cost of that asset. Interest on working capital is charged to revenue accounts.**

**11 LEASES**

Leases of Fixed assets where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments .Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the Profit and Loss Account over the lease period. Lease rentals in respect of assets taken given on "Operating Lease" are charged to the Profit and Loss Account on straight line basis over the lease term.

## **SIGNIFICANT ACCOUNTING POLICIES FOR CONSOLIDATED SUMMARY STATEMENTS**

### **1. BASIS OF ACCOUNTING**

The financial statements have been prepared to comply with the requirements of the Companies Act, 1956, under the historical cost convention on the accrual basis of accounting and in accordance with the accounting standards issued by the Institute of Chartered Accountants of India as referred to in Section 211 (3C) of the Companies Act, 1956.

### **2. FIXED ASSETS AND DEPRECIATION**

- b) Expenditure of the capital nature are capitalized at cost comprising of purchase price (net of rebates, discount and CENVAT where applicable) and any other cost which is directly attributable to bringing the asset to its working condition for the intended use.
- c) Expenditure incurred during the period of construction is carried forward as capital work in progress, and on completion the cost are allocated to the respective fixed assets in the ratio of their value.
- d) Depreciation has been provided on Straight-line method at the rates and in the manner specified under Schedule XIV to the Companies Act 1956.

Accordingly Depreciation rates used are as follows:

Building	3.34%
Plant and Machinery	7.42%
Dies and Tools	7.42%
Office Equipment	4.75%
Furniture and fixtures	6.33%
Computers	16.21%
Motor Vehicle	9.50%

### **3. INVESTMENTS**

Long-term investments are stated at cost. Provision, if any, is made for permanent diminution in the value of investments.

### **4. INVENTORIES**

- a). Stock of raw material is valued at cost or net realizable value, whichever is lower Cost for the purpose is identified on the basis of FIFO method.
- b). Finished goods are valued at cost or net realizable value whichever is lower. Value for the purpose is identified on the basis of FIFO basis.
- c). Packing Materials, Stores and other materials, Power & Fuel (Diesel and LDO) have been valued at cost or net realizable value whichever is lower. Value for this purpose is identified on the basis of FIFO

### **5. CAPITAL GRANTS/ SUBSIDY**

Grants received from the Government are retained as Capital Reserve till the conditions stipulated in the respective schemes are complied with. However, the unconditional grants/subsidies are deducted from the gross value of the respective assets.

### **6. REVENUE AND EXPENSES RECOGNITION**

- a). The company generally adopts the accrual concepts in the preparation of accounts.

- b). Sales are inclusive of excise duty and net of sales return and trade discount and are booked on the basis of dispatches from the factory gate. However at the end of the year total excise duty included in sales is reduced.
- c). Sales Tax has been treated as expenses and same is paid to Government on the basis of goods used by the Company in manufacturing of biscuits and therefore sale is inclusive of Sales Tax
- d). Claims recoverable on account of insurance are accounted for as and when the amounts recoverable can be reasonably determined.
- e). Expenses are accounted for on an accrual basis.

## 7. TAXATION:

Tax expenses (tax saving) is the aggregate of current year tax and deferred tax charged (credited) to the Profit and Loss Account for the year. However, in the year of transition the accumulated deferred tax liability at the beginning of the year has been recognized with a corresponding charge to the General Reserve in accordance with Accounting Standard-22 "Accounting for Taxes on Income" and measured at the tax rates that have been enacted or substantially enacted by the Balance Sheet Date.

### a) CURRENT YEAR CHARGE

The provision for taxation is based on assessable profits of the company as determined under the Income Tax Act, 1961. Provisions are recorded as considered adequate for matters under appeal due to disallowances or for other reasons.

### b) DEFERRED TAX

The Company provides for deferred tax based on the tax effect of timing differences resulting from the recognition of items in the financial statements and in estimating its current income tax provision.

Deferred Tax Assets arising from temporary timing differences are recognized to the extent there is reasonable certainty that the assets can be realized in future.

Deferred Tax in respect of timing difference which emerged and are capable of reversal during the tax holiday period (as per section 80-IB of the Income Tax Act, )has not been recognized to the extent the gross total income of the company subject to such deductions. (As per ASI-3 issued on AS-22 issued by The Institute of Chartered Accountants of India)

## 8. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions, other than those covered by forward contracts, are accounted for at the exchange rate prevailing on the transaction date. Gain/loss arising out of fluctuation in rate between transaction date and settlement date in respect of revenue items are recognized in the Profit & Loss Account and in case of fixed assets are adjusted to the carrying cost of the respective assets.

Foreign currency monetary assets and liabilities are restated at the exchange rate prevailing at the year end and the overall net gain/loss is adjusted to the Profit & Loss Account, except in the case of liabilities relating to the acquisition of fixed assets which are adjusted to the carrying cost of the respective assets.

## 9. EMPLOYEES BENEFITS: -

- (a) Regular contributions of the Company are made to Provident fund and charged to revenue.
- (b) Leave encashment and gratuity benefits are accounted for on the basis of actuarial valuation.

## 10. BORROWING COST

Borrowing Costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized till the month in which the asset is ready to use as part of the cost of that asset. Interest on working capital is charged to revenue accounts.

## 11. LEASES

Leases of Fixed assets where the Company assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in payables. The interest element of the finance charge is charged to the Profit and Loss Account over the lease period. Lease rentals in respect of assets taken given on "Operating Lease" are charged to the Profit and Loss Account on straight line basis over the lease term.

## 12 ACCOUNTING FOR SUBSIDIARIES COMPANIES

Accounting for subsidiary companies is made in accordance with Accounting Standard - 21" Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India.

Accordingly all assets and liabilities of subsidiary companies have been consolidated with the assets and liabilities of parent company, investment in shares of subsidiary companies and their share capital have been eliminated, excess of cost of investment in subsidiaries over its net worth is considered as Cost of Control, Minorities shares in capital and reserves is shown separately to arrive at correct profits for shareholders of parent company.

## 13 RELATED PARTY DISCLOSURES

### i) List of Related Parties

- \* Mr. Ballabh Prasad Agrawala
- \* Mr. Manoj Kumar Agrawal
- \* Mr. Naveen Kumar Agrawal
- \* Mr. Shekhar Agrawal
- \* Mrs. Usha Devi Agrawala
- \* Mrs. Bina Agrawal
- \* Mrs. Nidhi Agrawal
- \* Mrs. Chhavi Agrawal
- \* B.P. Agrawala (HUF)
- \* Surya Fresh Foods Limited
- \* Devika Food Products Private Limited
- \* Surya Processed Food Private Limited
- \* Surya Agrotech Infrastructure Limited
- \* Surya Shopping Arcade Private Limited

### ii) Joint Ventures

Nil

### iii) Key Management Personnel

Mr. Ballabh Prasad Agrawala  
Mr. Manoj Kumar Agrawal  
Mr. Naveen Kumar Agrawal  
Mr. Shekhar Agrawal

NAME OF RELATED PARTY	Nature of Transaction	SEP. 30.09.07	31.03.2007	31.03.2006	31.03.2005	31.03.2004	31.03.2003
<b>Subsidiary Company:</b>							
1:Devika Food Products Pvt. Ltd.	Rent Received	12.00	24.00	24.00	24.00	9.47	0.00
	Investment In Shares	30.00	29.50	29.50	29.50	29.50	0.00
	Adv. Rec.For Capital Goods	0.00	0.00	0.00	101.84	120.02	0.00
	Loan Given	9.28	0.00	6.34	0.00	0.00	0.00
	Creditor For Other	61.24	61.24	89.57	0.00	0.00	0.00
2:Surya Fresh Foods Ltd. (SFFL)	Rent Paid	0.60	1.20	1.20	0.50	0.00	0.00
	Investment In Shares	698.88	693.88	693.88	693.88	0.00	0.00
	Unsecured Loan	0.00	0.00	0.00	95.75	0.00	0.00
	Sundry Debtors	0.00	0.00	17.06	0.00	0.00	0.00
3:Surya Processed Foods Pvt. Ltd. (SPFL)	Rent Paid	0.00	0.00	0.00	0.00	0.00	0.00
	Investment In Shares	548.37	148.93	0.00	0.00	0.00	0.00
	Unsecured Loan	0.00	0.00	0.00	0.00	0.00	0.00
	Sundry Debtors	0.00	0.00	0.00	0.00	0.00	0.00
	Creditor For Other	3.08	0.00	0.00	0.00	0.00	0.00
<b>Key Managerial Personnel</b>							
1;Shri Ballabhprasad Agarwala	Share Application Money	0.00	0.00	104.11	0.00	0.00	
	Unsecured Loan	0.00	120.34	0.00	0.00	0.00	0.00
	Renumeration	21.00	21.00	35.00	36.00	18.00	18.00
	Capital Invested In SPFL						
2:Sh Manoj Agarwal	Capital Invested In SPFL	0.00	0.15	0.00	0.00	0.00	0.00
	Unsecured Loan	0.00	49.27	0.00	0.00	0.00	0.00
	Loan Given To SPFL	0.19	0.00	0.00	0.00	0.00	0.00
	Renumeration	7.00	10.50	36.00	30.00	12.00	12.00
	Share Application Money	0.00	0.00	54.68	0.00	0.00	
3:Sh Navin Aagarwal	Share Application Money	0.00	0.00	58.44	0.00	0.00	
	Unsecured Loan	0.00	70.98	0.00	0.00	0.00	0.00
	Renumeration	21.00	42.00	36.00	30.00	12.00	12.00
4:Sh Shekhar Agarwal	Loan Given To SFFL	21.00	21.00	21.00	21.00	0.00	0.00
	Unsecured Loan	0.00	47.06	0.00	0.00	0.00	0.00
	Renumeration	21.00	42.00	36.00	30.00	11.00	0.00
	Share Application Money	0.00	42.00	35.48	0.00	0.00	
5:Smt Beena Agarwal	Capital Invested In SPFL	0.00	0.15	0.00	0.00	0.00	0.00
	Loan Given To SPFL	0.15	0.00	0.00	0.00	0.00	0.00
1;Shri Ballabhprasad Agarwala(Huf)	Share Application Money	0.00	0.00	14.85	0.00	0.00	
	Unsecured Loan	0.00	0.00	14.65	0.00	0.00	0.00
	Renumeration	0.00	0.00	0.00	0.00	0.00	0.00
2:Smt. Usha Agarwal	Share Application Money	0.00	0.00	14.33	0.00	0.00	
	Unsecured Loan	0.00	12.00	0.00	0.00	0.00	0.00
	Renumeration						
3:Smt.Beena Agarwal	Unsecured Loan	0.00	0.00	0.00	0.00	0.00	0.00
	Share Application Money						
	Renumeration						
4:Smt Chavi Agarwal	Share Application Money	0.00	0.00	3.91	0.00	0.00	
	Unsecured Loan	0.00	2.00	0.00	0.00	0.00	0.00
	Renumeration						
5:Nidhi Agarwal	Share Application Money	0.00	0.00	4.60	0.00		
	Unsecured Loan	0.00	2.00	0.00	0.00	0.00	0.00
	Renumeration	0.00	16.00	52.34	0.00	0.00	0.00

**Annexure - 9****RESTATED SCHEDULE OF INVESTMENT- SURYA FOOD AND AGRO LTD.****(Rs./ Lacs)**

PARTICULARS	Six months	For the Financial Year Ended				
	Ending	31	31	31	31	31
	30 SEPT. 2007	MARCH 2007	MARCH 2006	MARCH 2005	MARCH 2004	MARCH 2003
<b>EQUITY SHARES</b>						
<b>QUOTED</b>	0.00	0.00	0.00	0.00	0.00	0.00
Sub-Total	0.00	0.00	0.00	0.00	0.00	0.00
<b>UNQUOTED</b>						
Equity Share of Devika Foods Products Pvt. Ltd. Of Rs.10/- each	30.00	29.50	29.50	29.50	29.50	0.00
Equity Share of Surya Fresh Foods Limited of Rs.10/- each	698.88	693.88	693.88	693.88	0.00	0.00
Equity Share of Surya Processed Foods Limited of Rs.10/- each	548.37	148.92	0.00	0.00	0.00	0.00
Sub-Total	1277.25	872.30	723.38	723.38	29.50	0.00
<b>OTHERS INVESTMENTS</b>						
Equity Shares	0.00	0.00	1.61	180.24	1592.15	0.00
Sub-Total	0.00	0.00	1.61	180.24	1592.15	0.00
<b>Grand Total</b>	<b>1277.25</b>	<b>872.30</b>	<b>724.99</b>	<b>903.62</b>	<b>1621.65</b>	<b>0.00</b>

**Note: There is no Diminution in value of Investment.**

**Annexure -10****RESTATED SCHEDULE OF RATES OF DIVIDEND- SURYA FOOD AND AGRO LTD.**

The detail of dividends declared by the Company is as under:

**(Rs./ Lacs)**

PARTICULARS	Quarter	For the Financial Year Ended				
	Ending	31	31	31	31	31
	30 SEPT. 2007	MARCH 2007	MARCH 2006	MARCH 2005	MARCH 2004	MARCH 2003
No. of Equity Shares	17984980	17984980	691730	691730	691730	691730
Face Value per Share ( Rs.)	10.00	10.00	10.00	10.00	10.00	10.00
Equity Share Capital	1798.50	1798.50	69.17	69.17	69.17	69.17
Final Dividend in %	0.00	10.00	0.00	0.00	0.00	0.00
Amount of Dividend*	0.00	17.34	0.00	0.00	0.00	0.00
Dividend Tax	0.00	2.95	0.00	0.00	0.00	0.00

## ACCOUNTING RATIOS- SURYA FOOD AND AGRO LTD.

(Rs./ Lacs)

	PARTICULARS	Six Months	For the Financial Year Ended				
		Ending					
		30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
1.	Adjusted Profit to Income From Operations (%)	5.15	1.55	0.39	1.31	3.37	1.01
2.	Earnings per Share- (Rs.)	3.27	16.36	18.82	35.87	64.20	4.91
3.	Net Asset Value per Shares (Rs.)	41.81	399.71	963.94	944.86	908.77	844.46
4.	Return on Net Worth (%)	7.82	4.09	1.95	3.79	7.06	0.58
5.	No. of Equity Shares	17984980	17984980	691730	691730	691730	691730
5.	Weighted No. of Equity Shares	17984980	1734063 See note 3	691730	691730	691730	691730
6.	Net Worth ( Excluding Revaluation Raserve)	7519.15	6931.25	6667.86	6535.86	6286.22	5841.37

## Notes:

1. The ratios have been computed as below:

$$\text{Earnings per Shares (Rs.)} = \frac{\text{Adjusted Profit/(Loss) after tax but before extraordinary items}}{\text{Weighted average number of Equity Shares outstanding during the year}}$$

$$\text{Net Asset Value Per Share (Rs.)} = \frac{\text{Net Worth excluding revaluation reserve}}{\text{Weighted average number of Equity Shares outstanding during the year}}$$

$$\text{Return on Net Worth (\%)} = \frac{\text{Adjusted Profit/(Loss) after tax but before extraordinary items}}{\text{Net Worth Excluding revaluation reserve}}$$

2. Profit and Loss as restated has been considered for the purpose of computing the above ratios.  
3. The company had issued 17293250 shares as Bonus issue on 10 -03 -2007. Accordingly Wiegthed Average No. of Equity Shares has been calculated as follows:

Particulars	No of Days hold	Factor	Weighted Average No. of Shares
691730 Equity Shares	365	1	691730
17293250 Bonus Shares	22	0.06	1042333
<b>Weighted Average No. of Shares</b>			<b>1734063</b>

## CAPITALISATION STATEMENT- SURYA FOOD AND AGRO LTD.

(Rs./ Lacs)

PARTICULARS	Pre-issue as at September-30, 2007	Post-issue *
<b>Total Debts</b>		
Long Term Debt	3,579.58	3,779.58
Short Term Debt	908.47	908.47
Total Debt-A	4,488.05	4,688.05
<b>Shareholders Fund</b>		
Share Capital	1,798.50	-
Reserves and Surplus	6,027.81	-
<b>Total Shareholders' Funds-B</b>	7,770.23	-
Long term debt/Equity Ratio	0.46	-
Total Debts/ Equity Ratio	0.58	-

\* Share Capital and reserves and total shareholder's funds would be calculated on conclusion of the Book Building Process

## STATEMENT OF TAXATION - SURYA FOOD AND AGRO LTD.

(Rs./ Lacs)

PARTICULARS	Six	For the Financial Year Ended				
	months					
	Ending					
	30	31	31	31	31	31
	SEPT.	MARCH	MARCH	MARCH	MARCH	MARCH
	2007	2007	2006	2005	2004	2003
<b>Profit After tax as restated (A)</b>	897.35	287.56	137.92	248.10	444.12	33.94
Add:Provision For Tax	0.00	75.00	19.25	53.72	80.00	11.00
Add:Deferred Tax	0.00	53.09	(43.44)	122.79	137.20	77.18
<b>Net Profit Before Tax</b>	<b>897.35</b>	<b>415.65</b>	<b>113.73</b>	<b>424.61</b>	<b>661.32</b>	<b>122.12</b>
Tax Rate	33.99%	33.66%	33.66%	36.59%	35.88%	36.75%
Tax as per actual rate on profits	305.01	139.91	38.28	155.36	237.25	44.88
<b>Adjustments</b>						
<b>Permanent Differences</b>						
Dividend (exempt from tax)	0.00	0.00	0.00	0.00	0.00	0.00
Indexation difference in Long Term Capital Gain/Loss	0.00	0.00	0.00	0.00	0.00	0.00
Investment write-off.	0.00	0.00	0.00	0.00	0.00	0.00
Deduction under section 80 IB of the Income Tax Act, ("the Act")	0.00	0.00	0.00	0.00	0.00	0.00
Deduction u/s 24 of the Income Tax Act.	0.00	0.00	0.00	0.00	0.00	0.00
Disallowance for donations	0.00	1.84	5.28	0.22	25.35	11.35
Loss/(Profit) on sale of Fixed Assets	0.00	(21.11)	6.80	(4.22)	(4.50)	0.42
Prior Period Expenses/ Extraordinary Items	0.00	0.00	5.70	36.07	0.00	0.00
Expenses for proposed public issue	0.00	0.00	0.00	0.00	0.00	0.00
B/F Losses set off	0.00	0.00	0.00	0.00	(117.38)	0.00
<b>Total Permanent Difference (B)</b>	0.00	(19.27)	17.78	32.07	(96.53)	11.77
<b>Timing Difference</b>						
Difference between tax depreciation and book depreciation	0.00	(157.74)	(111.40)	(335.67)	(382.44)	(210.01)
Deduction under section 43B of the Income Tax Act.	6.32	11.23	9.98	8.87	7.88	7.01
Other Disallowances	0.00	(52.86)	19.31	16.94	0.00	0.00
Difference in amortisation of preliminary expenses U/s 35D	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Timing Difference ( C)</b>	<b>6.32</b>	<b>(199.37)</b>	<b>(82.11)</b>	<b>(309.86)</b>	<b>(374.56)</b>	<b>(203.00)</b>
<b>Total Adjustments D=(B+C)</b>	6.32	(218.64)	(64.33)	(277.79)	(471.09)	(191.23)
<b>Tax Expense/(Saving) thereon D*Rate Rate</b>	2.15	(73.59)	(21.65)	(101.64)	(169.00)	(70.28)
Net Tax Incidence	307.16	66.31	16.63	53.72	68.24	(25.40)
Tax Under Mat	0.00	0.00	0.00	0.00	0.00	10.17
Tax payable for the year Maximum of Mat or Tax	307.16	66.31	16.63	53.72	68.24	10.17
Interest U/s 234B & 234C (As per Income tax Return)	0.00	9.64	2.60	1.74	0.00	0.00
<b>Total Tax Payable</b>	<b>307.16</b>	<b>75.95</b>	<b>19.23</b>	<b>55.46</b>	<b>68.24</b>	<b>10.17</b>

RESTATED SCHEDULE OF OTHER INCOME- SURYA FOOD AND AGRO LTD.

Annexure - 14

(Rs./ Lacs)

PARTICULARS	Six Months	For the Financial Year Ended					Nature of Income
	Ending						
	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003	
<b><u>OTHER INCOME</u></b>							
Interest on Fixed Deposits with Banks	0.00	3.08	4.19	0.00	0.00	12.32	Recurring
Interest on Others	0.00	0.00	0.00	0.00	0.00	0.19	Recurring
Rent Receipts	0.60	1.20	1.20	0.50	0.00	0.00	Recurring
Unclaimed Balances with Back	0.00	0.00	0.00	0.65	0.00	0.00	Non Recurring
Misc Incomes	0.00	48.82	1.10	4.37	1.66	0.00	Recurring
Royalty	0.00	0.00	0.00	116.11	113.44	101.63	Recurring
Exchange Fluctuation	0.00	6.94	20.16	0.00	0.00	0.00	Non Recurring
Profit on Sale of Fixed Assets	0.00	21.11	0.00	4.22	4.50	0.00	Non Recurring
<b>Total</b>	<b>0.60</b>	<b>81.15</b>	<b>26.65</b>	<b>125.85</b>	<b>119.60</b>	<b>114.14</b>	
Net Profit before tax as restated	897.35	415.65	113.73	424.61	661.32	66.04	
<b>Percentage of Other Income</b>	<b>0.07%</b>	<b>19.52%</b>	<b>23.43%</b>	<b>29.64%</b>	<b>18.09%</b>	<b>172.84%</b>	

SCHEDULE OF LOANS  
SURYA FOOD AND AGRO LTD.

Annexure-15

(Rs./ Lacs)

PARTICULARS		30 SEPT. 2007	31 MARCH 2007
<b><u>SECURED LOANS</u></b>			
A.	(i) <b>Form Bank</b>		
	<b>Allahabad Bank</b> Term Loan from Allahabad Bank was primarily secured by way of first charge on Plant & Machinery excluding of Land & Building of the Unit-II of the Company situated at A-1, Udyog Vihar, Greater Noida, U.P.	0.00	2.55
	This Term loan is further guaranteed by personal guarantee of wholly directors of the Company		
	<b>State Bank Of India</b> (Cash Credit Limit) The working capital facilities has been availed from State Bank of India, Overseas Branch -1, Jawahar Vayapar Bhawan, Tolistoy Marg, New Delhi, Secured by Hypothecation of Stock, Spares and Book Debts and Fixed Deposits	908.47	1378.03
	<b>HDFC Bank</b> Term Loan from HDFC Bank was secured by Hypothecation of Delivery Van. HDFC Car Loan	8.98	14.21
		21.48	0.00
	<b>Total (A)</b>	<b>938.93</b>	<b>1394.79</b>
	(ii) <b>From Others</b>		
	<b>TML Finance Services</b> Term Loan from TML Finance Services was secured by Hypothecation of Car.	4.55	5.68
	<b>Total (B)</b>	<b>4.55</b>	<b>5.68</b>
B.	<b><u>DEFERRED PAYMENT LIABILITY</u></b>		
	<b>New Okhla Industrial Development Authority</b> The amount is secured against Commercial Land allotted to the company from the Noida Authority.	2418.94	2418.94
	<b>Total (C)</b>	2418.94	2418.94
<b>Grand Total (A+B)</b>		<b>3362.42</b>	<b>3819.41</b>

## UNSECURED LOANS- SURYA FOOD AND AGRO LTD.

Particulars of Loan	30 SEPT. 2007	(Rs./ Lacs)		Repayment	
		31 MARCH 2007	Rate of Interest	Terms	
<b>Unsecured Loan</b>					
From:-					
Corporate bodies	704.25	644.25	Nil	On Demand	
Promoters/Directors	421.38	327.84	Nil	On Demand	
<b>Total</b>	<b>1125.63</b>	<b>972.09</b>			

SCHEDULE OF SUNDRY DEBTORS- SURYA FOOD AND AGRO LTD.						<u>Annexure -17</u>
						(Rs./ Lacs)
PARTICULARS	Six months Ending 30 SEPT. 2007	For the Financial Year Ended				
		31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
<b>Debts outstanding for a period exceeding six months</b>						
Unsecured, Considered Good	0.00	31.38	18.40	10.37	1.66	6.27
<b>Total</b>	<b>0.00</b>	<b>31.38</b>	<b>18.40</b>	<b>10.37</b>	<b>1.66</b>	<b>6.27</b>
<b>Other Debts</b>						
Unsecured, Considered Good	2023.21	978.06	680.04	404.53	218.04	171.24
<b>Total</b>	<b>2023.21</b>	<b>978.06</b>	<b>680.04</b>	<b>404.53</b>	<b>218.04</b>	<b>171.24</b>
<b>Grand Total</b>	<b>2023.21</b>	<b>1009.44</b>	<b>698.44</b>	<b>414.90</b>	<b>219.70</b>	<b>177.51</b>

CONTINGENT LIABILITIES- SURYA FOOS AND AGRO LTD.			<u>Annexure -18</u>			
					<b>(Rs./ Lacs)</b>	
PARTICULARS	Six Months	For the Financial Year Ended				
	Ending					
	30 SEPT. 2007	31 MARCH 2007	31 MARCH 2006	31 MARCH 2005	31 MARCH 2004	31 MARCH 2003
Estimated amount of contracts remaining to be executed on capital account	0.00	0.00	0.00	0.00	0.00	0.00
Claims against the company not acknowledged as debts	0.00	0.00	6.07	0.00	0.00	0.00
Counter Guarantees given to bank	2860.00	2860.00	2180.00	2180.00	0.00	0.00
Corporate Guarantee	15.14	15.14	64.42	28.90	0.66	19.65
<b>Total</b>	<b>2875.14</b>	<b>2875.14</b>	<b>2250.49</b>	<b>2208.90</b>	<b>0.66</b>	<b>19.65</b>

## B) FINANCIAL & OTHER INFORMATION OF OUR GROUP COMPANIES

The Companies, which can be classified as our Group Companies are Surya Shopping Arcade Private Ltd and Surya Agrotech Infrastructure Ltd.

### 1. Surya Shopping Arcade Pvt. Ltd. (SSAPL)

It was incorporated on 22/11/2006 with the Registrar of Companies, NCT of Delhi & Haryana as subsidiary of the Company. Thereafter, on 23/03/2007, the Company has transferred its entire shareholding to individuals mentioned herein below. Its registration No. is U45200DL2006PTC155803. Its authorized and paid up share capital is Rs.10,00,000/-. It is engaged in the business of real estate. It's registered office is situated at R-52, 3<sup>rd</sup> Floor, Vikas Marg, Shakarpur, Delhi-110092.

Its Board of Directors comprises of below mentioned Directors:

Mr. Ballabh Prasad Agarwala

Mrs. Usha Devi Agarwala

Its shareholding pattern is given below:

S. No.	Name	No. of Equity Shares of Rs.10/- each
1	Mr. Ballabh Prasad Agarwala	1
2	Mr. Manoj Kumar Agarwal	33,333
3	Mr. Navin Kumar Agarwal	33,333
4	Mr. Shekhar Agarwal	33,333
	<b>Total</b>	<b>1,00,000</b>

Since the Company was incorporated on 22/11/2006 the financial details are not available.

It has not become a sick company under the meaning of SICA and it is not under winding up.

### 2. Surya Agrotech Infrastructure Limited (SAIL)

It was incorporated on 31/07/2006 with the Registrar of Companies, NCT of Delhi & Haryana and obtained Certificate of Commencement of Business on 30/08/2006. It's registration no. is U01403DL2006PLC151452. SSAPL authorized share capital is Rs.1,00,00,000/- and paid-up share capital is Rs.5,60,000/- It is engaged in the business of agricultural farming, dairy & horticultural products. It's registered office is situated at E-67 (LGF), Greater Kailash-III (Masjid Moth), New Delhi-110048.

It's Board of Directors comprises of below mentioned Directors:

S. No.	Name of the Director
1.	Mr. Manoj Kumar Agarwal

2.	Mr. Shekhar Agarwal
3.	Mr. Navin Kumar Agarwal

Its shareholding pattern is given below:

<b>S. No.</b>	<b>Name</b>	<b>No. of Shares of Rs.10/- each</b>
1	Mrs.Usha Devi Agarwala	8,000
2	Mr.Manoj Kumar Agarwal	8,000
3	Mr Navin Kumar Agarwal	8,000
4	Mr Shekhar Agarwal	8,000
5	Mrs.Bina Agarwal	8,000
6	Mrs.Chhavi Agarwal	8,000
7	Mrs.Nidhi Agarwal	8,000
	<b>Total</b>	<b>56,000</b>

Since the Company was incorporated on 31/07/2006, the financial details are not available.

It has not become a sick company under the meaning of SICA and it is not under winding up.

### **C) CHANGES IN ACCOUNTING POLICIES IN THE LAST THREE YEARS**

There are no changes in accounting policies of the Company in the last three years.

## D) MANAGEMENT'S DISCUSSION AND ANALYSIS

### Management's Discussion and Analysis of Financial Condition and Results of Operations as Reflected in the Financial Statements

#### a. Overview of our Business :

We are one of the leading manufacturers of Biscuits in India. We are into the business of manufacturing and selling of Biscuits for past 15 years. During this period, we have established strong manufacturing capabilities and have invested substantially in developing consumer preference for our products. Our Biscuits are sold under a well known brand name "**Priyagold**". Our trademarks/ brands "**Hak Se Maango**" & "**Priyagold**" have emerged as one of the most powerful brands in FMCG sector. We have continued to invest in the front end on Brands, our manufacturing capabilities, deliverables and distribution strength.

Today we have 4 plants located in Greater Noida & Lucknow (UP) and Surat (Gujarat). We also outsource some of our requirements from another plant located in Hyderabad. Our capacities have reached 85,000 MT p.a. during this time which alongwith strong brand building and distribution capabilities have enabled us to command a sizable market share in the Biscuit market despite competition from well established players in the industry.

We have developed a distribution channel through consignee sales agents / super stockists and distributors throughout the country. Though our concentration is largely in the Northern part of the country, we have penetrated into the other regions considerably. The brands now have greater availability in rural markets in Northern India and also up markets in major cities across pan India.

After establishing our foothold in Biscuit industry, we have continued to adopt a strategy to identify and commercialize profitable growth opportunities by leveraging established brand and distribution network. Following this strategy we diversified into manufacturing of fruit juices through our subsidiary Surya Fresh Food Pvt. Ltd. The manufacturing facility is located at greater Noida, UP. It has a capacity of 130 Kilo Litres/Day and has state of art manufacturing/processing facilities which are ISO 9001:2000 certified.

We have consciously invested in creating markets for fruit juices and have established brands such as "**Fresh Gold**" and "**Treat**". Both the brands are also well established and have penetrated into the fruit juice market aggressively by commanding considerable market share.

Recently we have also forayed into the aerated fruit drink segment with a launch of "**Fresh Fizzy**" which is launched into two flavours, Apple and Orange.

Our sales and marketing team has been working towards innovative and effective marketing tools to remain competitive in a fiercely competitive environment. Recently we have won a tender for supply of Priyagold Biscuits products and "fresh gold" & "Treat" brands of fruit juices to catering units on Indian Railways Stations. This tender is awarded by Indian Railway Catering and Tourism Corporation Ltd. (IRCTC) which allows us to set-up food Kiosk for sale of our products at 193 Railway Platforms which will translate into approximately 300 food Kiosks spread across various cities in India. We have commenced establishment of these Kiosks by establishing about 30 Kiosks on various Railway Stations and balance would also be functional soon. We will sell other products at Kiosks which will give us enhance brand visibility and would contribute considerable to the turnover. This initiative has added new dimensions to our marketing and distribution effort recently.

In fiscal 2007, we posted consolidated gross sales of Rs. 29513.02 lacs and consolidated profits after taxes stood at Rs. 435.92 lacs. In the half year ended 30/09/2007 we have pooled consolidated gross sales of Rs. 19402.66 lacs and profit after tax at Rs. 671.65 lacs.

**b. Significant Development Subsequent to Last Financial Period**

The Directors confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the DRHP which materially or adversely affect or is likely to affect the manufacturing or profitability of our company, or the value of our assets, or our ability to pay liabilities within next twelve months.

**c. Factors that may affect Results of Operations**

Except as otherwise stated in this DRHP, the Risk Factors given in this DRHP and the following important factors could cause actual results to differ materially from the expectations include, among others:

- General economic and business conditions;
- Company’s ability to successfully implement its strategy and its growth and expansion plans;
- Factors affecting industrial activity;
- stiff competition from established competitors in the food processing industry;
- Increases in raw materials prices;
- Cyclical or seasonal fluctuations in the operating results;
- Amount that the Company is able to realize from the clients;
- Changes in laws and regulations that apply to the food processing industry;
- Changes in fiscal, economic or political conditions in India;
- Social or civil unrest or hostilities with neighboring countries or acts of international terrorism;
- Changes in the foreign exchange control regulations, interest rates and tax laws in India.

**d. Discussion on Results of Operations**

**Analysis of Financial Performance of Surya Food and Agro Limited**

The analysis of our financial condition and results of operations for the financial year ending March 31, 2007, 2006, 2005 respectively including the notes thereto and the reports thereon which appear in this DRHP is as follows.

The Audited Financial Statements are prepared in accordance with the Indian Accounting Standards

(Rs. In Lacs)				
Particulars	March 31, 2007	March 31, 2006	March 31, 2005	March 31, 2004
<b>Income :</b>				
Turnover	26856.95	29536.45	28096.90	19601.31
Other Income	81.15	26.65	125.85	119.60
<b>Expenditure :</b>				
Cost of Production	21809.73	23394.58	22391.67	15221.53
Personnel Expenses	499.07	417.84	364.59	179.87
Administrative Expenses	3660.96	5209.96	4606.49	3345.62
Financial Expenses	131.37	27.75	13.09	2.60
Depreciation	421.32	393.54	479.48	309.97
Profit Before Tax	415.65	119.43	367.43	661.32
Profit After Tax	283.67	130.16	248.10	444.12

**e. Comparison of Recent Financial Years / Periods with Previous Financial Years / Periods**

**Financial performance for FY 2006-07 vs. FY 2005-06**

- i. Sales:** The turnover of the Company during FY 2006-07 was Rs. 26856.95 lacs against turnover of Rs. 29536.45 lacs for the year ended 31/03/06, a decrease of 9.07%. The decline in sales is mainly due to non renewal of contract with our Company's job work manufacturers at Nadiad and Faizabad. Sales during 1<sup>st</sup> quarter of FY 2006-07 were very low due to operational difficulties on account of fire in the factory at Greater Noida previous year. The operations have since stabilized and we are now operating at full capacity utilization.
- ii. Other Income:** The other income of the Company has increased by Rs.54.50 lacs during FY 2006-07, which is approx. 204% more than previous year. The increase in other income is on account of profit on sale of fixed assets to the extent of Rs.21.11 lacs and increase in miscellaneous expenses by Rs.47.72 lacs during the year.
- iii. Financial Expenses:** The Financial Expenses have gone up to Rs.131.37 lacs during FY 2006-07 from Rs. 27.75 lacs for FY 2005-06 on account of utilization of working capital limits and interest on deferred payment liabilities in respect of property secured against commercial land allotted to us at NOIDA.
- iv. Profit After Tax:** The profitability is improved on account of reduction in operational cost due to better procurement strategy and rationalization of administrative and other expenses.

**Financial performance for the FY 2005-06 vs. Financial Year 2004-05**

- i. Sales:** During FY 2005-06 the turnover of the company was increased to Rs. 29536.45 lacs as compared to previous year of Rs. 28096.90 lacs on account of aggressive marketing strategy.
- ii. Other Income:** The Company has earned other income of Rs 26.45 lacs for the FY 2005-06 as against other income of Rs 125.85 lacs for FY 2004-05. There is decrease in other income by Rs.99.40 lacs. The decrease in other income is mainly on account of discontinuation of receipt by way of Royalty.
- iii. Financial Expenses:** The Financial Expenses during FY 2005-06 have gone up to Rs. 27.75 lacs from Rs 13.09 lacs during previous year which is marginal and higher utilization of working capital limits as compared to previous year.
- iv. Profit after tax:** The Profit after tax is at Rs 130.16 lacs for the year ended on 31/03/2006 against Rs 248.10 lacs for the year ended 31/03/2005. The decrease is attributed mainly to increase in selling and distribution expenses and increase in raw material cost.

**Financial performance for the FY 2004-05 vs. FY 2003-04**

- i. Sales:** The turnover to the company has gone up from Rs. 19601. 31 lacs for the year ended on 31/03/2004 to Rs 28096.90 lacs for the year ended on 31/03/2005. The increase in turnover resulted on account of increase in manufacturing capacity during the year from 45000 MT to 72000 MT. Our Company was able to produce & sell more commensurate to market demand.
- ii. Other Income:** The Company has earned other income of Rs 125. 85 lacs for the year ended on 31/03/2005 as against other income of Rs 119.60 lacs for the year ended on 31/03/2004. The other income has marginally gone up in the year.

- iii. **Financial Expenses:** The Interest and Financial Expenses have gone up to Rs.13.09 lacs for the year ended on 31/03/2005 from Rs 2.60 lacs for the year ended on 31/03/2004 on account higher utilization of working capital limits as compared to previous year.
- iv. **Profit after tax:** The Profit After Tax is at Rs 248.10 lacs for FY 2004-05 as against Rs 444.12 lacs in the year 2003-04. On account of increase in capacity during the year there has been increase in quantity of raw material consumed. The prices of raw materials were on the higher side during most part of the year. There was also increase in staff cost besides increase in distribution expenses.

**An analysis of reasons for the changes in significant items of income and expenditure is given hereunder:**

**1. Unusual or infrequent events or transactions**

During FY 2006-07 there was a fire at factory premises at Unit no.I, Plot No. 14, Surajpur, Greater NOIDA which resulted in operational difficulties. Besides this there have been no events, other than as described in this DRHP, which may be called "unusual" or "infrequent".

**2. Significant economic changes that materially affected or are likely to affect income from continuing operations**

The prices of raw material are prone to fluctuations. Government of India has developed a system of institutions with the objective of supporting, controlling and stabilizing food prices in India. These institutions declare Minimum Support Price (MSP) for wheat and other essential commodities. Any increase in MSP will have impact on the cost of raw material at which the Company is procuring it from the market.

**3. Known trends or Uncertainties that have had or are expected to have a material adverse impact on sales, revenue or income from continuing operations**

Uncertainty prevails in availability of continuous supply of raw materials of the Company. Occasionally, raw materials available are at uneconomical prices, which result in pressure on margins. Our profitability will be affected if we could not pass-on such increased cost to the customers due to stiff competition. Other than as described in this and as elsewhere mentioned in DRHP, there are no known trends or uncertainties that have or had or are expected to have a materially adverse impact on revenue or income of the Company from continuing operations.

**4. Future changes in relationship between costs and revenues, in case of events such as future increase in labour or material costs or prices that will cause a material change are known**

The cost of our finished products cannot be subjected to any frequent changes due to the peculiar nature of our business. Thus any increase or decrease in cost of raw material will have direct impact on the margins of the Company. Since the FMCG market is price sensitive, we are not able to pass on the increased cost to the customers. In such a case we either have to take burden of this increased cost or we have to reduce the weight of the final product. We wish to enter into forward contract for continuous supply of raw material to negate the effect of price fluctuation in the raw material prices. We are also continuously working to create efficient processes resulting in cost reduction and have a better control over its activities. Other than as described in this DRHP, there are no known factors, which will affect the future relationship between the costs and income, or which will have a material impact on the operations and finances of the Company.

**5. The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**

Government of India recently announced exemption in excise duty on biscuits with MRP of upto Rs. 100/- per Kg. which has benefited us. Any increase in volumes will be directly increase net sales and thus will add to our bottom line. Being in FMCG sector we continuously work on our products portfolios to remain competitive. Launch of new products also require additional expenditure on account of advertising to popularize the products. Being established in the industry with well accepted brands the co-relation between sales and introducing of new products is not very significant in our case.

**6. Total turnover of each major industry segment in which the Company operated**

As per MOFPI annual report 2006-07 the total production of biscuits during the year 2006-07 was 4 Mn Tonnes.

**7. Status of any publicly as announced new products a business segment**

We have not announced any new variety of biscuits recently. However our subsidiary Surya Fresh Products Ltd. has forayed into the aerated fruit drinks segment with the launch of "Fresh Fizzy" on October 12, 2007. "Fresh Fizzy" was launched in two flavours, apple and orange. Fresh Fizzy is available in three pack sizes – one litre, 500 ml and 250 ml.

**8. The extent to which the business is Seasonal**

Our business is not seasonal. The demand for our product is continuous throughout the year however we observed considerable jump in sales during festival season.

**9. Dependence on single or few suppliers / customers**

The raw materials are sourced from various suppliers and the finished products are catered to numerous customers. Therefore, we are not significantly dependent on a single or few suppliers or customers.

**10. Competitive conditions**

For details of competitive conditions please refer to Section titled, "Business Overview" on page no.55 of this DRHP.

## VI. LEGAL AND OTHER INFORMATION

### A) OUTSTANDING LITIGATION, DEFAULTS AND MATERIAL DEVELOPMENTS

#### I LITIGATION INVOLVING COMPANY

The Issuer Company certifies that except as stated herein, there are no

- (a) there are no pending proceedings for offences for non-payment of statutory dues by the promoters of the Company.
- (b) there are no cases of litigation pending against the Company or against any other Company in which Directors are interested, whose outcome could have a materially adverse effect on the financial position of the Company.
- (c) there are no pending litigation against the promoters/ directors in their personal capacities and also involving violation of statutory regulations or criminal offences.
- (d) there are no pending proceedings initiated for economic offences against the Directors, Promoters, Companies and firms promoted by the promoters.
- (e) there are no outstanding litigation, defaults etc. pertaining to matters likely to affect the operations and finances of the Company including disputed tax liability or prosecution under any enactment.
- (f) there are no litigation against the promoters / Directors in their personal capacity.
- (g) the Company, its promoters and other Companies with which promoters are associated have neither been suspended by SEBI nor any disciplinary action has been taken by SEBI.
- (h) As per the audited Balance sheet as at March 31, 2007 there are no SSI units to whom, our Company owns any sum which is outstanding for more than 30 days. However, there are other creditors to whom the Company owes Rs.1-Lakh (Rupees One Lakh) or more which have been duly disclosed in the audited financial for the period ended 31<sup>st</sup> March 2007.

#### A. Cases filed against the Company

##### 1. Criminal Cases

##### a. **Gatoo Traders (the "Complainant") v. Mr B. P. Agarwal, Chairman & Mr. Shekhar Agarwal, Directors of Surya Food & Agro Limited and Surya Food & Agro Limited (the "Accused")**

The case is filed in the court of Hon'ble Judicial Magistrate Munsifs, Pulwama (Jammu & Kashmir) under section 418 read with section 120B of Indian Penal Code, 1960 (IPC).

The Complainant was appointed as a dealer for distribution of Priya Gold biscuits for District Pulwama by the accused from 2005 to 2010. The Complainant alleged that a payment of Rs. 3,00,000/- vide Demand Draft no. 527263 dated 06.11.2006 was made by him, but the Accused failed to supply the goods in trade. The Complainant also alleged criminal intention of cheating the Complainant and usurping the draft amount as well as the earlier balance amount.

The Complainant has prayed for criminal proceedings against the accused. The accused was summoned through bailable warrants to the tune of Rs. 10,000/- each.

Ad-interim relief order has been issued by the Sub-Judge temporarily restraining the Accused from causing any sort of interference through any means with the Complainant's right to run the distribution/dealership of Priya Gold biscuits and juices for Pulwama and Shopian and not to supply the same to any other person, agency, firm other than to the Complainant.

The Company has moved to the Hon'ble High Court, Jammu and Kashmir under Section 482 of I.P.C for quashing of complaint case. The matter is pending before Hon'ble High Court.

## **2. Central Excise and custom Cases**

### **a. Surya Food & Agro Ltd & others v. Commissioner of Customs & Central Excise, Noida.**

The Company, manufacturers of "PRIYAGOLD" brand of biscuits ran a promotional scheme for retailers during the period between Oct 2001 to March 2002 and retailers were given certain prizes based on quantum of sales carried out. At the lowest end of the scheme, a retailer selling biscuits worth Rs 1500 would get a wall clock and at the highest end, a retailer selling biscuits worth Rs.1,00,000/- would get a L.G colour TV Set. The department demands that clandestinely removal of Biscuits worth Rs.4,25,33,087/- has been made during the period and a duty amounting to Rs.60,60,087/- demanded u/s 11A of C.E Act and a sum of Rs 60,60,087/- as a penalty under rule 25 of C.E Rules 2001/2002 imposed upon Company.

Subsequently, the Company filed an appeal and stay petition before the Hon'ble Customs, Excise & Service tax Appellate Tribunal, Delhi [Case No. IV-CE (9)/PREV/NOIDA/ 111/03/PT/130 dated 20/01/2005]. The case has been set aside by the Hon'ble Customs, Central Excise & Appellate Tribunal, Delhi by granting stay vide stay order no 1048-59/2006- Ex dt 24/08/2006 by allowing waiver of pre deposit of duties & penalties.

### **b. Surya Food & Agro Limited (Unit-III) Lucknow and Mr. B.P.Agarwala v. Commissioner, Central Excise - Lucknow**

Central excise officers visited the premises of the Company (unit-III) Lucknow on 08/11/2004 and compared the physical stock of biscuits & inputs with its recorded stock and found 6002 boxes of Priyagold biscuits in excess and laminated roll of 258 Kgs involving unaccounted Cenvat credit of Rs.7,492/-. They also found 105 rolls (1494 Kgs) of printed laminated roll of Priyagold brand biscuits lying inside the factory premises, which were not accounted for and address of biscuit manufacturer was printed as that of M/s I. K. Foods products, Faizabad. The Central excise officers then valued the seized biscuits worth Rs. 13,08,502/- and demanded duty on finished goods and input materials.

Duty/Penalty/Fine involved against the Company is as under:  
Redemption fine: Rs 2,62,000/- & 68,000/-;  
Penalty: Rs 1,04,680/-, 7,491/- & 44,253/-; and  
against Mr. B.P.Agarwala a penalty Rs 1,56,425/-.

Subsequently, the Company filed an appeal and stay petition before the Hon'ble Customs, Excise & Service tax Appellate Tribunal (Case No. V (MP)(15)seizure/30/05/128788 dated 13.5.2007) against Order-in-appeal No 45/CE/07 dt 27/04/07 of Learned Commissioner(Appeal), Lucknow

**c. Surya Food & Agro Limited & Shekhar Agarwal v. Commissioner, Customs & Central Excise**

The Company had purchased imported 'Bakery Shortening' on high seas sale basis from M/S Kanpur Edibles Pvt. Ltd. which has been exempted from duty of customs under Indo-Sri Lanka Free Trade Agreement vide Notification no. 26/2000 – Cus dated 1/03/2000.

The Company filed a bill of entry for the goods imported and accordingly got them cleared under the above notification which later was denied by the Commissioner as the import was in violation of condition (4) of the notification and custom duty was demanded.

Duty Involved: Rs 26,20,757/- on the Company, Rs 50,00,000/- towards fine and Rs 10,00,000/- towards penalty on the Company, and Rs.10,00,000/-penalty imposed on Shri Shekhar Agarwal, Director of the Company.

Hence, the Company filed an appeal before the Hon'ble Customs, Excise & Service Tax Appellate Tribunal [Case No. VIII (6) DRI/LZU/73/2006(Main) 649 dated 08/01/2007], which set aside the order-in -original No 11/Commn/2006-07 dt 26/03/2007 passed by the Commissioner of Customs & Central Excise, Kanpur, and granted a stay vide stay order no. 361-364/07 dated 31/07/07 in favour of the Company.

The Company has pre deposited a sum of Rs. 1,29,24,815/- vide TR-6 challan.

The Company has informed that the case has been set-aside by the Hon'ble Customs, Central Excise & Appellate Tribunal, Delhi vide their final order no. 387-390/07 dated 03/08/2007 in favour of the Company.

The Company has made a refund claim of the pre-deposit amount with the Assistant Commissioner, Central Excise & Customs, Kanpur.

**d. Customs and Central Excise, Kanpur (through DRI Lucknow) v. Shekhar Agarwal, Director Surya Food and Agro Ltd. & others**

The Company purchased Bakery Shortening on High Sea Sale basis from M/s Kanpur Edibles Pvt Ltd and cleared through ICD, Kanpur, exempted from customs duty under Indo-Sri Lanka Free Trade Agreement vide Notification No. 26/2000 – Cus dated 1.3.2000. The Company filed the Bill of Entry for the goods imported and cleared accordingly under the said notification but later the Commissioner denied the benefit of the exemption notification.

A Penalty was imposed on appellant of Rs 10,00,000/- U/S 129 B of Customs Act, 1962. Mr. Shekhar Agarwal filed an appeal to the Appellate Tribunal vide Case No.VIII(6) DRI/ LZU/ 73/2006 in the Customs, Excise & Service Tax Appellate Tribunal for granting Stay. In their final order No-387-390 dated 03/08/2007 the Hon'ble Tribunal has set-aside the order of Commissioner Customs and Central Excise, Kanpur and allowed stay with consequential relief.

**e. Surya Food & Agro Limited v. Commissioner, Customs & Central Excise, Kanpur**

The Company imported 950.400 M.T of Speciality Fats Bakery Shortening form Sri Lanka and cleared the goods from I.C.D Kanpur. The Company claimed for concessional rate of customs duty under ISFTA and Central Excise Notification 03/2006 dated 01/03/2006 for nil rate of countervailing duty. Later the Commissioner of Customs and Central Excise, Kanpur demanded a differential customs

duty amounting to Rs 28,30,897/- on the imported Qt. of 950.400 M.T Bakery Shortening having assessable value of Rs. 3,27,03,977/-.

Subsequently, the Company filed an appeal before the Hon'ble Customs, Central Excise & Service Tax Appellate Tribunal [Case No : VIII(10)/101-Cust/Adj/SF & A/2006/20347 dated 02/11/2006], which set-aside the Order-in-original no 10/cust/comm/Adj/2006-07/2379 dt 28/02/2007 passed by Learned commissioner, Customs & Central Excise, Kanpur by granting stay, vide Order no 358/07 dt 31/07/2007.

**f. Surya Food & Agro Limited v. Assistant Commissioner of Customs, ICD, Juhi Railway Yard, Kanpur**

The Company imported 280.80 M.T Bakery Shortening on high seas sale basis from Sri Lanka and cleared the goods at customs at Nil rate of customs duty under customs notification no 26/2000 Cus dt 01/03/2000. The department has denied the notification and charged differential duty for Rs 82,19,877/-. An order dated 07/07/2007 was passed for the same by the office of Assistant Commissioner of Customs, Inland Container Depot, Juhi Railway Yard, Kanpur vide order dated 07/07/2007.

An application for stay and waiver of pre-deposit of Rs. 82,19,877/- towards customs duty u/s 129E of the Customs Act, 1962 was filed before the Commissioner of Customs (Appeals), Kanpur by the Company on 20.08.2007 [Case No. VIII(6)/ ICD /JRY/CUS/KNP-06-07/276/07 dated 21/12/2006].

**g. Surya Food & Agro Ltd (Unit-II) & others v. Assistant Commissioner of Central Excise, Division-IV, Noida**

Central Excise officers of Commissionerate, Lucknow visited the factory premises of Lucknow unit of the Company on 08/11/2004 and found that 105 rolls of printed laminated roll of Priya gold brand biscuits, with address of M/s I.K.Foods Products, Faizabad, were lying on the floor of factory premises, unaccounted for. The said goods were transported from Noida unit under G.R no 20095 dated 06/11/2004 of M/s Parthrayan transport company, Ghaziabad and were covered by a proper duty paid document. The Central excise officer demanded Rs. 44,253/- as central excise duty on the value of goods worth Rs. 2,71,161/- and alleged that goods were kept in the Lucknow unit with an intention to use them in manufacture of finished goods, and remove such goods clandestinely without payment of central excise duty. The goods involved are Printed Laminated Rolls for Priya Gold Brand Biscuits classifiable under Chapter heading 3920.36 of the schedule to the Central Excise Tariff Act, 1985.

An appeal was filed against the order of Assistant Commissioner of Central Excise, Division-IV, Noida (U.P.) [Case No. V(30) AE/Surya N IV/SCN/277/07/2992 dt 26/04/2005] against Order-in-Original No.14/AC/Noida-IV/2007 dated 13.6.2007, issued from C. No. V (30) AE/Surya/SCN/277/05.

Case is pending in the office of Commissioner (Appeal) Customs & Central Excise, Noida, and awaiting for the order of the Commissioner (Appeal).

**3. Service Tax Cases**

**a. Surya Food & Agro Limited v. Deputy Commissioner Central Excise, Division-IV, Noida.**

The Company had entered in to an agreement with M/s I.K.Foods, Faizabad, for using trademark and design of "Priyagold" Brand and M/S I.K.Foods will pay royalty to the Company for the same.

The Central Excise Department raised a demand of service tax on royalty received by the Company as services rendered by the Consulting Engineering Firm.

Arising out of the Order – in –Appeal No. 86/CE/APPL/NOIDA 05 dated 09.06.2005 passed by the Commissioner of Customs & Central Excise (Appeals), Noida, two appeals (one filed by the Revenue and the other by the Company.) were filed before the Customs, Excise and Service Tax Appellate Tribunal.

The issue raised was whether the services rendered by the Company by authorizing the use of their trademark and design for manufacture of biscuits, vide their trademark use agreement entered into by them with M/s Devik Foods and M/s I.K. Food Products, would amount to services rendered by a Consulting Engineering Firm.

It was held by the said Tribunal that the assessee cannot be said to have rendered any service which could be categorized as service by a Consulting Engineer as the assessee had only permitted the use of their trademark and while doing so, they have provided technical know-how which cannot be equated to a service rendered by the Consulting Engineer or by a Consulting Engineering Firm. The said case (Case no V (30) SCN.STAX/Surya/N-IV/218//04/ Dt 19.05.04) has been decided in favour of the Company vide Final order no. 107-108/06-ST, Central Excise & Service Tax Appellate Tribunal.

**b. Surya Food & Agro Limited v. Commissioner of Customs & Central Excise, Noida.**

The Company had entered in to an agreement with M/s I.K.Foods, Faizabad, for using trademark and design of "*Priyagold*" Brand and M/S I.K.Foods will pay royalty to the Company for the same. The Central Excise Department has raised a demand of service tax on royalty received by the Company as services rendered by the consulting Engineering Firm. The case involves a penalty amounting to Rs. 508172 & Rs. 907537

The Case No. C.No V (30) S.Tax/S.C.N/N-IV/4642-441 Dt 25.06.04 & V(30) Dem/ST/Surya/ N-IV/05/4315-18 dt 13.06.2005) is pending in the office of Commissioner (Appeal), Customs & Central Excise, Noida. Order is awaiting.

**c. Surya Food & Agro Limited v. Assistant Commissioner, Customs & Central Excise, Division-IV, Noida**

The Company availed the CENVAT credit of service tax leviable and paid on inward transportation of inputs and capital goods and outward transportation (upto the place of removal) from 01/01/2005 to 15/06/2005 on the basis of service tax paid on T.R-6. The said document was made as prescribed document under rule 9 of Cenvat Credit Rules, 2004 from 16/06/2005 under notification No 28/2005 – Ce (N.T) dt 16/06/2005. The Central Excise Department denied the CENVAT credit of service tax on inputs for the period 01/01/2005 to 15/06/2005. The amount involved in the case towards service tax liability is Rs 4,42,464/- and Rs 4,53,446/- .

The Case no: V (30)/St/ Adj/N-IV/428/06/2094 Dt 26-03-2007 & V(30)/St/ Adj/N-IV/427/062094 dt. 26/03/200 is pending in the office of Assistant Commissioner, Customs & Central Excise, Division-IV, Noida.

**4. Civil Cases**

**a. Peetam Singh & others v. Surya Food & Agro Limited & others**

Case no. M.A.C.T no. 64/2006 in the Court of Hon'ble District Judge, Gautam Budh Nagar, U.P.

Mr. Subhash Singh s/o Mr. Peetam Singh was hit by a truck (No.-U.P.-169112) owned by the Company and had died in the accident. The present suit was instituted on February 6, 2006 and a notice was issued. Insurance Company has been made a party in this case and the Company is the 2nd party. The matter is pending before Hon'ble Court.

**b. Virendra Kumar v. Surya Food & Agro Ltd.**

Case no. 276/2004 in the District Consumer Redressal Forum, Mujaffarnagar (U.P).

The Complainant purchased a packet of Priyagold biscuits and on opening it found some insects. Thereafter, he filed a complaint with the Consumer Forum and made a demand of Rs. 1,12,500/- as compensation.

The Company has informed us that no further communication has been sent by the Consumer Forum after notice dated July 31, 2006.

**c. Raj Kumar Sharma v. Surya Food & Agro Ltd.**

Case no. 140/2007 and 326/2007 in the Court of Hon'ble Assistant Labour Commissioner, Sector-3, Noida, Dist. Gautam Budh Nagar.

The abovementioned case was filed under Section 15 (2) and Section 16 of the Payment of Wages Act, 1936 for delay in payment of wages. The Company has informed us that the hearing of the said case has been completed and order has been reserved.

Amount involved in the said case is Rs. 4,14,338.

**d. M/s Shiv Bholey, Roller Flour Mills, Pvt. Ltd. v. M/s Surya Food and Agro Ltd.**

Case in the Court of the Hon'ble Civil Judge (Sr. Div.), Hissar.

The Complainant who runs a roller flour mills and manufactures wheat flour, maida, suji and bran etc. has filed a recovery suit against the Company.

The representative of the Company approached the Complainant and requested him to supply maida to them on credit basis for manufacture of biscuits. The Complainant supplied maida to the Company during the period 14/08/2003 to 23/10/2003, making a total sale of Rs. 12,15,200/-. Out of which Rs.10,68,210/- was paid to the Complainant vide different cheques payable at Hisar. As per the terms of the sale, the Company was to make the payment of goods within a period of one week of the date of sale and in case of delay/default, the Company was liable to pay interest @18% per annum to the Complainant from the date of sale till the date of actual payment of the amount due. The Company failed to make the payment as per the terms of the sale and was served a legal notice of demand on 23/02/2005 calling the Accused to make the payment of outstanding amount of Rs.1,46,989/- together with interest @ 18% p.a. up to the date of payment amounting to Rs 2,19,750 in addition to further interest on the amount of Rs. 2,19,750/- from 01/08/2006 till the date of actual payment of the amount.

The Complainant has prayed for a judgment and decree in favor of the Complainant and against the Company for Rs. 2,19,750/- being the amount due with costs and future interest @ 18% per annum from the date of institution of suit till its actual realization.

The case is pending before the Hon`ble Court and the Company has informed us that the next date of hearing is October 30, 2007.

## **B. Cases filed by the company**

### **1. Civil Cases**

#### **a. Surya Food & Agro Limited v. Sanjay Dubey**

Appeal No 1378/2005 pending before the Hon`ble State Consumer Dispute Redressal Commissioner, Bhopal, M.P. for adjudication. State Commission has issued a stay Order against the complaint case

## **II LITIGATION INVOLVING PROMOTERS/DIRECTORS**

### **A. Cases filed against the Promoters/Directors**

#### **1. Criminal Cases**

#### **a. Gato Traders (the "Complainant") v. Mr B. P. Agarwal, Chairman & Mr. Shekhar Agarwal, Directors of Surya Food & Agro Limited and Surya Food & Agro Limited (the "Accused")**

The case is filed in the court of Hon`ble Judicial Magistrate Munsifs, Pulwama (Jammu & Kashmir) under section 418 read with section 120B of Indian Penal Code, 1960 (IPC).

The Complainant was appointed as a dealer for distribution of Priya Gold biscuits for District Pulwama by the accused from 2005 to 2010. The Complainant alleged that a payment of Rs. 3,00,000/- vide Demand Draft no. 527263 dated 06.11.2006 was made by him, but the Accused failed to supply the goods in trade. The Complainant also alleged criminal intention of cheating the Complainant and usurping the draft amount as well as the earlier balance amount.

The Complainant has prayed for criminal proceedings against the accused. The accused was summoned through bailable warrants to the tune of Rs. 10,000/- each.

Ad-interim relief order has been issued by the Sub-Judge temporarily restraining the Accused from causing any sort of interference through any means with the Complainant's right to run the distribution/dealership of Priya Gold biscuits and juices for Pulwama and Shopian and not to supply the same to any other person, agency, firm other than to the Complainant.

The Company has moved to the Hon`ble High Court, Jammu and Kashmir under Section 482 of I.P.C for quashing of complaint case, the next date of hearing is October 16, 2007.

#### **b. Suresh Kumar Bagri, Proprietor (the "Complainant") v. Shri Shekhar Agarwal, Director, Surya Food & Agro Limited.**

Case no. C-1/91/2005 under Section 420/406/506 of the Indian Penal Code (IPC) in the Court of Chief Judicial Magistrate at Jamshedpur.

The Complainant being a businessman was interested for dealership of the products of the Company for the Dhanbad region, within the Jharkhand State in the name of "*Mahalaxmi Enterprises*". Complainant deposited a sum of Rs. 2,50,000/- as security deposit, for the purpose of getting the dealership of the products of the Company, in the UTI Bank Ltd., Jamshedpur (hereinafter referred to as 'Bank') and got a demand draft no. 042994 dated 9/4/2003 drawn on the

Bank for delivering the same to the Company for the said purpose. The case of the Complainant is that he was neither awarded the dealership, nor was the deposited amount refunded to him.

The Complainant has alleged criminal breach of trust by the Company claiming that the Company has misappropriated the aforesaid amount and that in spite of receipt of notice on 20/12/2004.

The Company has informed us that the conciliation proceedings between the parties are under process for resolving the matter.

**c. Mr. Shekhar Agarwal, Director, Surya Food & Agro Limited v. State of Jharkhand Suresh Kumar Bagri, Proprietor of M/s S.K. Enterprises**

Case no. A.B.A. No. 44/2007 in the High Court of Jharkhand at Ranchi.

The petition was filed on 29/11/2006 for grant of Anticipatory Bail to the petitioner as he was seriously confronted with the risk of being arrested or taken into custody upon his surrender in connection with Case No. C-1 91/2005 registered under Sections 420, 406 and 506 of IPC.

A prayer has been made before the Court for the release of the petitioner in the event of his arrest/surrender.

**d. M/s Kiri Associates Pvt. Ltd. (the "Complainant") v. Mr. B. P. Agarwala, authorized signatory, ISKCON & others (the "Accused").**

The case is filed in the Court of Hon'ble C.J.M Court, Panipat under Section 138 of the Negotiable Instruments Act, 1881.

The Accused is a member and authorized signatory of the religious institution "ISKCON" which passed the tender of the Complainant and awarded them the work for the construction of the temple cum devotees boarding and lodging facility at A-5, Sector-33, Noida, U.P. Running bills for the construction were given to the Accused on different dates. To discharge their liability, the Accused issued a cheque bearing no. 267227 dated 12/01/2005 drawn on ICICI Bank Ltd. Noida Branch, G-31 & 32, Sector-18, Noida - 201 301 (U.P.) amounting to Rs. 4,89,500/- from their bank SBGEN a/c no. 003101061819. The Complainant presented the said cheque in his bank, Bank of India, East of Kailash Branch, New Delhi for encashment on 12/01/2005. The said cheque was dishonored by bankers of the Accused vide memo dated 13/01/2005 on account of "Insufficient Funds" followed by two similar dishonors.

Thereafter, the Complainant sent a legal notice to the Accused through his advocate, demanding the amount due within 15 days. The Complainant prayed that the Accused be directed to make the payment of cheque to the Complainant. The Company has informed us that there is no further communication from the Court.

**2. Central Excise and custom Cases**

**a. Surya Food & Agro Limited (Unit-III) Lucknow and Mr. B.P.Agarwala v. Commissioner, Central Excise - Lucknow**

Central excise officers visited the premises of the Company (unit-III) Lucknow on 08/11/2004 and compared the physical stock of biscuits & inputs with its recorded stock and found 6002 boxes of Priyagold biscuits in excess and laminated roll of 258 Kgs involving unaccounted Cenvat credit of Rs.7,492/-. They also found 105 rolls (1494 Kgs) of printed laminated roll of Priyagold brand

biscuits lying inside the factory premises, which were not accounted for and address of biscuit manufacturer was printed as that of M/s I. K. Foods products, Faizabad. The Central excise officers then valued the seized biscuits worth Rs. 13,08,502/- and demanded duty on finished goods and input materials.

Duty/Penalty/Fine involved against the Company is as under:

Redemption fine: Rs 2,62,000/- & 68,000/-;

Penalty: Rs 1,04,680/-, 7,491/- & 44,253/-; and

against Mr. B.P.Agarwala a penalty Rs 1,56,425/-.

**Subsequently, the Company filed an appeal and stay petition before the Hon'ble Customs, Excise & Service tax Appellate Tribunal (Case No. V (MP)(15)seizure/30/05/128788 dated 13.5.2007) against Order-in-appeal No 45/CE/07 dt 27/04/07 of Learned Commissioner(Appeal), Lucknow.**

**b. Surya Food & Agro Limited & Shekhar Agarwal v. Commissioner, Customs & Central Excise**

The Company had purchased imported 'Bakery Shortening' on high seas sale basis from M/S Kanpur Edibles Pvt. Ltd. which has been exempted from duty of customs under Indo-Sri Lanka Free Trade Agreement vide Notification no. 26/2000 – Cus dated 1/03/2000.

The Company filed a bill of entry for the goods imported and accordingly got them cleared under the above notification which later was denied by the Commissioner as the import was in violation of condition (4) of the notification and custom duty was demanded.

Duty Involved: Rs 26,20,757/- on the Company, Rs 50,00,000/- towards fine and Rs 10,00,000/- towards penalty on the Company, and Rs.10,00,000/-penalty imposed on Shri Shekhar Agarwal, Director of the Company.

Hence, the Company filed an appeal before the Hon'ble Customs, Excise & Service Tax Appellate Tribunal [Case No. VIII (6) DRI/LZU/73/2006(Main) 649 dated 08/01/2007], which set aside the order-in -original No 11/Commn/2006-07 dt 26/03/2007 passed by the Commissioner of Customs & Central Excise, Kanpur, and granted a stay vide stay order no. 361-364/07 dated 31/07/07 in favour of the Company.

The Company has pre deposited a sum of Rs. 1,29,24,815/- vide TR-6 challan.

The Company has informed that the case has been set-aside by the Hon'ble Customs, Central Excise & Appellate Tribunal, Delhi vide their final order no. 387-390/07 dated 03/08/2007 in favour of the Company.

The Company has made a refund claim of the pre-deposit amount with the Assistant Commissioner, Central Excise & Customs, Kanpur.

**c. Customs and Central Excise, Kanpur (through DRI Lucknow) v. Shekhar Agarwal, Director Surya Food and Agro Ltd. & others**

Case No.VIII(6) DRI/LZU/73/2006 in the Customs, Excise & Service Tax Appellate Tribunal

Shekhar Agarwal filed an appeal to the Appellate Tribunal vide Case No.VIII(6) DRI/ LZU/ 73/2006 in the Customs, Excise & Service Tax Appellate Tribunal for granting Stay. In their final order No-387-390 dated 03/08/2007 the Hon'ble Tribunal has set-aside the order of Commissioner

Customs and Central Excise, Kanpur and allowed Stay with Consequential Relief. Penalty was imposed on appellant of Rs 10 lakhs U/S 129 E of Customs Act, 1962.

### **3. Civil Cases**

#### **a. Sarin Kumar (the “complainant”) v. Managing Director, Surya Food and Agro Ltd. & others.**

Case in the District Consumer Redressal Forum, Jind.

The complainant purchased a sealed packet of Priya Gold, Milk Butter Biscuits from Mr. Rakesh Kumar vide bill dated 7.10.2006. On 9.10.2006 the complainant opened the packet and ate some biscuits after which he started feeling uneasy. On careful examination, he found hair in the biscuits after which he started vomiting and experienced severe abdominal pain the same night and on the next date i.e. 10.10.2006, the complainant took treatment from General Hospital, Narwana. On further examination, the complainant found that the batch no. and the manufacturing date were not mentioned on the packet as per norms issued by the Government of India.

A complaint was filed under Section 12 of the Consumer Protection Act, 1986 against the Company on 24.10.2006. The complainant prayed that the Company be punished under the law and be directed to pay a compensation of Rs. 50,000 to the complainant with costs.

#### **b. Against Mr. Pradeep Kumar Jain (Independent Director)**

On October 29, 2004, Mr. Khem Chand and Mr. Inder have filed a suit (Suit No. 321/04) in the Court of Civil Judge, Senior Division, Gurgaon, against Honey Builders Private Limited (“Honey Builders”) and Mr. Pradeep Kumar Jain, claiming ownership of property located in Tehsil Sohna, Gurgaon, that Honey Builders had purchased from Mr. Itwari via a sale deed dated September 22, 2004.

Honey Builders has filed a written statement, submitting that the property was purchased as bonafide purchaser for valuable consideration without notice and the same has been registered. The next date of hearing is September 20, 2007

#### **c. Against Mr. Pradeep Kumar Jain (Independent Director)**

Mr. N. C. Jain has filed a complaint (Complaint Case No. 352 of 2000) before the Additional Chief Judicial Magistrate- IV, Agra, against Mr. Pradeep Kumar Jain and the directors of Pearl Developers Private Limited and Bhargava and Associates Private Limited (the developer), claiming that he should be returned Rs. 1,00,000 which he paid to book an apartment in the proposed Kaveri Kunj Complex on Deolokhanpur Road, New Delhi because of alleged title disputes and problems in obtaining sanctions with respect to land. On an application made by Mr. S.C. Bhargava, a director of Bhargava and Associates Private Limited, the High Court of Allahabad has through order dated February 23, 2005 stayed Complaint Case No. 352 against the said applicant only. The matter is currently pending and the next date of hearing is November 5, 2007. Earlier, the complainant had filed a complaint with the Criminal Investigation Department, which was adjudicated as being of civil nature.

#### **4. I.T Cases**

##### **a. Against Mr. Pradeep Kumar Jain (Independent Director)**

In the assessment year 2005-2006, Mr. Pradeep Kumar Jain had filed an appeal before CIT (Appeal) – III, New Delhi. IN the order, CIT (Appeal) had granted relief. The Assistant Commissioner of Income Tax, Central Circle – 18 has preferred an appeal at ITAT against the Order of CIT-Appeal-III, New Delhi. A copy of the Form 36 has been received from the ITAT.

Mr. Pradeep Kumar Jain has filed Income Tax Returns upto Assessment Year 2007-2008. For the assessment year 2006-2007, only limitation under Section 143(1) of the ncome-tax Act, 1961 has been received. Assessment proceedings are pending.

#### **B. Cases filed by the Promoters/Directors**

##### **1. Criminal Cases**

##### **a. State v. Mahavir Agarwal & others**

Case No. 5262/2006 in the court of Hon'ble C.J.M, Noida, Gautam Budh Nagar, U.P.

On 27.12.2005, Hanuman Trading Company (HTC) requested the Company to send Priya gold biscuits, for which the latter was assured Rs 5,00,000/-. Products worth Rs 6, 78,755.19 were sent to HTC on 21.12.2005 through Upper Trading Transport Company. The Company was confident that the amount of Rs. 5,00,000/- has been deposited by the HTC in its account. But, when Mr. Arun Sharma, Sales Manger, of the Company visited Gorakhpur and enquired about the aforesaid deposit from HDFC, Gorakhpur, he found that the aforesaid amount was never released by the HTC.

HTC disputed the delivery of goods in question after which the Company requested them to come to Noida and verify the details of delivery. On coming to Noida, HTC denied/disputed delivery and threatened the Company for dire consequences and also refused to make any payment. The Company in turn lodged an F.I.R. to prevent any physical harm and embezzlement.

Case no 5262/2006 U/S 420,504,506 is pending before Hon'ble C.J.M Court, Noida Gautam Budh Nagar. The accused had taken a stay order from Hon'ble High Court, Allahabad in case no 5347/06. The Company filed counter affidavit and Hon'ble Allahabad High Court accordingly vacated stay order in Case no 5347/2006.

### **III LITIGATION INVOLVING PROMOTER/GROUP COMPANIES**

There are no outstanding litigation, disputes, non-payment of statutory dues, overdues to banks / financial institutions, defaults against banks / financial institutions, defaults in dues towards instrument holders like debenture holders, fixed deposits, and arrears on cumulative preference shares issued, 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 I of Schedule XIII of the Companies Act, 1956) against any promoter group companies.

## B) REGULATORY AND OTHER APPROVALS

On the basis of the indicative list of approvals below, the Company is permitted to carry on business activities and no further major approvals from any Government authorities or regulatory authority or any other entity are required by the Company to undertake the Issue or continue these business activities. It must be understood that, in granting these licenses, Government of India and/ or Reserve Bank of India does not take any responsibility for Company's financial soundness or for the correctness of any of the statements made or opinion expressed in this behalf.

The Company has opted necessary approvals and registrations from various authorities in relation to its business activities; which include:

### SURYA FOOD AND AGRO LIMITED

#### General Approvals

Sr. No.	Description of Permit/ License	Issuing Authority	Reference No.
	Certificate of Incorporation bearing company identification number	Registrar of Companies, Uttar Pradesh & Uttranchal, Kanpur.	U15201UP1992PLC014919
	Fresh certificate of Incorporation pursuant to change in name of the Company from Surya Food & Agro Private Limited to Surya Food & Agro Limited.	Registrar of Companies, Uttar Pradesh, Kanpur.	
	PAN No. under I.T. Act	Income Tax Dept.	AAACS3026P
	TAN No. under I.T. Act	Income Tax Dept.	DELS09444B
	Registration of Weights and Measures approval certificate	Standards of Weights and Measures (Packaged Commodities) Rules, 1977	UP/MRT/PCR/008/05
	Certificate of Registration under U.P Trade Tax	Deputy Commissioner, Trade tax, Gautam Budh Nagar-120110. U.P.	ND- 001082 & 0054069
	Employee State Insurance Act, 1948		21-14271-09 & 21-14043-09
	Employees Provident Fund Act, 1952	Employees' Provident Fund and Miscellaneous Provisions Act, 1952	U.P./MT/21350
	Registration under Central Excise Act	Deputy Commissioner of Central Excise, Noida	AAACS3026PXM001, AAACS3026PXM002, AAACS3026PXM003 & AAACS3026PXM004
	Registration under Service tax	Deputy Commissioner of Customs & Central Excise, Division - IV, Noida	AAACS3026PST002 and AAACS3026PST003 and AAACS3026PST001
	Certificate of Secretariat for	Government of India ,	

	Industrial Assistance	Ministry of industry	
	Central Sales tax	Central Sales Tax Act, 1956	5052123 and 24660902202
	Importer-Exporter Code (The company has obtained IEC for all the branches)	Office of Asst. Director General of Foreign Trade , Ministry of Commerce, Government of India	IEC No. 0597063460
	Certificate of ISO 9001:2000 for quality management system	DET NORSKE VERITAS Certificate	04310-2006-AQ-Bom-RvA
	Certificate of requirement for a HACCP based Food Safety System, September 2002	DET NORSKE VERITAS Certificate	1362-2007-AFSMS-IND-RvA
	Registration under Sales tax		5052123

## SURYA FOOD AND AGRO LIMITED

UNIT I : Plot No. 14, Noida-Dadri Road, Surajpur, Greater Noida, U.P. 201305

### Approvals Obtained

Sr. No.	Description of Permit/ License	Issuing Authority	Reference No.	Date of Expiry
1.	Secretariat for Industrial Assistance Entrepreneurial Unit	Government of India , Ministry of industry	1905/SIA/IMO/99	-
2.	License for manufacture & sale of Biscuits	Uttar Pradesh Prevention of Food and Adulteration Act, 1954 & Uttar Pradesh Food and Adulteration Regulation, 1976	GBN- 509	31/03/2008
3.	Factory License	Deputy Director of Factories, Noida - U.P	GZB-3326	31/12/2007
4.	License for prevention of food adulteration	Government of Uttar Pradesh		31/03/2008
5.	Water Pollution Certificate	U.P Pollution Control Board, E-12/1, Sector-1, Noida Janpad-Gautam Budha Nagar.	G-12/246/06	31/12/2008
6.	Air Pollution Certificate	U.P Pollution Control Board, E-12/1, Sector-1, Noida Janpad-Gautam Budha Nagar.	G-12/246/06	31/12/2008

**UNIT II: Plot No. 1A, Udyog Vihar, Greater Noida, U.P. 201305**

*Approvals Obtained*

<b>Sr. No.</b>	<b>Description of Permit/ License</b>	<b>Issuing Authority</b>	<b>Reference</b>	<b>Date of Expiry</b>
1.	Secretariat for Industrial Assistance Entrepreneurial Unit	Government of India , Ministry of industry	1905/SIA/IMO/99	-
2.	License for manufacture & sale of Biscuits	Uttar Pradesh Prevention of Food and Adulteration Act, 1954 & Uttar Pradesh Food and Adulteration Regulation, 1976	GBN- 510 GBN- 511	31/03/2008
3.	Factory License	Deputy Director of Factories, Noida - U.P		-
4.	Air Pollution Certificate	U.P Pollution Control Board, E-12/1, Sector-1, Noida Janpad-Gautam Budha Nagar.	G-12/233/07	31/12/2008
5.	Water Pollution Certificate	U.P Pollution Control Board, E-12/1, Sector-1, Noida Janpad-Gautam Budha Nagar.	G-12/233/07	31/12/2008
6.	Approval for air pollution	U.P Pollution Control Board, E-12/1, Sector-1, Noida Janpad-Gautam Budha Nagar.	233/C/S-275/07	31/12/2008

**UNIT II- C-4, Sarojini Nagar, Industrial Area, Lucknow, U.P.**

*Approvals Obtained*

Sr. No.	Description of Permit/ License	Issuing Authority	Reference No.	Date of Expiry
1.	The company has opted for Registration and License to Work a Factory	Deputy Director of Factories, Lucknow - U.P	LKO-992	31/12/2007
2.	Registration under Service tax	Superintendent (ST), Central Excise Division - 1, Lucknow.	748/STR/Transport/LKO-1/2005	Till the time of continuation of business
3.	Licenses for manufacture & sale of Biscuits	Uttar Pradesh Prevention of Food and Adulteration Act, 1954 & Uttar Pradesh Food and Adulteration Regulation, 1976	PFA-2/803	31/03/2008
4.	Water Pollution Certificate	U.P Pollution Control Board, C-952/953, Sector- B, Mahanagar, Lucknow	243/5522/2004	-
5.	Air Pollution Certificate	U.P Pollution Control Board, C-952/953, Sector- B, Mahanagar, Lucknow	244/5522/2004	-

**UNIT III- Plot No. 4311, Road No. 4, G.I.D.C., Industrial Estate, Sachin, District- Surat**

*Approvals Obtained*

Sr. No.	Description of Permit/ License	Reference No.	Date of Expiry
1.	Registration & License to work as a Factory.	CIF/A/CPT/GUJ-769103	31/03/2008
2.	Registration under Gujarat trade tax	24160902202	-

**SUBSIDIARY COMPANIES**

**SURYA FRESH FOODS LIMITED**

Sr. No.	Description of Permit/ License	Issuing Authority	Reference No.	Date of Expiry
1.	License under Fruit Products Order-1955		FPO- 14056	-
2.	Secretariat for Industrial Assistance Entrepreneurial Unit	Government of India , Ministry of industry	4968/SIA/IMO/2004	-
3.	Importer-Exporter Code		IEC No. 0504068199	N.A. unless change in the

				Name/ Address or constitution of the IEC Holder
4.	PAN No. under I.T. Act	Income Tax Dept.	AAICS4670F	Till the time of continuation of business
5.	TAN No. under I.T. Act	Income Tax Dept.	DELS25206G	-
6.	Registration under Uttar Pradesh Trade Tax	registration under section 8 of Uttar Pradesh Trade Tax Act, 1948	GN- 0026902	-
7.	Employee State Insurance Act, 1948		21-14365-03	-
8.	Employees Provident Fund Act, 1952		U.P./ 36832	-
9.	Registration & License to work as a Factory.	Deputy Director of Factories. Noida, U.P.	NDA/3309	31/12/2007
10.	Registration for Weights and Measures approval certificate	Registration under Rule 35 of the Standard of Weights and Measures (Packaged Commodities) Rules, 1977	UP/PCR/MRT/153/07	-
11.	Registration under Central Excise Act, 1944	Assistant Commissioner, Central Excise, Division-IV, Noida	AAICS4670FXM001	Till the time of continuation of business
12.	Registration Under Service tax	Deputy Commissioner of Customs & Central Excise, Division - IV, Noida	AAICS4670FST001	Till the time of continuation of business
13.	Registration under Sales tax	Registration under section 7(2) of Central Sales Tax Act 1956,	GN- 5073688	-
14.	VAT Registration	Office of Asst. Director General Foreign Trade , Ministry of Commerce, Government of India	05007390455	shall remain in force for ever unless renewed or cancelled
15.	Air Pollution Certificate	U.P. Pollution Control Board, E-12/ 1, Sec-1, Noida	G-12/267/06	31/12/2008
16.	Water Pollution Certificate	U.P. Pollution	G-12/264/06	31/12/2008

		Control Board, E-12/ 1, Sec-1, Noida		
17.	License for manufacture & sale of Juice	license under the Uttar Pradesh Prevention of Food and Adulteration Act, 1954 & Uttar Pradesh Food and Adulteration Regulation, 1976	GBN- 506 GBN- 507	31/03/2008
18.	License for manufacture & sale of Biscuits	license under the Uttar Pradesh Prevention of Food and Adulteration Act, 1954 & Uttar Pradesh Food and Adulteration Regulation, 1976	GBN- 508	31/03/2008

#### SURYA PROCESSED FOOD PRIVATE LIMITED

Sr. No.	Description of Permit/ License	Issuing Authority	Reference No.	Date
1.	PAN No. under I.T. Act	Income Tax Dept.	AAKCS7174G	-
2.	TAN No. under I.T. Act	Income Tax Dept.	DELS32602D	-
3.	Secretariat for Industrial Assistance Entrepreneurial Unit	Government of India , Ministry of industry	569/SIA/IMO/2007	21/02/2007

#### INTELLECTUAL PROPERTY RIGHTS FOR SURYA FOOD & AGRO IMITED

##### A. TRADEMARKS ACT, 1999 REGISTRATION

The Company has obtained Trade Mark registration under Section 23(2), Rule 62 (I) of Trade Marks Act, 1999 for the following marks, the details of which are listed below

Sr. No.	Description	Trade Mark No.	Date
1.	"PRIYAGOLD"	947620	14/08/2000
2.	"PRIYAGOLD"	947621	14/08/2000
3.	"PRIYAGOLD", Pharmaceutical, Veterinary and Sanitary Substances, Infants and invalid foods, plasters.	947622	14/08/2000
4.	"Jeera Top", Biscuits & Namkeens	925928	19/05/2000
5.	"Glucose-V", Biscuits & Namkeens	925927	19/05/2000
6.	"CHEEZ-BIT"	1058348	12/11/2001

**B. REGISTRATION APPLIED UNDER TRADEMARKS ACT, 1999**

Sr. No.	Description	Trade Mark No.	Date
1.	"PRIYAGOLD"	947621, 947623, 947624, 947625, 947626, 947611, 947612, 947613, 947614, 947615, 947616, 947617, 947618 & 947619	06/02/2001
2.	"HAK SE MAANGO" (In Hindi) PRIYAGOLD BISCUITS	972240	23/02/2001
3.	"HAK SE MANGO" (In Hindi) PRIYAGOLD BISCUITS	972243	23/02/2001
4.	"HAK SE MAANGO"	972244	23/02/2001
5.	"HAK SE MAANGO"	972242	23/02/2001
6.	"CHEESE CRACKER"	950491	28/08/2000
7.	"CLASSIC CREAM"	01161955	27/12/2000
8.	"NICE DAY"	972241	22/11/2000
9.	'NICE DAY'	925141	06/02/2001
10.	'BUTTER BITE'	925142	16/05/2000
11.	"BUTTERBITE"	700259	13/02/2001
12.	"BUTTERLITE"	01037549	17/08/2001
13.	'MARIE LITE'	925143	16/05/2000
14.	"KESAR BITE"	01058347	12/11/2001
15.	"KIDS CREAM"	01062387	23/11/2001

**C. COPYRIGHT OF DESIGNS UNDER DESIGN ACT, 1911 AND THE DESIGN RULES, 1933**

The Company has obtained Certificate of Registration of Design related to the following:-

Sr. No.	Design No.	Class	Date	Remarks
1.	182553, 182554, 18255, 182556	12 (Old)	June 05, 2000	"Biscuit" - Registration of Design under extension of Copyright Section 11(2)
2.	182555	12 (Old)	June 05, 2000	"Biscuit" - Registration of Design under extension of Copyright Section 11(2)
3.	182553	12 (Old)	June 05, 2000	"Biscuit" - Registration of Design under extension of Copyright Section 11(2)
4.	182554	12 (Old)	June 05, 2000	"Biscuit" - Registration of Design under extension of Copyright Section 11(2)
5.	179909	03	July 14, 1999	"Biscuit" - Registration of Design under extension of Copyright Section 11(2)

**D. APPLICATION MADE FOR REGISTRATION OF COPYRIGHT FOR USE UNDER SECTION 45(1) OF THE COPYRIGHT ACT, 1957**

The Company has applied for registration of the following copyright:-

<b>Sr. No.</b>	<b>Application Made For</b>	<b>Application No.</b>	<b>Class</b>	<b>Date of Certificate</b>
1.	Copyright Registration of the label " <b>PRIYA GOLD</b> "	700453	30	July 19, 2001
2.	Copyright Registration in respect of the label " <b>NICE DAY</b> "	925141	30	July 19, 2001
3.	Copyright Registration of the Label " <b>SNACKS</b> "	700460	30	July 19, 2001
4.	Copyright Registration of the Label " <b>BUTTER BITE</b> "	925142	30	July 19, 2001
5.	Copyright Registration of the label " <b>ELAICHI CREAM</b> "	700456	30	July 19, 2001
6.	Copyright Registration of the label " <b>CHOCOLATE CREAM</b> "	700466	30	July 19, 2001
7.	Copyright Registration of the label " <b>CASHEW</b> "	700548	30	July 19, 2001
8.	Copyright Registration of the label " <b>FRUIT BITE</b> "	827479	30	July 19, 2001
9.	Copyright Registration of the label " <b>CRACK 'N'CHEERS</b> "	700454	30	July 19, 2001
10.	Copyright Registration of the label " <b>PRIYAGOLD KESAR BITE</b> "	1058347	30	September 24, 2002
11.	Copyright Registration of the label " <b>PRIYAGOLD KIDS CREAM</b> "	1062387	30	September 24, 2002
12.	Copyright Registration of the label " <b>PRIYAGOLD CHEEZ-BIT</b> "	1058348	30	September 24, 2002
13.	Copyright Registration of Label " <b>MAGIC GOLD</b> "	866746	30	July 19, 2001
14.	Copyright Registration of Label " <b>JEERA TOP</b> "	925928	30	July 19, 2001
15.	Copyright Registration of Label ' <b>MARIE LITE</b> '	925143	30; Biscuits & Namkeens	July 19, 2001
16.	Copyright Registration of the Label " <b>BUTTER BITE</b> "	700259	30	July 19, 2001

## VII. OTHER REGULATORY AND STATUTORY DISCLOSURES

### A) AUTHORITY FOR THE PRESENT ISSUE

The shareholders of Surya Food and Agro Limited have authorized the Issue by a special resolution adopted pursuant to Section 81 (1A) of the Companies Act, passed at the Annual General Meeting held on 18/09/2007.

### B) PROHIBITION BY SEBI

The Company, its Promoters, its Directors or any of the Company's associates or group companies and companies with which the Directors of the Company are associated as Directors or Promoters, or Directors or Promoters in control of, of the promoting Company, are currently not prohibited from accessing or operating in the capital market under any order or direction passed by SEBI.

The Promoters, their relatives (as per Act), the Company, group companies, associate companies are not detained as willful defaulters by RBI / Government authorities.

### C) Eligibility for the Issue

Surya Food & Agro Limited is an unlisted company; and is eligible for the Issue as per Clause 2.2.1 of the SEBI Guidelines as explained under:

- The Company had net tangible assets of at least Rs. 3 crores in each of the preceding three full years (of 12 months each) of which not more than 50% is held in monetary assets.;
- The Company had a track record of distributable profits in terms of Section 205 of the Companies Act for at least three out of the immediately preceding five years;
- The Company had a net worth of at least Rs. 1 crore in each of the preceding three full years of 12 months each; and
- The aggregate of the proposed Issue and all previous issues made in the same financial years in terms of size does not exceed five times the pre-issue net worth of the Company as per the audited balance sheet as of March 31, 2007.

The following table shows the net tangible assets, distributable profits and net worth for the past three fiscal years:

	(Rs. In Lacs)		
	For the Financial Year Ended March 31		
	2007	2006	2005
Net Profit (Distributable) <sup>(1)</sup>	283.67	130.16	248.10
Net Worth (as restated) <sup>(2)</sup>	6931.25	6667.86	6535.86
Net Tangible Assets <sup>(2)</sup>	7614.83	7298.35	7209.78
Monetary Assets <sup>(3)</sup>	78.54	174.39	72.61
% of Monetary Assets to Net Tangible Assets	1.03	2.39	1.01

**Note:**

1. Distributable profits have been defined in terms of section 205 of the Companies Act.
2. Net tangible assets is defined as the sum of fixed assets (including capital work in progress), current assets (excluding deferred tax assets), investments and less current liabilities (excluding deferred tax liabilities) and long term liability.
3. Net Monetary assets comprise of cash in hand, cash at bank, quoted investments, fixed deposits and interest accrued on fixed deposit, if any.

Further in terms of clause 2.2.2 A of the DIP Guidelines, the prospective allottees shall be more than one thousand.

We satisfy all the eligibility criteria's, laid down in clause 2.2.1 of SEBI (DIP) Guidelines. However, we are doing a "voluntary book-building issue" wherein we propose to allot upto 50% of the Issue to QIBs and under-subscription, if any, in the QIB portion will be added back to the Net Issue to public.

Our company is considering the pre- IPO placement of certain equity shares with certain investors, prior to the completion of the issue. In such a case the issue size offered to the public would be reduced to the extent of such pre- IPO placement subject to such minimum issue size of the post issue capital being offered to the public as may be permitted. In such an event we will ensure that we comply with Rule 19(2)(b) of SC(R) Rules, 1957.

Our Promoters, their relatives (as per the Companies Act), the Company, group companies and associate companies are not detained as willful defaulters by the RBI/Government of India authorities and there are no violations of securities laws committed by them in the past or pending against them other than as disclosed in this DRHP.

**D) DISCLAIMER CLAUSE (SEBI)**

**AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, KEYNOTE CORPORATE SERVICES LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (DISCLOSURES 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 BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD**

MANAGER, KEYNOTE CORPORATE SERVICES LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED 23/10/2007 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 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:
  - THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;
  - 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;
  - 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) 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. AND
- (V) WE CERTIFY THAT WRITTEN CONSENT FROM 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 PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING OF 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."

ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF FILING OF RED HERRING PROSPECTUS WITH THE ROC IN TERMS OF SECTION 60B OF THE COMPANIES ACT. ALL LEGAL REQUIREMENTS PERTAINING TO THE ISSUE WILL BE COMPLIED WITH AT THE TIME OF REGISTRATION OF THE PROSPECTUS WITH THE ROC IN TERMS OF SECTION 56, SECTION 60 AND SECTION 60B OF THE COMPANIES ACT.

**THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 AND SECTION 68 OF THE COMPANIES ACT OR FROM THE REQUIREMENTS OF OBTAINING SUCH STATUTORY AND OTHER CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE PROPOSED ISSUE. SEBI FURTHER RESERVES THE RIGHT TO TAKE UP AT ANY POINT OF TIME, WITH THE BOOK RUNNING LEAD MANAGERS, ANY IRREGULARITIES OR LAPSES IN THE RED HERRING PROSPECTUS.**

**E) DISCLAIMER STATEMENT FROM THE COMPANY AND THE BRLM**

The Company, the Directors, and the BRLM accept no responsibility for statements made otherwise than in this DRHP or in the advertisements or any other material issued by or at instance of the above mentioned entities and anyone depending on any other source of information, including our website, [www.priyagold.com](http://www.priyagold.com), would be doing so at his or her own risk.

The BRLM accept no responsibility, save to the limited extent as provided in the Memorandum of Understanding entered into among the BRLM and us dated 05/09/2007 and the Underwriting Agreement to be entered into among the Underwriters and us.

All information shall be made available by us and BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports or at bidding centres etc.

Neither we 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.

**F) DISCLAIMER WITH RESPECT TO JURISDICTION**

This Issue is being made in India to persons resident in India {including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under the applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds}. This Draft Prospectus does not, however, constitute an invitation to subscribe to Equity Shares offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Prospectus comes is required to inform him or herself about and to observe, any such restrictions. Any dispute arising out of this Issue will be subject to the jurisdiction of appropriate court(s) in Noida, Uttar Pradesh only.

No action has been or will be taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Prospectus has been filed with SEBI for observations. Accordingly, the Equity Shares, represented thereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in our affairs from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

## **G) DISCLAIMER CLAUSE OF THE STOCK EXCHANGES**

### **Disclaimer Clause of the NSE**

As required, a copy of this Draft Red Herring Prospectus has been submitted to National Stock Exchange of India Limited. NSE has given vide its letter Ref. No. [●] dated [●] permission to the Issuer to use the Exchange's name in this Draft Red Herring Prospectus as one of the stock exchanges on which this Issuer's securities are proposed to be listed subject to the Issuer fulfilling the various criteria for listing including the one related to paid up capital and market capitalisation (i.e. the paid up capital shall not be less than Rs. 10 crores and market capitalisation shall not be less than Rs. 25 crores at the time of listing). The Exchange has scrutinised this Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Issuer. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Draft Red Herring Prospectus, nor does it warrant that this Issuer's securities will be listed or will continue to be listed on the Exchange; nor does it take any responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of this Issuer.

Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange 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.

### **Disclaimer Clause of Bombay Stock Exchange Limited (BSE):**

"Bombay Stock Exchange Limited ("the Exchange") has given vide its letter no. [●] dated [●] permission to the Company to use the Exchange's name in this Prospectus as one of the stock exchanges on which this Company's securities are proposed to be listed. The Exchange has scrutinized this Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to this Company. The Exchange does not in any manner:

- i. Warrant, certify or endorse the correctness or completeness of any of the contents of this Prospectus; or
- ii. Warrant that this Company's securities will be listed or will continue to be listed on the Exchange; or
- iii. Take any responsibility for the financial or other soundness of this Company, its promoters, its management or any scheme or project of this Company;

and it should not for any reason be deemed or construed that this Prospectus has been cleared or approved by the Exchange. 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 the Exchange 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".

## **H) FILING**

A copy of this DRHP has been filed with SEBI at Mumbai.

A copy of the Red Herring Prospectus, along with the documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the ROC and a copy of the Prospectus required to be filed under Section 60 of the Companies Act would be delivered for registration with the ROC, U.P. & Uttarakhand, Kanpur.

#### **I) LISTING**

Applications will be made to NSE and BSE for permission to deal in and for an official quotation of the Equity Shares of the Company. NSE shall be the Designated Stock Exchange with which the basis of allocation will be finalised.

If the permission to deal in and for an official quotation of the Equity Shares is not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from the applicants in pursuance of this DRHP. If such money is not repaid within eight days after the Company becomes liable to repay it from the date of refusal or within 70 days from the date of 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 expiry of eight days, be liable to repay the money, with interest at the rate of 15% per annum on application money, as prescribed under Section 73 of the Companies Act.

The Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at both the Stock Exchanges mentioned above are taken within seven working days of finalisation of the basis of Allotment for the Issue.

#### **J) IMPERSONATION**

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of Section 68 A of the Companies Act, which is reproduced below:

**"Any person who:**

- a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, Or**
- b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,**

**shall be punishable with imprisonment for a term which may extend to five years."**

#### **K) CONSENTS**

Consents in writing of the Directors, the Company Secretary and Compliance Officer, the Auditors, the Legal Advisor, Bankers to the Company, BRLM and the Registrar to the Issue to act in their respective capacities, have been obtained and will be filed along with a copy of the RHP 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 Prospectus for registration with the ROC.

Vinay Aggarwal & Associates Chartered Accountants, Auditors of the Company have also given their consent to the inclusion of their report as appearing hereinafter in the form and context in which appears in this DRHP and also of the tax benefits accruing to the Company and to the members of the Company and such consent and report have not been withdrawn up to the time of signing this DRHP.

#### L) EXPERT OPINION OBTAINED, IF ANY

Except as stated in "Statement of Tax Benefits", the Company has not obtained any expert opinion.

#### M) EXPENSES OF THE ISSUE

The Management estimates an expense of Rs.1000 Lacs towards issue expense. 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 follows:

<i>(Rs. in Lacs)</i>				
Sr. No.	Nature of Expenses	Amount*	% to the Total Expenses	% to the Issue
1.	Lead Management Fee, Underwriting Commissions and Selling Commissions	[●]	[●]	[●]
2.	Advertising and Marketing Expenses	[●]	[●]	[●]
3.	Printing and Stationery	[●]	[●]	[●]
4.	Others (Registrar's Fee, Legal Fee, etc.)	[●]	[●]	[●]
	<b>Total</b>	[●]	[●]	[●]

\* Will be incorporated after finalisation of Issue Price

#### N) DETAILS OF FEE PAYABLE

##### **Fees Payable to the Book Running Lead Managers and Syndicate Members**

The total fees payable to the Book Running Lead Manager and Syndicate Members (including underwriting commission and selling commission) will be as per the memorandum of understanding between the Company and the BRLM dated 05/09/2007 a copy of which is available for inspection at our registered office.

##### **Fees Payable to the Registrar to the Issue**

The fees payable by us 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 29/09/2007 between the Registrar to the Issue and the Company.

The Registrar to the Issue will be reimbursed all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided by us to the Registrar to the Issue to enable them to send refund orders or Allotment advice by registered post/speed post/under certificate of posting.

#### O) UNDERWRITING COMMISSION, BROKERAGE AND SELLING COMMISSION

The underwriting commission and the selling commission for the Issue are as set out in the Syndicate Agreement amongst the Company, the BRLM and the Syndicate Member. The underwriting commission shall be paid as set out in the Syndicate Agreement based on the Issue price and the amount underwritten in the manner mentioned on page no. 150 of the DRHP.

**P) PREVIOUS PUBLIC OR RIGHTS ISSUE**

The Company has not made any public or rights issue of shares either in India or abroad in the five years preceding the date of this DRHP.

**Q) PREVIOUS ISSUE OF SHARES OTHERWISE THAN FOR CASH**

The Company has issued following equity shares for consideration otherwise than cash:

3. 190530 equity shares of Rs.10/- each issued to shareholders of "Fasten Trading Ltd." and "Priya Proteins Pvt. Ltd." on merger with Surya Food & Agro Ltd. on 27/03/2002.
4. 131000 equity shares of Rs.10/- each issued to shareholders of "Priyagold Industries (India) Ltd." and "Kanhaiya Exports Pvt. Ltd." on merger with Surya Food & Agro Ltd. on 29/03/2003.

**R) COMMISSION AND BROKERAGE ON PREVIOUS ISSUES**

Since this is the initial public offer of the Company, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since inception of the Company.

**S) CAPITAL ISSUE DURING THE LAST THREE YEARS**

Surya Food & Agro Limited and its group companies have not made any capital issue during the last three years.

**T) PROMISE vis-a-vis PERFORMANCE**

This is a first issue of the Company and none of its group companies are listed on any stock exchanges in India.

**U) OUTSTANDING DEBENTURES OR BONDS AND REDEEMABLE PREFERENCE SHARES AND OTHER INSTRUMENTS**

There are no outstanding debentures or bonds or redeemable preference shares and other instruments issued by the company as on the date of this DRHP.

**V) STOCK MARKET DATA**

This being an initial public offering of the Company, the Equity Shares are not listed on any stock exchange.

**W) INVESTOR GRIEVANCES AND REDRESSAL SYSTEM**

The company has appointed the registrar to the issue, to handle the investor grievances in coordination with the Compliance Officer of the Company. All grievances relating to the present issue may be addressed to the Registrar with a copy to the Compliance Officer, giving full details such as name, address of the applicant, number of equity shares applied for, amount paid on application and bank and branch. The Company would monitor the work of the registrar to ensure that the investor grievances are settled expeditiously and satisfactorily.

The Registrar to the issue, namely, Beetal Financial & Computer Services (P) Ltd., will handle investor's grievances pertaining to the issue. A fortnightly status report of the complaints received and redressed by them would be forwarded to the company. The Company would also be co-ordinating with the registrar to the issue in attending to the grievances to the investor. The Company assures that the Board of Directors in respect of the complaints, if any, to be received shall adhere to the following schedules:

<b>Sr. No.</b>	<b>Nature of complaint</b>	<b>Time Table</b>
1.	Non-receipt of refund	Within 7 days of receipt of complaint subject to production of satisfactory evidence
2.	Non Receipt of Share Certificate/Demat Credit	Within 7 days of receipt of complaint subject to production of satisfactory evidence
3.	Any other complaint in relation to Public Issue	Within 7 days of receipt of complaint with all relevant details

Redressals of investors' grievance are given top priority by the Company. The Committee oversees redressal of complaints of shareholders/investors and other important investor related matters. The Company has adequate arrangements for redressal of investor complaints as follows:

Share transfer/ dematerialisation/ rematerialisation are handled by well equipped professionally managed Registrar and Transfer Agent, appointed by the Company in terms of SEBI's direction for appointment of Common Agency for physical as well as demat shares. The Registrars are constantly monitored and supported by qualified and experienced personnel of the Company.

We have appointed Mr. Rajesh Sodhi, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-issue or post-issue problems. He can be contacted at the following address:

**Mr. Rajesh Sodhi**

Company Secretary & Compliance Officer  
Surya Food & Agro Limited  
D-1, Sector-2, Noida- 201301,  
District Gautam Budh Nagar, Uttar Pradesh  
Tel.: +91-0120-2552989; Fax: +91-0120-2558154;  
E-mail:investors@priyagold.com;

**X) CHANGES IN AUDITORS**

There has been no change in the auditor of the Company since past three years.

**Y) CAPITALIZATION OF RESERVES OR PROFITS DURING LAST 5 YEARS**

The company has issued 17293250 Equity Shares in the ratio 25:1 on 10/03/2007 by capitalizing reserves or profits.

**Z) REVALUATION OF ASSETS DURING THE LAST 5 YEARS**

The company has not revalued its assets during the last 5 years.

## VIII. OFFERING INFORMATION

### A) TERMS OF THE ISSUE

The Equity Shares being offered are subject to the provisions of the Companies Act, our Memorandum and Articles of Association, the terms of this Draft Red Herring Prospectus, Red Herring Prospectus, the Prospectus, the 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 as applicable, guidelines, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, Government of India, the Stock Exchanges, the Reserve Bank of India, ROC and/ or other authorities, as in force on the date of the Issue and to the extent applicable.

### *RANKING OF EQUITY SHARES*

The Equity Shares being offered shall be subject to the provisions of the Companies Act, our Memorandum and Articles of Association and shall rank *pari passu* in all respects with the existing Equity Shares including rights in respect of dividend. The Allottees will be entitled to dividend or any other corporate benefits, if any, declared by the Company after the date of allotment.

### *MODE OF PAYMENT OF DIVIDEND*

We shall pay dividend to our shareholders as per the provisions of the Companies Act, 1956.

### *FACE VALUE AND ISSUE PRICE*

The face value of the Equity Shares is Rs. 10/- each and the Floor Price is Rs. [●] and the Cap Price is Rs. [●] per Equity Share. At any given point of time there shall be only one denomination for the Equity Shares subject to the applicable laws.

### *RIGHTS OF THE EQUITY SHAREHOLDERS*

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 annual reports and notices to members;
- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, 1956 and the Memorandum and Articles of Association of the Company.

### *MARKET LOT*

In terms of Section 68B of the Companies Act, 1956, the Equity Shares of the Company shall be allotted only in dematerialized form. In terms of existing SEBI Guidelines, the trading in the Equity Shares of the Company shall only be in dematerialized form for all investors. Since trading of our Equity Shares will be in dematerialized mode, the tradable lot is one equity share. Allotment of Equity

Shares through this Issue will be done only in electronic form in multiples of **one** Equity Share subject to a minimum Allotment of [●] Equity Shares.

#### ***NOMINATION FACILITY TO INVESTOR***

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidder(s), may nominate any one person in whom, in the event of death of the sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares Allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with Section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale/transfer/alienation of Equity Share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. A fresh nomination can be made only on the prescribed form available on request at the registered office of the Company or at the registrar and transfer agent of the Company.

In accordance with Section 109B of the Companies Act, any person who becomes a nominee by virtue of the provisions of Section 109A of the Companies Act, shall upon the production of such evidence as may be required by our 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, our Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with, within a period of 90 days, our Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with us. Nominations registered with the respective depository participant of the applicant would prevail. If the investors require changing the nomination, they are requested to inform their respective depository participant.

#### ***MINIMUM SUBSCRIPTION***

If we do not receive the minimum subscription of 90% of the Net Issue to the extent of the amount including devolvement of the members of the Syndicate, if any, within 60 days from the Bid/ Issue Closing Date, we shall forthwith refund the entire subscription amount received. If there is a delay beyond 8 days after we become liable to pay the amount, we shall pay interest as per Section 73 of the Companies Act.

#### ***ARRANGEMENTS FOR DISPOSAL OF ODD LOTS***

The Company has not made any arrangements for the disposal of odd lots.

#### ***RESTRICTIONS ON TRANSFER OF SHARES***

There are no restrictions on transfers and transmission of shares/ debentures and on their consolidation/ splitting.

## B. ISSUE STRUCTURE

Public Issue of [●] Equity Shares of face value Rs.10/- each for cash by the company issued at a price of Rs.[●] per Equity Share, aggregating Rs.13590.75 Lacs (hereinafter referred to as the "Issue"). The Issue would constitute [●]% of the post Issue paid-up capital of the Company. The Issue is being made through the 100% Book Building Process:

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Number of Equity Shares*	Upto [●] Equity Shares will be allotted to QIBs.	Upto [●] Equity Shares shall be available for allocation.	Upto [●] Equity Shares shall be available for allocation.
Percentage of Issue Size available for allocation	Up to 50% of the Net Issue (of which 5% shall be reserved for Mutual Funds) Mutual Funds participating in the 5% reservation in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. The unsubscribed portion, if any, in the Mutual Fund reservation will be available to QIBs.	Upto 15% of the Net Issue or Net Issue less allocation to QIBs and Retail Portion*	Upto 35% of the Net Issue or Net Issue less allocation to QIBs and Non-Institutional Portion.*
Basis of allocation if respective category is oversubscribed	Proportionate(a) [●] Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs, including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs.100,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs 100,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Share thereafter.
Maximum Bid	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Not exceeding the size of the Issue subject to regulations as applicable to the Bidder	Such number of Equity Shares per Retail Individual Bidder so as to ensure that the Bid Amount does not exceed Rs.100,000.

	<b>QIBs</b>	<b>Non-Institutional Bidders</b>	<b>Retail Individual Bidders</b>
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions, as specified in Section 4A of the Companies Act: scheduled commercial banks, mutual funds, foreign institutional investors registered with SEBI, multilateral and bilateral development financial institutions, foreign venture capital funds registered with SEBI, State Industrial Development Corporations, permitted insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs. 2500 Lacs and pension funds with minimum corpus of Rs. 2500 Lacs in accordance with applicable law.	Resident Indian individuals, HUFs (in the name of karta), companies, corporate bodies, societies and trusts.	Individuals (including HUFs in the name of karta) applying for Equity Shares such that the Bid Amount per Retail Individual Bidder does not exceed Rs.100,000 in value.
Terms of Payment	Margin Amount applicable to QIB Bidders at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Non-institutional Bidder at the time of submission of Bid-cum-Application Form to the Member of Syndicate.	Margin Amount applicable to Retail Individual Bidder at the time of submission of Bid - cum - Application Form to the Member of Syndicate.
Margin Amount	10% of the Bid Amount in respect of bids placed by QIB Bidder on Bidding.	Full Bid Amount on Bidding.	Full Bid Amount on Bidding.

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

\*\* In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and in the same sequence in which they appear in the Bid-cum-Application Form.

**If the aggregate demand by Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for allocation in the Mutual Fund reservation will first be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.**

#### **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 Bids uploaded on the BSE/NSE system. Based on the electronic book, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid applications may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs, and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the QIB to pay the entire Issue Price for all the Equity Shares allocated to such QIB. The revised CAN, if issued, will supersede in entirety the earlier CAN.

#### **Withdrawal of this Issue**

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

#### **Bidding Period/ Issue Period**

BID / ISSUE OPENS ON	[●]
BID / ISSUE CLOSES ON	[●]

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

#### **The Price Band will be decided by the Company in consultation with the BRLM.**

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

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

## C) ISSUE PROCEDURE

### **BOOK BUILDING PROCEDURE**

The Issue is being made through the 100% Book Building Process wherein upto 50% of the Net 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. Further, upto 15% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and upto 35% 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.

Bidders are required to submit their Bids through the members of the Syndicate. We, in consultation with the BRLM reserve the right to reject any QIB Bid procured by any or all members of the Syndicate provided the rejection is at the time of receipt of such Bids and the reason for rejection of the Bid is communicated to the Bidder at the time of rejection of the Bid. In case of Non-Institutional Bidders, and Retail Individual Bidders the Company would have a right to reject the Bids only on technical grounds.

### **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 Bidders shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids. Upon the allotment of Equity Shares, dispatch of 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 authorized 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 the 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
Resident Indians, Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs and FIIs applying on a repatriation basis	Blue

#### **Who can Bid?**

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines;
- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: “Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*”. Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorized 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, 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 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 authorized under their constitution to hold and invest in equity shares;
- Scientific and/or industrial research organizations authorized to invest in equity shares;
- Insurance Companies registered with Insurance Regulatory and Development Authority, India;
- Provident Funds with minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 250 million and who are authorized under their constitution to hold and invest in equity shares; and

As per the existing regulations, OCBs cannot participate in this Issue.

#### ***Participation by associates of BRLM and Syndicate Members***

The BRLM and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe for Equity Shares in the Issue, either in the QIB Portion and Non-Institutional Portion where the allotment is on a proportionate basis.

#### **Bids by Mutual Funds**

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Funds Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by 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 Funds Portion.

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.

*As per the current regulations, the following restrictions are applicable for investments by mutual funds:*

No mutual fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No mutual fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

## **Bids by Eligible NRIs**

Bid cum Application Forms have been made available for Eligible NRIs at the registered office of the Company and with members of the Syndicate and the Registrar to the Issue.

Eligible NRI applicants should note that only such Bids as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid cum Application 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 paid-up capital. In respect of an FII investing in the 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 of the Company or 5% of the total issued capital, in case such sub-account is a foreign corporate or an individual.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals in terms of Regulation 15A(1) of the Securities Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended, an FII or its sub-account may issue, deal or hold, offshore derivative instruments such as Participatory Notes, equity-linked notes or any other similar instruments against underlying securities listed or proposed to be listed in any stock exchange in India only in favour of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance of "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

## **Bids by SEBI registered Venture Capital Funds**

*As per the current regulations, the following restrictions are applicable for SEBI registered Venture Capital Funds:*

The SEBI (Venture Capital) Regulations, 1996 prescribe investment restrictions on venture capital funds registered with SEBI. Accordingly, the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund. Further, Venture Capital Funds can invest only upto 33.33% of the investible funds by way of subscription to an initial public offer.

**The above information is given for the benefit of the Bidders. The Company and the BRLM 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.**

## **Maximum and Minimum Bid Size**

- a) **For Retail Individual Bidders:** The Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares 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 [●] Equity Shares thereafter. A Bid cannot be submitted for more than the Net Issue. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **Under the existing SEBI Guidelines, a QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay QIB Margin Amount upon submission of the 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 allotment 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.**

#### **Information for the Bidders:**

1. The Company will file the Red Herring Prospectus with the Designated Stock Exchange at least 3 (three) days before the Bid/Issue Opening Date.
2. The Company and the BRLM shall declare the Bid/ Issue Opening Date, Bid/ Issue Closing Date and Price Band at the time of filing the Red Herring Prospectus with the Designated Stock Exchange and also publish the same in three widely circulated newspapers (one each in English and Hindi). This advertisement, shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines.
3. The members of the Syndicate will circulate copies of the Red Herring Prospectus along with the Bid cum Application Form to potential investors.
4. 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 Head Office or from any of the members of the Syndicate and should approach any of the BRLM or Syndicate Members or their authorized agent(s) to register their bids.
5. The Members of the Syndicate shall accept Bids from the Bidders during the Issue Period in accordance with the terms of the Syndicate Agreement.
6. 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.
7. The Bidding/ Issue Period shall be for a minimum of 3 (three) working days and not exceeding 7 (seven) working days. In case the Price Band is revised, the revised Price Band and the Bidding/ Issue Period will be published in two weekly circulated national newspapers (one each in English and Hindi) and the Bidding/ Issue Period may be extended, if required, by an additional 3 (three) days, subject to the total Bidding/ Issue Period not exceeding 10 (ten) working days.

8. The Price Band has been fixed at Rs.[●] to Rs.[●] per Equity Share of Rs. 10 each, Rs. [●] being the lower end of the Price Band and Rs. [●] being the higher end of the Price Band. The Bidders can bid at any price within the Price Band, in multiples of Rs.1 (One)
9. The Company in consultation with the BRLM, reserve 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.
10. In case of revision in the Price Band, the Bidding/ Issue Period will be extended for 3 (three) additional working days after revision of Price Band subject to a maximum of 10 (ten) working days. Any revision in the Price Band and the revised Bidding/ Issue Period, if applicable, will be widely disseminated by notification to BSE and NSE, by issuing a public notice in three widely circulated newspapers (one each in English and Hindi) with wide circulation, and also by indicating the change on the websites of the BRLM and at the terminals of the Syndicate Members.
11. The Company in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation, to the Bidders.

### **Method and Process of Bidding**

1. 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 and Revision of Bids" on page 163 of this Red Herring Prospectus 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.
2. The Bidder cannot Bid on another Bid cum Application Form after Bid(s) 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 163 of this Red Herring Prospectus.
3. 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.
4. 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 this Red Herring Prospectus.
5. 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 171 of this Red Herring Prospectus.

## **Bids at Different Price Levels and Revision of Bids**

1. 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, Non-Institutional Bidders bidding in excess of Rs. 100,000 and such bids shall be rejected.
2. Retail Individual Bidders who bid at the Cut-Off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding at Cut-Off Price shall deposit the Bid Price based on the higher end of the Price Band in the Escrow Account. In the event the Bid Price is higher than the subscription amount payable by the Retail Individual Bidders who Bid at Cut off Price (i.e., the total number of Equity Shares allocated in the 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.
3. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher end of the Revised Price Band (such that the total amount i.e., original Bid Price plus additional payment does not exceed Rs. 100,000 for Retail Individual Bidders, if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate 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 no additional payment would be required from the Bidder and such Bidder is deemed to have approved such revised Bid at Cut-off Price.
4. 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.
5. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain [●] Equity Shares irrespective of whether the Bid Price payable on such minimum application is not in the range of Rs. 5,000 to Rs. 7,000.
6. 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.
7. Revisions can be made in both the desired number of Equity Shares and the Bid price by using 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 complete all 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.
8. 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 place the original Bid.
9. 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.

10. 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 the QIB Bidders, the members of the Syndicate shall collect the payment in the form of cheque or demand draft or electronic transfer of funds through RTGS 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.
11. 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 revision of the original bid.**

### **Escrow Mechanism**

We shall open Escrow Accounts with the Escrow Collection Banks for the collection of the Bid Amounts payable upon submission of the Bid cum Application Form and for amounts payable pursuant to allotment in the Issue.

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 Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection 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 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 this Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between us, the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

### **Electronic Registration of Bids**

1. The Members of the Syndicate will register the Bids using the on-line facilities of the BSE and the 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.
2. The BSE and the 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 authorized agents during the Bidding/Issue Period. The members of the Syndicate can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for book building on a regular basis. On the Bid/Issue Closing Date, the Members of the Syndicate shall upload the Bids until such time as may be permitted by the Stock Exchanges.
3. The aggregate demand and price for Bids registered on the electronic facilities of the BSE and the NSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres and the website of BSE and NSE. A graphical representation of consolidated demand and price would be made available at the bidding centres during the Bidding/ Issue Period.
4. At the time of registering each Bid, the members of the Syndicate shall enter the following details of the investor in the on-line system:

- Name of the investor
  - Investor category – Individual, Corporate, Eligible NRI, FII or Mutual Fund, QIBs, 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.
5. 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/ Alloted either by the members of the Syndicate or our Company.
  6. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
  7. In case of QIB bidders, members of the syndicate also have the right to accept the bid or reject it. However, such rejection should be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders, Retail Individual Bidders, Bids would not be rejected except on the technical grounds mentioned on page 174 of this Red Herring Prospectus.
  8. It is also to be distinctly understood that the approval given by the BSE and the NSE to use their network and software of the online IPO system 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 our Equity Shares will be listed or will continue to be listed on the BSE and NSE.
  9. 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 BRLM based on the physical records of the Bid cum Application Forms shall be final and binding on all concerned.

**Bids and revisions of Bids must be:**

1. Made only in the prescribed Bid cum Application Form or Revision Form, as applicable (white colour for Resident Indians and blue colour for NRIs and FIIs applying on repatriation basis).
2. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected.
3. For Retail Individual Bidders, the Bid must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of Rs. 100,000.
4. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs. 100,000 and in multiples of [●] Equity Shares thereafter. 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 and regulations.
5. Bids by NRIs for a Bid Price of up to Rs. 100,000 would be considered under the Retail Portion for the purpose of allocation and Bids for a Bid Price of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purpose of allocation.

6. Bids by other eligible Non Resident Bidders for a minimum of such number of Equity Shares and in multiples of [●] Equity Shares thereafter that the Bid Price exceeds Rs. 100,000.
7. Bids by Non Residents, NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI 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 and partnerships, foreign nationals (excluding NRIs) or their nominees.
8. In single name or in joint names (not more than three, and in the same order as their Depository Participant details).
9. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule in the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

### **Price Discovery and Allocation**

1. After the Bid/Issue Closing Date, the BRLM shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.
2. Our Company in consultation with the BRLM, shall finalize the Issue Price, the number of Equity Shares to be allotted in each investor category.
3. The allocation to QIBs will be upto 50% of the Net Issue and the availability for allocation to Non-Institutional and Retail Individual Bidders will not be less than 15% and 35% of the Net Issue respectively, and, would be on proportionate basis, in the manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price.
4. Under-subscription, if any, in the Non-Institutional category and the Retail Individual category would be met with spill over from any other category at the sole discretion of the Company in consultation with the BRLM. However, if the aggregate demand by Mutual Fund is less than [●] 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 with spill-over from any other category or combination of categories at the discretion of the Company, in consultation with BRLM and the Designated Stock Exchange.
5. Allocation to Eligible NRIs, FIIs, foreign venture capital funds registered with SEBI applying on repatriation basis will be subject to applicable law and the terms and conditions stipulated by the RBI.

### ***Signing of Underwriting Agreement and Filing with the Designated Stock Exchange***

- (a) We, the BRLM and the Syndicate Members shall enter into an Underwriting Agreement on finalization of the Issue Price and allocation/ Allotment to the Bidders.
- (b) After signing the Underwriting Agreement, we would update and file the updated Red Herring Prospectus with the Designated Stock Exchange, which then would be termed 'Prospectus'. The Prospectus would have details of the Issue Price, Issue size, underwriting arrangements and would be complete in all material respects.

### ***Filing of the Prospectus with the Registrar of Companies***

We will file a copy of the Prospectus with the Registrar of Companies in terms of Section 56, Section 60 and Section 60B of the Companies Act.

### ***Announcement of pre-Issue Advertisement***

Subject to Section 66 of the Companies Act, the Company shall after receiving final observations, if any, on the Red Herring prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines in two widely circulated newspapers (one each in English & Hindi).

### **Issuance of Confirmation of Allocation Note (“CAN”)**

- (a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM or the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been allocated 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 Retail Bidders and Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the date of Allotment of the Equity Shares to all investors in this Issue shall be done on the same date.
- (b) The BRLM or the members of the Syndicate would then dispatch the CAN to their Bidders who have been allocated Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all the Equity Shares allocated to such Bidder. Those Bidders who have not paid 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 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 their cheque or demand draft paid into the Escrow Account. The dispatch of a CAN shall be deemed as a valid, binding and irrevocable contract for the Bidder to pay the entire Issue Price for all Allotted to such Bidder.
- (d) The Issuance of CAN is subject to “Notice to QIBs - 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 Bids uploaded on the BSE/NSE system. This shall be followed by a physical book prepared by the Registrar on the basis of Bid-cum-Application Forms received. Based on the electronic book or the physical book, as the case may be, QIBs may be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled book prepared by the Registrar. Subject to SEBI Guidelines, certain Bid cum Applications Forms may be rejected due to technical reasons, non-receipt of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation and basis of Allotment as approved by the Designated Stock Exchange. As a result, a revised CAN may be sent to QIBs and the allocation of Equity Shares in such revised CAN may be different from that specified in the earlier CAN. QIBs should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased 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. Any revised CAN, if issued, will supersede in entirety the earlier CAN.

## **Designated Date and Allotment of Equity Shares**

- (a) Our 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 Accounts to the Issue Account on the Designated Date, we would ensure the credit to the successful Bidders depository account. Allotment of the Equity Shares to the successful Bidders depository account within 2 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 dematerialized form to the Allottees.
- (c) Allottees will have the option to re-materialize the Equity Shares, if they so desire, as per the provisions of the Depositories Act.

**Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue.**

## **GENERAL INSTRUCTIONS**

### **Do's:**

- a) Check if you are eligible to apply;
- b) Read all the instructions carefully and complete the applicable Resident Bid cum Application Form (White in colour) or Non Resident Bid cum Application Form (Blue in colour);
- c) Ensure that the details about Depository Participant and beneficiary account are correct as Allotment of Equity Shares will be in the DEMATERIALIZED form only;
- d) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate;
- e) Ensure that have been given a TRS for all your Bid options;
- f) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;
- g) Each of the Bidders, should mention his/ her Permanent Account Number (PAN) allotted under the IT Act. The copies of the PAN Card or PAN Allotment letter should be submitted with the Bid cum Application form. If you have mentioned "Applied for" or "Not Applicable" in the Bid cum Application Form in the section dealing with PAN number, ensure that you submit Form 60 or Form 61 as the case may be, together with permissible documents as address proof;
- h) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects; and
- 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 Bid without the QIB Margin Amount, in case of a Bid by a QIB;
- i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

#### **Instructions for Completing the Bid cum Application Form**

Bidders can obtain Bid cum Application Forms and/or Revision Forms from the members of the Syndicate.

#### **Bidder's Depository Account and Bank Account Details**

Bidders should note that on the basis of name of the Bidders, Depository Participant's name, Depository Participant-Identification number and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). Since the Issue is being made entirely in the dematerialized form, the Bank Account details used for giving refunds to the Bidders to whom an electronic refund is being made will also be taken from the data provided by such Bidder to the Depository Participant. Hence, Bidders are advised to immediately update their Bank Account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders at the Bidders sole risk and neither the BRLM or the Registrar or the Escrow Collection Banks nor the Bank 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/Allotment Advice and printing of Bank particulars on the refund orders. 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 have deemed to have authorized 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 not 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 Bank, the Registrar, Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay. In case of Bidders receiving 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 that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

**Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only at the prevailing exchange rate 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.**

#### **Bids under Power of Attorney**

In case of Bids made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the Memorandum and Articles of Association and/or bye laws must be along with the Bid cum Application Form. Failing this, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of Bids made pursuant to a Power of Attorney by FIIs, a certified copy of the Power of Attorney or the relevant resolution or authority as the case may be, along with a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. In case of Bids made by Mutual Funds, venture capital funds registered with SEBI and FVCIs, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

In case of the 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, we reserve the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefore.

We, in our absolute discretion, reserves the right to relax the above condition of simultaneous submission of the power of attorney along with the Bid cum Application Form, subject to such terms and conditions that we and the BRLM may deem fit.

## **PAYMENT INSTRUCTIONS**

Our Company shall open Escrow Accounts with the Escrow Collection Bank(s) for the collection of the Bid Amounts payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allotment in the Issue.

### **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, and 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 Payment into the Escrow Account" on page 170 of this Red Herring Prospectus) 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 the section titled "Issue Structure" on page 155 of this Red Herring Prospectus. 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 BRLM. If the payment is not made favoring the Escrow Account within the time stipulated above, the Bid of the Bidder is liable to be cancelled.
3. The payment instruments for payment into the Escrow Account should be drawn in favour of:
  - (a) In case of Resident QIB Bidders:
  - (b) In case of Non Resident QIB Bidders:
  - (c) In case of Resident Retail and Non-Institutional Bidders:
  - (d) In case of Non Resident Retail and Non-Institutional Bidders:
4. In case of Bids by Eligible NRIs applying on repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non- Resident

External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of the Non-Resident Bidder bidding on a repatriation basis. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to NRE or FCNR Account.

5. In case of Bids by FIIs/ FVCIs registered with SEBI/ multilateral and bilateral financial institutions, the payment should be made out of funds held in special rupee account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by bank certificate confirming that the draft has been issued by debiting to special rupee account.
6. Where a Bidder has been allocated/ Allotted a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated/ Allotted will be refunded to the Bidder from the Refund Account.
7. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts as per the terms of the Escrow Agreement into the Issue Account with the Bankers to the Issue. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall 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.

#### **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.

#### **Submission of Bid cum Application Form**

All Bid/cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid.

Separate receipts shall not be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

#### **OTHER INSTRUCTIONS**

##### **Joint Bids in the case of Individuals**

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund payments will be made out in favour of the Bidder whose name appears first in the Bid cum Application Form or Revision Form. All communication will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

## **Multiple Bids**

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All applications with the same name and age will be accumulated and taken to a separate process file which would serve as a multiple master.
2. In this master, a check will be carried out for the same PAN/GIR numbers. In cases where the PAN/GIR numbers are different, the same will be deleted from this master.
3. The Registrar to the Issue will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid cum Application Form and create an address master.
4. The addresses of all these applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The applications with same name and same address will be treated as multiple applications.
5. The applications will be scanned for similar DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.
6. Subsequent to the aforesaid procedures, a print out of the multiple master will be taken and the applications physically verified to tally signatures as also father's/husband's names. On completion of this, applications will finally 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 registered with SEBI 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.

The Company, in consultation with the BRLM, reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories.

## **Permanent Account Number or PAN**

The Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/her Permanent Account Number (PAN) allotted under the I.T. Act. SEBI has issued a circular no. MRD/DoP/Cir-05/2007 DATED April 27, 2007 requiring that with effect from July 2, 2007, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. In case the PAN has not been allotted, mention "Applied for" or "Not Applicable" in the appropriate places and submit Form 60 or Form 61 as the case may be together with permissible documents as proof of address. Applications without this information and documents will be

considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN, as the Bid is liable to be rejected on this ground.** In case the sole/First Bidder and joint Bidder(s) is/are not required to obtain PAN, each of the Bidder(s) shall mention "Not Applicable" and in the event that the sole Bidder and/or the joint Bidder(s) have applied for PAN which has not yet been allotted each of the Bidder(s) should mention "Applied for" in the Bid cum Application Form. Further, where the Bidder(s) has mentioned "Applied for" or "Not Applicable", the Sole/First Bidder and each of the Joint Bidder(s), as the case may be, would be required to submit Form 60 (form of declaration to be filed by a person who does not have a permanent account number and who enters into any transaction specified in Rule 114B of the Income Tax Rules, 1962), or, Form 61 (form of declaration to be filed by a person who has agricultural income and is not in receipt of any other income chargeable to income-tax in respect of transactions specified in Rule 114B of the Income Tax Rules, 1962), as may be applicable, duly filled along with a copy of any one of the following documents in support of the address: (a) Ration Card (b) Passport (c) Driving License (d) Identity Card issued by any institution (e) Copy of the electricity bill or telephone bill showing residential address (f) Any document or communication issued by any authority of the Central Government, State Government or local bodies showing residential address and (g) Any other documentary evidence in support of address given in the declaration. **It may be noted that Form 60 and Form 61 have been amended vide a notification issued on December 1, 2004 by the Ministry of Finance, Department of Revenue, Central Board of Direct Taxes. All Bidders are requested to furnish, where applicable, the revised Form 60 or Form 61 as the case may be.**

### **Our Right to Reject Bids**

In case of QIB Bidders, the Company in consultation with the BRLM may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing. In case of Non-Institutional Bidders and Retail Individual Bidders who Bid, the Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made as described in this Red Herring Prospectus and will be sent to the Bidders' address at the Bidders' risk.

### **GROUNDINGS FOR TECHNICAL REJECTIONS**

Bidders are advised to note that Bids are liable to be rejected inter alia on the following technical grounds:

- a) Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;
- b) Bank account details (for refund) are not given;
- c) Age of First Bidder not given;
- d) 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;
- e) Bids by persons not competent to contract under the Indian Contract Act, 1872 including minors and insane persons;
- f) PAN photocopy/ PAN communication/ Form 60 or Form 61 declaration along with documentary evidence in support of address given in the declaration not given;
- g) GIR number furnished instead of PAN;
- h) Bids for lower number of Equity Shares than specified for that category of investors;
- i) Bids at a price less than lower end of the Price Band;
- j) Bids at a price more than the higher end of the Price Band;
- k) Bids at Cut-off Price by Non-Institutional and QIB Bidders whose Bid Amount exceeds Rs.100,000;
- l) Bids for number of Equity Shares, which are not in multiples of [●];

- m) Category not ticked;
- n) Multiple Bids as defined in this Red Herring Prospectus;
- o) In case of Bid under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- p) Bids accompanied by Stockinvest/ money order/postal order/cash;
- q) Signature of sole and/or joint Bidders missing;
- r) Bid cum Application Form does not have the stamp of the BRLM or the Syndicate Members;
- s) Bid cum Application Form does not have the Bidder's depository account details;
- t) Bid cum Application Form is not delivered by the Bidder 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 this Red Herring Prospectus and the Bid cum Application Forms;
- u) 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;
- v) Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
- w) Bids by QIBs not submitted through members of the Syndicate;
- x) Bids by OCBs;
- y) Bids by U.S. persons, other than "qualified institutional buyers" as defined in Rule 144A under the Securities Act or other than in reliance on Regulation S under the Securities Act; and
- z) Bids by persons outside India if not in compliance with applicable foreign and Indian laws or by any persons who are not eligible to acquire Equity Shares of our Company, in terms of all applicable laws, rules, regulations, guidelines and approvals.

#### ***Equity Shares in Dematerialized Form with NSDL or CDSL***

As per the provisions of Section 60B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a dematerialized form (i.e., not in the form of physical certificates but the 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 [●] with NSDL, the Company and the Registrar to the Issue;
- b) Agreement dated [●] with CDSL, the Company and the Registrar to the Issue.

All bidders can seek Allotment only in dematerialized 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 Participant 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 or CDSL. All the Stock Exchanges where our Equity Shares are proposed to be listed have electronic connectivity with NSDL and CDSL.
- h) The trading of the Equity Shares of the Company would be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

#### **DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY**

We 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 15 working days of the Bid/ Issue Closing Date.

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 requirements of the Stock Exchanges and the SEBI Guidelines, the Company further undertakes that:

- Allotment of Equity Shares shall be made only in DEMATERIALIZED form within 15 (fifteen) working days of the Bid/Issue Closing Date;
- Dispatch of refund orders or in case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 15 (fifteen) working 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) days 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.

### **Interest on refund of excess Bid Amount**

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 working days from the Bid/Issue Closing Date.

### **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 Net Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.
- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of Allotment, refer below.

#### **B. For Non-Institutional Bidders**

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.
- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate basis of allotment, refer below.

#### **C. For QIB Bidders**

- 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, not allocated to Mutual Funds shall be available to all QIB Bidders as set out in (b) below;

(b) In the second instance, Allotment to all QIBs shall be determined as follows:

- (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for upto 95% of the QIB Portion.
- (ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
- (iii) Under-subscription below 5% of the QIB Portion, if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

➤ The aggregate Allotment to QIB Bidders shall be upto [●] Equity Shares.

#### **Method of Proportionate Basis of Allotment in the Issue**

In the event the Issue is over-subscribed, the basis of Allotment shall be finalized by the Company in consultation with the Designated Stock Exchange. The Executive Director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that 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 by them.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.
- (c) Number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.
- (d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:
  - 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 portion is equal to the number of Equity Shares calculated in accordance with (b) above; and
  - Each successful Bidder shall be allotted a minimum of [●] Equity Shares.
- (e) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market 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 Bidders 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 REFUND**

Bidders must 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 will obtain from the Depositories, the Bidders' bank account details including nine digit 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 Bank, the Registrar, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

### **Mode of making refunds**

The payment of refund, if any, would be done through various modes in the following order of preference:

- I ECS - Payment of refund would be done through ECS for applicants having an account at any of the following fifteen centres: Ahmedabad, Bangalore, Bhuvaneshwar, Kolkata, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Kanpur, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram. This mode of payment or 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 above mentioned fifteen centres, except where the applicant, being eligible, opts to receive refund through NEFT, direct credit or RTGS.
- II 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 through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by the Bank.
- III RTGS - Applicants having a bank account at any of the above mentioned 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 Bank. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.
- IV 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 MICR, if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Whenever 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.

- V For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be dispatched "Under Certificate of Posting" for value upto Rs. 1,500 and through Speed Post/Registered Post for refund orders of Rs. 1500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

## **UNDERTAKINGS BY THE COMPANY**

We undertake as follows:

- 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 finalization 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 working days of the Bid/ Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the certificates of the securities/ refund orders to the Non-Resident Indians shall be dispatched within specified time; and
- That no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner shall be made until the Equity Shares offered through this 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.

### **Utilization of Issue proceeds**

The Company shall not have any recourse to the Issue proceeds until the approval for trading the Equity Shares is received from the Stock Exchanges.

## IX. MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Terms used 'Bold' in this section have the meaning given to such terms in the Articles of the Company.

Pursuant to Schedule II of the Companies Act, 1956 and the SEBI DIP Guidelines, the main provisions of the Articles of Association of the Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares and or their consolidation/ splitting are detailed below. *(the numbers represent Article Number as mentioned in Articles of Association)*

### Share Capital

3. The Authorised Share Capital of the Company is as mentioned in Clause V of the Memorandum of Association of the Company, with power to increase or reduce the Authorised Share Capital and to divide the Shares in the Capital for the time being, into several classes and to attach thereto respectively such special rights, privileges or conditions and to modify, vary any such rights, privileges or conditions.
4. Subject to the provisions of section 80, any preference shares may, with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed on such terms and in such manner as the Company before the issue of the shares may, by special resolution, determine.
5.
  - (1) If at any time the Share Capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of sections 106 and 107, and whether or not the company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.
  - (2) To every such separate meeting, the provisions of these regulations relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class in question.
6. The rights conferred upon the holders of the shares of any class issued with preferred or other right shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

### Alteration of Capital

7. The Company may, from time to time, by ordinary resolution increase its Share Capital by such sum, to be divided into Shares of such amount, as it thinks fit.
8. The Company may, by ordinary resolution in general meeting.
  - (a) consolidate and divide all or any of its capital into Shares of larger amounts than its existing Shares;
  - (b) sub-divide its Shares or any of them, into Shares of smaller amounts than is fixed by the Memorandum of Association, so however, than in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of share from which the reduced share is derived.

- (c) Cancel any share which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person and diminish the amount of its Shares so cancelled.
9. The Company may, from time to time, by special resolution and on compliance with the provisions of Section 100 to 105 of the Act, reduce its share capital and any capital reserve and/or share premium account.

#### **Further Issue of Shares**

10. (1) Where at the time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of Shares in the Company made for the first time after its formation, whichever is earlier, it is proposed to increase the subscribed capital of the Company by allotment of further Shares either out of the un-issued capital or out of the increased share capital then:
- (a) such further Shares shall be offered to the persons who at the date of the offer, are holders of the equity Shares of the Company, in proportion, as near as circumstances admit, to the capital paid up on those Shares at the date.
  - (b) such offer shall be made by a notice specifying the number of Shares offered and limiting a time not less than thirty days from the date of the offer and the offer if not accepted, will be deemed to have been declined.
  - (c) the offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the Shares offered to them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right. Provided that the Directors may decline, without assigning any reason to allot any Shares to any person in whose favour any member may renounce the Shares offered to him.
  - (d) after expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the Shares offered, the Board of Directors may dispose off them in such manner and to such person(s) as they may think fit, in their sole discretion.
- (2) Notwithstanding anything contained in sub-clause (1) thereof, the further Shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to in clause (a) of sub-clause (1) hereof) in any manner whatsoever.
- (a) if 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 clause (1) hereof shall be deemed;
- (a) To extend the time within which the offer should be accepted; or
  - (b) To authorise any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the Shares comprised in the renunciation.

- (4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the Debenture issued or loans raised by the Company :
- (a) to convert such Debentures or loans into Shares in the Company; or
  - (b) to subscribe for Shares in the Company (whether such option is conferred in these Articles or otherwise).

Provided that the terms of issue of such Debentures or the terms of such loans include a term providing for such option and such term :

- (i) either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and
  - (ii) In the case of Debentures or loans or other than Debentures issued to or loans obtained from Government or any institution specified by the Central Government in this behalf, has also been approved by a special resolution passed by the Company in General Meeting before the issue of the Debentures or raising of the loans.
11. Subject to the provisions of Section 81 of the Act and these Articles, the Shares in the Capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose off the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in the General Meeting to give to any person or persons the option or right to call for any Shares either at par or premium during such time and for such consideration as the Directors think fit, and may issue and allot Shares in the capital of the Company on payment in full or part of any property sold and transferred or for any services rendered to the Company in the conduct of its business and any Shares which may so be allotted may be issued as fully paid up Shares and if so issued, shall be deemed to be fully paid Shares. Provided that 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.
12. Any Debenture, Debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into Shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of Shares shall be issued only with the consent of the Company in the General Meeting by a Special Resolution.
13. The Company may issue Shares/options/warrants/Debentures whether fully or partly convertible or any other financial instruments which would be convertible into or exchanged with equity Shares at a later date on preferential basis to person(s) other than existing shareholders and/or through private placement in pursuance of section 81(1A) of the Companies Act, 1956 including issue of Shares to the promoters and their relatives either in public issue or otherwise.
14. The Share Premium Account may be applied by the Company:
- (a) in paying up un-issued Shares of the Company to be issued to members of the Company as fully paid-up Bonus Shares.
  - (b) in writing off the preliminary expenses of the Company.
  - (c) in writing off the expenses of, or the commission paid or discount allowed on, any issue of Shares or Debentures of the Company; or

- (d) in providing for the premium payable on the redemption of any Redeemable Preference Shares or any Debentures of the Company.

### **Buy Back of Shares**

20. The Company shall have power, subject to and in accordance with the provisions of Sections 77A, 77AA and 77B of the Act and other relevant regulations including regulations laid down by Securities and Exchange Board of India (SEBI) in this regard from time-to-time, to purchase any of its Shares or such other specified securities as may be notified by the Central Government from time to time, on such terms and conditions and in such manner as may be prescribed by law from time to time.

### **Conversion of Shares into Stock**

21. The Company may, by ordinary resolution :-  
(a) convert any paid-up Shares into stock; and  
(b) reconvert any stock into paid-up Shares of any denomination authorised by these regulations.
22. The holders of stock may transfer the same or any part thereof in the same manner as, 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; provided the Board may from time to time, fix the minimum amount of stock transferable, so, however, that such minimum shall not exceed the nominal amount of the Shares from which the stock arose.
23. The holders of stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regard Dividends voting at meeting of the Company, and other matters, as if they held the Shares from which the stock arose; but no such privileges or advantage (except participation in the Dividends and profits of the Company and in the assets on winding up) shall be conferred by any amount of stock which would not if existing in Shares, have conferred that privilege or advantage.
24. Such of the regulations of the Company (other than those relating to share warrants) as are applicable to paid-up Shares shall apply to stock and the words "share" and "shareholders" in those regulations shall include "stock" and "stockholder" respectively.

### **Lien**

40. The Company shall have a first and paramount lien upon all the Shares/Debentures (other than fully paid-up Shares/Debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such Shares/Debentures and no equitable interest in any share shall be created except upon the footing and condition that this Article will have full effect. And such lien shall extend to all Dividends and bonuses from time to time declared in respect of such Shares/Debentures. Unless otherwise agreed the registration of transfer of shares/debentures shall operate as a waiver of the Company's lien, if any, on such shares/debentures. The Directors may at any time declare any Shares/Debentures wholly or in part to be exempt from the provisions of this clause. Notwithstanding anything contained hereinabove, Company shall have lien on fully paid-up Shares or Debentures and such lien shall extend only in respect of payment of excess Dividend / interest or any sums owing to the Company by a Member/Debenture holder.

In the case of partly paid Shares/Debentures the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares

42. (1) The Company may sell, in such manner as the Board thinks fit, any share on which the Company has a lien provided that no sale shall be made:-
- (a) unless a sum in respect of which the lien exists is presently payable : or
  - (b) until the expiration of fourteen days after a notice in writing demanding payment of such part of the amount in respect of which the lien exists as is presently payable, have been given to the registered holder for the time being of the share or the person entitled thereto by reason of his death or insolvency and stating that amount so demanded if not paid within the period specified at the Registered Office of the Company the said Shares shall be sold.
  - (c) To give effect to any such sale, the Board may authorise some person to transfer the Shares sold to the purchaser thereof.
  - (d) The purchaser shall be registered as the shareholder of the Shares comprised in any such transfer.
  - (e) The purchaser shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.
- (2) The proceeds of the sale shall be received by the Company and applied in payment of the whole or a part of the amount in respect of which the lien exist as is presently payable.
- (3) The residue, if any, shall, subject to a like lien for sums not presently payable as existed upon the Shares at the date of sale, be paid to the person entitled to the Shares at the date of the sale.

#### **Transfer and Transmission of Shares**

43. The Company shall keep a "Register of Transfers" and therein shall fairly and distinctly enter particulars of every transfer or transmissions of any share.
44. The instrument of transfer shall be in writing and all the provisions of section 108 of the Act shall be duly complied with in respect of all transfer of shares and registration thereof.
45. (1) The instrument of transfer of any share in the Company shall be executed by or on behalf of both the transferor and the transferee.

The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members in respect thereof.

46. Subject to the provisions of Section 111A of the Act and section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may by giving reasons, decline to register or acknowledge any transfer of Shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the Company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except when the Company has a lien on the shares.
47. The Board may also decline to recognize any instrument of transfer unless:-
- (a) the instrument of transfer is accompanied by the certificate of the Shares

- to which it relates, and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- (b) the instrument is in respect of only one class of Shares:
48. All instruments of transfer which shall be registered shall be retained by the Company, but may be destroyed upon the expiration of such period as the Board may from time to time determine. Any instrument of transfer which the Board declines to register shall (except in any case of fraud) be returned to the person depositing the same.
49. The registration or transfers may be suspended at such times and for such periods as the Board may, from time to time determine, provided that such registration shall not be suspended for more than forty-five days in the aggregate in any year or for more than thirty days at any one time unless the applicable law provides otherwise.
50. No fee shall be charged for registration of transfer, transmission, Probate, succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.
51. (1) On the death of a member, the survivor or survivors where the member was a joint holder and his legal representative where he was a sole holder shall be the only person recognized by the Company as having any title to his interest in the Shares.
- (2) Nothing in sub-clause (1) hereof shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by him with other person.
52. (1) Any person becoming entitled to a share in consequence of the death or insolvency of a member may, upon such evidence being produced as may from time to time properly be required by the Board and subject as hereinafter provided elect, either-
- (a) to be registered himself as holder of the share; or
- (b) to make such transfer of the Shares as the deceased or insolvent member could have made.
- (2) The Board shall, in either case, have the same right to decline or suspend registration as it would have had, if the deceased or insolvent member had himself transferred the share before his death or insolvency.
- (3) If the person so becoming entitled, shall elect to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- (4) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing a transfer of the share.
- (5) All the limitations, restrictions and provisions of these regulations relating to the right to transfer and the registration of transfers of Shares shall be applicable to any such notice or transfer as aforesaid as if the death or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.
53. On the transfer of the share being registered in his name a person becoming entitled to share by reason of death or insolvency of the holder shall be entitled to the same Dividends and other advantages to which he would be entitled if he was the registered holder of the share and that he

shall not, before being registered as a member in respect of the share, be entitled in respect of it to exercise any right conferred by membership in relation to meeting of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days, the Board may thereafter withhold payment of all Dividends, bonus or other moneys payable in respect of the share, until the requirements of the notice have been complied with.

54. A person entitled to share by transmission shall, subject to the right of the Directors to retain such Dividends, Bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any Dividends, Bonuses or other moneys payable in respect of the Share /Debenture.

*This Article shall not prejudice the provisions of in Articles relating to lien and forfeiture.*

55. *The Directors shall have the same right to refuse to register a person entitled by transmission to any shares or his nominee as if he was the transferee named in the any ordinary transfer presented for registration.*

#### **Nomination**

56. Every holder of share(s) in and/or Debenture(s) of the Company, so entitled under the Act and Rules framed there under, may, at any time, in the manner prescribed under the Act, nominate a person to whom his share(s) in and/or Debenture(s) of the Company shall vest in the event of his death.

57. Where the share(s) in and/or Debenture(s) of the Company are held by more than one person jointly, the joint-holders, so entitled under the Act and Rules framed there under, may together nominate, in the manner prescribed under the Act, a person to whom all the rights in the share(s) and/or Debenture(s) of the Company, as the case may be, shall vest in the event of death of all the joint-holders.

58. Notwithstanding anything contained in any other law for the time being in force or in these Articles or in any disposition, whether testamentary or otherwise, in respect of the share(s) and/or Debenture(s) of the Company, where a nomination made in the manner prescribed under the Act, purports to confer on any person the rights to vest the share(s) and/or Debenture(s) of the Company, the nominee shall, on the death of the share-holder and/or Debenture holder concerned or on the death of the joint-holders, as the case may be, become entitled to all the rights in relation to such share(s) and/or Debenture(s), to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner prescribed under the Act.

59. Where the nominee is a minor, the holder of the share(s) and/or Debenture(s) of the Company can make a nomination in the manner prescribed under the Act, to appoint any person to become entitled to the share(s) and/or Debenture(s) of the Company, in the event of his death, during the minority.

#### **Transmission in case of Nomination**

60. Notwithstanding anything contained in these Articles, any person who becomes a nominee by virtue of the provision of Articles hereof, upon the production of such evidence as may be required by the Board and subject as hereinafter provided, elect, either:
- (a) to be registered himself a holder of the share(s) and/or Debenture(s), as the case may be; or

- (b) to make such transfer of the share(s) and/or Debenture(s), as the case may be, as the deceased shareholder and/or Debenture holder concerned or deceased joint-holders, as the case may be, could have made.
61. If the person being a nominee, so becoming entitled, elects himself to be registered as holder of the share(s) and/or Debenture(s), as the case may be, he shall deliver or send to the Company, a notice in writing duly signed by him stating that the nominee concerned so elects and such notice shall be accompanied with the death certificate(s) of the deceased share-holder/Debenture-holder/joint holders, as the case may be.
62. All the limitations, restrictions and provisions of these Articles, relating to the right to the transfer and the registration of transfer of share(s) and/or Debenture(s), shall be applicable to any such notice or the transfer as aforesaid as if the death of the shareholder/Debenture-holder had not occurred and the notices or transfer were signed by that shareholder Debenture holder or joint-holders, as the case may be.
63. A person being a nominee, becoming entitled to the share(s) and/or Debenture(s), by reason of the death of the holder shall be entitled to the same Dividend s and other advantages to which he would be entitled if he were the registered holder of the share(s) and/or Debenture(s), except that he shall not, before being registered a member in respect of his share(s) and/or Debenture(s) be entitled in respect of it to exercise any right conferred by membership in relation to a meeting of the Company.

Provided that the Board may, at any time give notice requiring any such person to elect either to be registered himself or to transfer the share(s) and/or Debenture(s); and if the notice is not complied with within sixty days, the Board may thereafter withhold payment of all Dividend s , bonuses, or other moneys payable or rights accruing in respect of the share(s) and/or Debenture(s) until the requirements of the notice have been complied with.

#### **Dematerialisation of Securities**

64. (1) For the purpose of this Article:
- (a) **'Beneficial Owner'** means a person whose name is recorded as such with a Depository;
  - (b) **'SEBI or Board'** means the Securities and Exchange Board of India;
  - (c) **'Depository'** means a Company formed and registered under the Companies Act, 1956 and which has been granted a certificate of registration to act as a depository under the Securities and Exchange Board of India Act, 1992; and
  - (d) **'Security'** means such security as may be specified by SEBI from time to time.
- (2) **Dematerialisation of Securities:** Notwithstanding anything contained in these Articles, the Company shall be entitled to dematerialise its securities and to offer securities in a dematerialise form pursuant to the provisions of Depositories Act, 1996.
- (3) **Option for Investors:** Every person subscribing to securities offered by the Company shall have the option to receive securities certificates or to hold the securities with a depository. Such a person who is the beneficial owner of the securities can at any time opt out of a depository, if permitted by the law, in respect of any securities in the manner provided by the Depositories Act, and the Company shall, in the manner and within the time prescribed, issue to the beneficial owner the required certificates of securities.
- (4) **Securities in Depositories to be in fungible form:** All securities held by a depository shall be dematerialised and be in fungible form. Nothing contained in Section 153, 153A,

153B, 187B 187C, and 372 of the Act, shall apply to depository in respect of the securities held by it on behalf of the beneficial owners.

- (5) **Rights of Depository and Beneficial Owners:**
- (a) Notwithstanding anything to the contrary contained in the Act, or this Article, a depository shall be deemed to be the registered owner for the purpose of effecting transfer of ownership of security on behalf of the beneficial owner.
  - (b) Save as otherwise provided in (a) above, the depository as the registered owner of the securities shall not have any voting rights and any rights in respect of the securities held by it.
  - (c) Every person holding securities of the Company and whose name is entered as the beneficial owner in the records of the depository shall be deemed to be a member of the Company. The beneficial owner of securities shall be entitled to all the rights and benefits and be subject to all the liabilities in respect of this securities which are held by depository.
- (6) **Service of Documents:** Notwithstanding anything in the Act or these Articles to the contrary where securities are held in depository, the records of the beneficial ownership may be served by such depository on the Company by means of electronic mode or by delivery of floppies or disc.
- (7) **Transfer of Securities:** Nothing contained in Section 108 of the Act or these Articles shall apply to a transfer of securities effected by transferor and transferee both of whom are entered as beneficial owners in the records of a depository.
- (8) **Allotment of Securities dealt with a depository:** Notwithstanding anything in the Act or these Articles, where securities are dealt with by a depository, the Company shall intimate the details thereof to the depository immediately on allotment of such securities.
- (9) **Distinctive numbers of Securities dealt with in a Depository :** Nothing contained in the Act, or these Article regarding the necessity of having distinctive numbers for securities issued by the Company shall apply to securities held with a depository.
- (10) **Register and index of Beneficial Owner:** The Register and Index of Beneficial Owners maintained by Depository under the Depository Act, 1996, shall be deemed to be the Register and Index of Members and security holder for the purposes of these Articles.

### **General Meetings**

75. All General Meetings other than the Annual General Meetings of the Company shall be called Extra-Ordinary General Meetings.
76. The Board may, whenever, it thinks, fit call an Extraordinary General Meeting.
77. If at any time there are not within India, Directors capable of acting who are sufficient in number to form a quorum, any Director or any two Members of the Company may call an extraordinary general meeting in the same manners, as nearly as possible, to that in which such a meeting may be called by the Board.

### **Powers of Board of Directors**

101. The Directors may enter into contracts or arrangements on behalf of the Company subject to the necessary disclosures required by the Act being made wherever any Director is any way, whether directly or indirectly concerned or interested in the contract or arrangement.

102. (1) Subject to the provisions of sections 58A, 292 and 293 of the Act, the Director may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property (both present and future) and uncalled capital, or any part thereof and to issue Debentures, Debenture-stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.
- (2) The payment or repayment of moneys borrowed as aforesaid may be secured in such manner and upon such terms and conditions in all respects as the Board may think fit and in particular by a resolution passed at a meeting of the Board (and not by circulation) by the issue of Debenture or Debenture stock of the Company, charged upon all or any of the property of the Company (both present and future), including its uncalled capital for the time being.
103. Any Debentures, Debenture-stock or other securities may be issued at a discount, premium or otherwise, may be made assignable free from any equities between the Company and person to whom the same may be issued and may be issued on the condition that they shall be convertible into Shares of any authorised denomination, and with privileges and conditions as to redemption, surrender, drawings, allotment of Shares, attending (but not voting) at General Meeting, appointment of Directors and otherwise, provided that Debentures with the right to allotment of or conversion into Shares shall not be issued except with the sanction of the Company in General Meeting.
104. All cheques, promissory notes, drafts, hundies, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company, shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, by such person and in such manner as the Board may, from time to time, by resolution determine.

#### **Seal**

117. (1) The Board shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new Seal in lieu thereof and the Directors shall provide for the safe custody of the seal.
- (2) Subject to statutory requirements as to Share Certificates or otherwise the seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board or of a Committee of the Board authorised by it in that behalf and except in the presence of at least one Director and of the Secretary or of two Directors, who shall sign every instrument to which the seal of the Company is so affixed in their presence.

#### **Dividends and Reserve**

118. The Company in General Meeting may declare Dividends, but no Dividend shall exceed the amount recommended by the Board.
119. The Board may from time to time pay to the members such interim Dividends as appear to it to be justified by the profits of the Company.
120. (1) The Board may, before recommending any Dividend, set aside out of the

profits of the Company such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, including provision for meeting contingencies or for equalizing Dividends; and pending such application, may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than Shares of the Company) as the Board may, from time to time, think fit.

- (2) The Board may also carry forward any profits which it may think prudent not to divide, without setting them aside as a reserve.
121.
  - (1) Subject to the rights of persons, if any, entitled to Shares with special rights as to Dividends, all Dividends shall be declared and paid according to the amounts paid or credited as paid on the Shares in respect whereof the Dividend is paid.
  - (2) No amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of this regulation as paid on the share.
  - (3) All Dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the Shares during any portion or portions of the period in respect of which the Dividend is paid; but if any share is issued on terms providing that it shall rank for Dividend as from a particular date such share shall rank for Dividend accordingly.
122. The Board may deduct from any Dividend payable to any member all sums of money if any, presently payable by him to the Company on account of calls or otherwise in relation to the Shares of the Company.
123.
  - (1) Any Dividend, interest or other moneys payable in cash in respect of Shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members, or to such person and to such address as the holder or joint holders may in writing direct.
  - (2) Every such cheque or warrant shall be made payable to the order of the person to whom it is sent.
124. Any one of two or more joint holders of a share may give effectual receipts for any Dividends, bonuses or other moneys payable in respect of such share.
125. Notice of any Dividend that may have been declared shall be given to the persons entitled to share therein in the manner mentioned in the Act.
126. No unpaid Dividend shall bear interest against the Company.
127.
  - (1) The Directors may retain the Dividends payable upon shares in respect of which any person is under the transmission clause of these Articles entitled to become a member or which any person under that clause is entitled to transfer, until such person shall become a member in respect of such shares or shall duly transfer the same.
  - (2) A transfer of shares shall not pass the right to any Dividend declared thereon before the registration of the transfer.

128. (1) Where the Company has declared a Dividend but which has not been paid, or the Dividend warrant in respect thereof has not been posted or claimed, within thirty days from the date of the declaration, to any shareholder entitled to the payment of a dividend, the Company shall, within seven days from the date of expiry of the said period of thirty days, transfer the total amount of dividend which remains unpaid or unclaimed, to a special account to be opened by the company in that behalf in any scheduled bank, to be called "Unpaid Dividend Account of Surya Food & Agro Limited".
- (2) Any money transferred to the unpaid dividend account of a company which remains unpaid or unclaimed for a period of seven years from the date of such transfer shall be transferred by the company to the Investor Education and Protection Fund (hereinafter referred to as the Fund) established under sub-section (1) of section 205C of the Act.
- (3) No unclaimed or unpaid Dividend shall be forfeited by the Board.

### Capitalization of Profits

129. (1) The Company in General Meeting may, upon the recommendation of the Board resolve :-
- (a) that it is desirable to capitalize any part of the amount for the time being standing to the credit of 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 sub-clause (2) hereof, among the members who would have been entitled thereto, if distributed by way of Dividend and in the same proportions.
- (2) The sum aforesaid shall not be paid in cash, but shall be applied, subject to the provisions contained in sub-clause (3) hereof, either in or towards:-
- (i) paying up any amounts for the time being unpaid on any Shares held by such members respectively ;
- (ii) paying up in full, unissued Shares of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid : or
- (iii) partly in the way specified in sub-clause (i) and partly in that is specified in sub-clause (ii).
- (3) Any share premium account and any capital redemption reserve fund may, for the purpose of this regulation, only be applied in the paying up of unissued share 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 regulation.
130. (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 capitalized thereby and allotment and issue of fully paid Shares, if any : and
- (b) do all acts and things required to give effect thereto.

- (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 in the case of Shares 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 him respectively, credited as fully paid up, of any further Shares to which that 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 of their respective proportions of the profit resolved to be capitalised of the amounts or any part of the amounts remaining unpaid on their existing Shares.
- (3) Any agreement made under such authority shall be effective and on all such members..

### **Indemnity**

133. Subject to provisions of section 201 of the Act, every Director, Wholetime Director, Managing Director, Manager, secretary and other Officer or employee for the time being of the Company shall be indemnified by the Company and it shall be duty of the Directors, out of the funds of the Company to pay, bona fide costs, losses and expenses which any such officer may incur or become liable to by reason of any way in the discharge of his duties; and in particular and so as not to limit the generality of the foregoing provisions; against any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 633 in which relief is granted to him by the Court. The amount for which indemnity is provided shall immediately attach as a charge on the property of the Company.

## X. MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and agreements referred to (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or contracts entered into more than two years before this DRHP), which are or may be deemed material to be material have been entered into by or on behalf of the Company. Copies of these contracts together with copies of documents referred under Material Documents below all of which have been attached to the copy of this DRHP and have been delivered to the Stock Exchanges and may be inspected at the Registered Office of the Company between 9:30 am to 5:30 pm on any working day from the date of this DRHP until the date of closure of the subscription List.

### Material contracts

1. Memorandum of Understanding dated 05/09/2007 entered into between the Company and Keynote Corporate Services Limited, Lead Manager to the Issue.
2. Memorandum of Understanding dated 29/09/2007 entered into between the Company and Beetel Finance & Computer Services (P) Ltd., Registrar to the Issue.
3. Escrow Agreement dated [●], between the Company, the BRLM, the Escrow Collection Banks and the Registrar to the Issue.
4. Syndicate Agreement dated [●] between the Company, BRLM and Syndicate Members.
5. Underwriting Agreement dated [●] between the Company, BRLM and Syndicate Members.
6. Copy of Tripartite agreement dated [●] entered into between the Company, CDSL and Registrar to the Issue.
7. Copy of Tripartite agreement dated [●] entered into between the Company, NSDL and Registrar to the Issue.

### Material Documents

1. Memorandum of Association and Articles of Association of the Company, as amended from time to time.
2. Shareholders' resolutions dated 18/09/2007 in relation to this Issue.
3. Resolutions of the general body for appointment and remuneration of our whole-time Directors.
4. Balance Sheets of the Company for the financial years ending on March 31, 2007, 2006, 2005, 2004, and 2003.
5. General power of attorney executed by our Directors in favour of person(s) for signing and making necessary changes to Draft Red Herring Prospectus and other related documents.
6. Consents of Auditors, Bankers to the Company, BRLM, Syndicate Members, Registrar to the Issue, Domestic Legal Counsel to the Company, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.
7. Legal Due Diligence Report dated 17/10/2007 by Vaish Associates, Advocates.
8. Appraisal Memorandum of our Company dated 23/10/2007 by State Bank of India.
9. Copy of letter no. OBND/CPC/2007-08/47 dated 23/10/2007 for in-principle sanction of term loan from State Bank of India for the purpose of the proposed biscuit expansion project.

10. Copy of certificate dated 22/10/2007 issued by Vinay Aggarwal & Associates, Chartered Accountant and Statutory Auditors of the Company in terms of Part II Schedule II of the Companies Act 1956 including capitalisation statement, taxation statement and accounting ratio.
11. Copy of certificate dated 22/10/2007 issued by Vinay Aggarwal & Associates, Chartered Accountant and Statutory Auditors of the Company regarding tax benefits accruing to the company and its shareholders.
12. Copy of certificate dated 22/10/2007 received from Vinay Aggarwal & Associates, Chartered Accountant and Statutory Auditors of the Company regarding sources and deployment of funds.
13. Copy of certificate dated 19/10/2007 received from M. B. Gupta & Co., Chartered Accountant and Statutory Auditors of Surya Processed Food Pvt. Ltd. regarding sources and deployment of funds.
14. Undertakings by the Company.
15. In-principle approval dated [●] and [●] from NSE and BSE for listing of the securities offered through this Prospectus.
16. SEBI Observation Letter No. [●] dated [●] issued by the Securities and Exchange Board of India.

Any of the contracts or documents mentioned in the DRHP may be amended or modified at any time if so required in the interest of our 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.

## XI. DECLARATION

All the relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this DRHP is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this DRHP are true and correct.

### **Signed by all Directors**

**Sd/-**

Shri. Ballabh Prasad Agarwala

**Sd/-**

Shri. Manoj kumar Agarwal

**Sd/-**

Shri. Navin Kumar Agrawal

**Sd/-**

Shri. Shekhar Agrawal

**Sd/-**

Shri. Pradeep Kumar Jain

**Sd/-**

Shri. Ram Lakhan Prasad Sinha

**Sd/-**

Shri. Ajay Kumar Ghosh

**Sd/-**

Shri. Ajay Kumar Raman

Date: 23/10/2007

Place: NOIDA