RED HERRING PROSPECTUS
Dated June 14, 2008
Please read Section 60B of the Companies Act, 1956
100% Book Built Issue

Power from knowledge

KSK Energy Ventures Limited

(The Company was incorporated as KSK Energy Ventures Private Limited on February 14, 2001 under the Companies Act, 1956, as amended. It became a public company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on February 9, 2002, and the word "private" was deleted from its name. The Company became a private limited company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on July 3, 2006, and the word "private" was added to its name. Subsequently, pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on January 19, 2008, the Company has become a public limited company and the word "private" has been deleted from its name. The certificate of incorporation to reflect the new name was issued on February 6, 2008 by the RoC. The registered office of the Company was shifted from 51, 1st Main Road, CIT Colony, Chennai - 600 004, Tamil Nadu, India to 1st Floor, SDE Serene Chambers, Road No.7, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, India with effect from January 9, 2002. Subsequently, with effect from May 14, 2003, the registered office of the Company was shifted to 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh, India. Subsequently, with effect from September 9, 2004, the registered office of the Company was shifted to Sony Apartments, 2nd Floor, 19, Rebello Road, Bandra (West), Mumbai - 400 050, Maharashtra, India. Thereafter, with effect from January 18, 2008, the registered office of the Company was shifted to its present location at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh, India.)

Registered Office: 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad - 500 033, Andhra Pradesh, India
Telephone: +91 40 2355 9922/23/24/25; **Facsimile:** +91 40 2355 9930
Contact Person: Mr. D. Suresh Babu; **Telephone:** +91 40 2355 9922/23/24/25; **Email:** investors@ksk.co.in; **Website:** www.ksk.co.in

PUBLIC ISSUE OF 3,46,11,000 EQUITY SHARES OF RS.10 EACH ("EQUITY SHARES") OF KSK ENERGY VENTURES LIMITED ("KSK", OR THE "COMPANY", OR THE "ISSUER") FOR CASH AT A PRICE OF RS.[●] PER EQUITY SHARE, AGGREGATING RS.[●] CRORE (THE "ISSUE"). THE ISSUE WILL CONSTITUTE 10% OF THE POST-ISSUE EQUITY SHARE CAPITAL OF THE COMPANY.

PRICE BAND: RS.240 TO RS.255 PER EQUITY SHARE OF FACE VALUE RS.10 EACH.

THE ISSUE PRICE IS 24 TIMES THE FACE VALUE AT THE LOWER END OF THE PRICE BAND AND 25.5 TIMES THE FACE VALUE AT THE HIGHER END OF THE PRICE BAND.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision, 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, shall be widely disseminated by notification to the Bombay Stock Exchange Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), by issuing a press release and also by indicating the change on the websites of the Book Runners and at the terminals of the other members of the Syndicate.

Pursuant to Rule 19(2)(b) of the SCRR (as defined below), this Issue is for less than 25% of the post Issue capital and is therefore being made through a 100% Book Building Process wherein at least 60% of the Issue shall 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 and the remainder shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. In addition, in accordance with Rule 19(2)(b) of the SCRR, a minimum of 20 lakh securities are being offered to the public and the size of the Issue shall aggregate at least Rs.100 crore. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

RISKS 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 the face value. The Issue Price (as determined by the Company, in consultation with the Book Runners, on the basis of the assessment of market demand for the Equity Shares by way of the Book Building Process) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of the Company or regarding the price at which the Equity Shares will be traded after listing.

GENERAL RISKS

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Company and the Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section "Risk Factors" beginning on page 11 of this Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

IPO GRADING

This Issue has been graded by Fitch Ratings India Private Limited, a credit rating agency registered with SEBI. The Issue has been assigned a grade of 3 (ind) out of a maximum of 5 (ind) indicating average fundamentals through its letter dated June 2, 2008. For details regarding the grading of the Issue and the disclaimer of Fitch Ratings India Private Limited, see the section "General Information" beginning on page 53 of this Red Herring Prospectus.

LISTING

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the BSE and the NSE. The Company has received in-principle approvals from the BSE and the NSE for the listing of the Equity Shares pursuant to letters dated April 8, 2008 and March 17, 2008, respectively. For the purposes of the Issue, the NSE shall be the Designated Stock Exchange.

BOOK RUNNING LEAD MANAGERS				CO-BOOK RUNNING LEAD MANAGER	REGISTRAR TO THE ISSUE
kotak Investment Banking	IDFC SSKI	Morgan Stanley	Edelweiss Ideas create, values protect	AXIS BANK	KARVY Karvy Computershare Private Limited
KOTAK MAHINDRA CAPITAL COMPANY LIMITED 3rd Floor, Bakhtawar 229, Nariman Point Mumbai - 400 021, India Telephone: +91 22 6634 1100 Facsimile: +91 22 2283 7517 Email: ksk.ipo@kotak.com Investor Grievance Email: kmccredressal@kotak.com Contact Person: Mr. Chandrakant Bhole Website: www.kotak.com SEBI registration number: INM000008704	**IDFC-SSKI PRIVATE LIMITED*** 803/4, Tulsiani Chambers 8th Floor, Nariman Point Mumbai - 400 021, India Telephone: +91 22 6638 3333 Facsimile: +91 22 2204 0282 Email: ksk.ipo@idfcsski.com Investor Grievance Email: complaints@idfcsski.com Contact Person: Mr. Hiren Raipancholia Website: www.sski.co.in SEBI registration number: INM000010254 *Name being changed from SSKI Corporate Finance Limited, subject to regulatory approvals	**MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED** 1101-1115, Hilton Towers Nariman Point Mumbai – 400 021, India Telephone: +91 22 6621 0555 Facsimile: +91 22 6621 0556 Email: ksk_ipo@morganstanley.com Investor Grievance Email: investors_india@morganstanley.com Contact Person: Mr. Amit H. Shah Website: www.morganstanley.com/indiaofferdocuments SEBI registration number: INM000011203	**EDELWEISS CAPITAL LIMITED** 14th floor, Express Towers Nariman Point Mumbai – 400 021, India Telephone: +91 22 4086 3535 Facsimile: +91 22 2288 2119 Email: ksk.ipo@edelcap.com Investor Grievance Email: ksk.ipo@edelcap.com Contact Person: Mr. Sumeet Lath/ Ms. Dipti Samant Website: www.edelcap.com SEBI registration number: INM000010650	**AXIS BANK LIMITED** Central Office, Maker Tower 'F' 11th Floor, Cuffe Parade, Colaba Mumbai 400 005, India Telephone: +91 22 6707 1312 Facsimile: +91 22 2216 2467 Email: ksk.ipo@axisbank.com Investor Grievance Email: axbmbd@axisbank.com Contact Person: Mr. Dipen Kapadia Website: www.axisbank.com SEBI registration number.: INM000006104	**KARVY COMPUTERSHARE PRIVATE LIMITED** Plot No. 17-24, Vittal Rao Nagar Madhapur Hyderabad – 500 081, India Telephone: +91 40 2342 0815 Facsimile: +91 40 2342 0814 Email: mrvs@karvy.com Contact Person: Mr. M.R.V. Subramanyam Website: www.karvycomputershare.com SEBI registration number: INR000000221

ISSUE PROGRAM

BID/ISSUE OPENS ON : MONDAY JUNE 23, 2008	BID/ISSUE CLOSES ON : WEDNESDAY, JUNE 25, 2008

TABLE OF CONTENTS

SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates or requires, the following terms have the following meanings in this Red Herring Prospectus.

Company Related Terms

Term	**Description**
The "Company", the "Issuer", "KSK"	KSK Energy Ventures Limited, a public limited company incorporated under the Companies Act.
"we" or "us" or "our" or the "Group"	KSK Energy Ventures Limited, its Subsidiaries and the Sitapuram SPV on a consolidated basis, as described in this Red Herring Prospectus.
Articles/Articles of Association	Articles of Association of the Company, as amended.
Auditors	The statutory auditors of the Company being, Umamaheswara Rao & Co., Chartered Accountants.
Board of Directors/Board	The board of directors of the Company or a committee constituted thereof.
Director(s)	The director(s) on the Board, as appointed from time to time.
Equity Shares	Equity shares of the Company of face value Rs.10 each, unless otherwise specified in the context thereof.
KSK Energy	KSK Energy Limited, a company incorporated under the laws of Mauritius.
KSK plc	KSK Power Ventur plc, a company incorporated under the laws of the Isle of Man.
LB India	LB India Holdings Mauritius I Limited, a company incorporated under the laws of Mauritius.
Memorandum/Memorandum of Association	The memorandum of association of the Company, as amended.
Preference Shares	Preference shares of the Company of face value Rs.10 each, unless otherwise specified in the context thereof.
Promoters	Mr. K.A. Sastry, Mr. S. Kishore and KSK Energy.
Promoter Group or Promoter Group Companies	The companies or individuals mentioned in the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.
Registered Office	The registered office of the Company, which is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.
Sitapuram SPV	Sitapuram Power Limited, a joint venture of KSK Electricity Financing India Private Limited.
Subsidiaries	The direct and indirect subsidiaries of the Company comprising: 1. KSK Electricity Financing India Private Limited; 2. Lakhpat Power Company Private Limited; 3. KSK Narmada Power Company Private Limited; 4. Bahur Power Company Private Limited; 5. KSK Technology Ventures Private Limited; 6. KSK Dibbin Hydro Power Private Limited; 7. Kameng Dam Hydro Power Private Limited; 8. Sai Maithili Power Company Private Limited; 9. JR Power Gen Private Limited; 10. Arasmeta Captive Power Company Private Limited; 11. Sai Regency Power Corporation Private Limited; 12. VS Lignite Power Private Limited; and 13. Wardha Power Company Private Limited.

Issue Related Terms

Term	Description
Allot/Allotment/Allotted/Allocated/ allot/ allotment/allotted/ allocated	The issue/allotment of Equity Shares pursuant to the Issue.
Allottee	A successful Bidder to whom Equity Shares will be Allotted.
Axis Bank	Axis Bank Limited.
Bankers to the Issue	ABN AMRO Bank NV, HDFC Bank Limited, ICICI Bank Limited, UCO Bank, Deutsche Bank, AG, Kotak Mahindra Bank Limited and Axis Bank Limited.
Bid	An indication to make an offer during the Bidding/Issue Period by a Bidder to subscribe for or purchase the Company's 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.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe for or purchase the Equity Shares and which will be considered as the application for issue of the Equity Shares pursuant to the terms of the Red Herring Prospectus.
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Bidding/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date (inclusive of both days) and during which Bidders can submit their Bids, including any revisions thereof.
Bid/Issue Closing Date	The date after which the Syndicate Members will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a widely circulated Telugu newspaper.
Bid/Issue Opening Date	The date on which the Syndicate Members shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a widely circulated Hindi national newspaper and a widely circulated Telugu newspaper.
Book Building Process	The book building process as described in Chapter XI of the SEBI Guidelines, in terms of which the Issue is being made.
BRLMs/Book Running Lead Managers	Kotak Mahindra Capital Company Limited, IDFC-SSKI Private Limited, Morgan Stanley India Company Private Limited, Lehman Brothers Securities Private Limited and Edelweiss Capital Limited.
Book Runners	The BRLMs and the CBRLM.
BSE	The Bombay Stock Exchange 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 the Issue Price in accordance with the Book Building Process.
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted.
CBRLM/Co-Book Running Lead Manager	Axis Bank Limited.
CDSL	Central Depository Services (India) Limited.
Companies Act	The Companies Act, 1956, as amended.
Cut-off Price	Any price within the Price Band finalized by the Company, in consultation with the Book Runners. A Bid submitted at the Cut-off Price by a Retail Individual Bidder is a valid Bid. Only Retail Individual Bidders are entitled to Bid at the Cut-off Price. QIBs and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price.
Depositories	NSDL and CDSL.
Depositories Act	The Depositories Act, 1996, as amended.
Depository	A depository registered with SEBI under the Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, as amended.
Depository Participant	A depository participant as defined under the Depositories Act.

Term	Description
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Accounts of the Company to the Public Issue Account, after the Prospectus is filed with the RoC, following which the Board allots Equity Shares to successful Bidders.
Designated Stock Exchange	NSE.
Draft Red Herring Prospectus	The draft red herring prospectus dated February 12, 2008, issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue.
ECS	Electronic Clearing System.
Edelweiss	Edelweiss Capital Limited.
Eligible NRI	NRIs from such jurisdictions outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe for or purchase the Equity Shares offered thereby.
Escrow Accounts	The accounts opened with Escrow Collection Banks for the Issue and in whose favor the Bidder will issue cheques or drafts in respect of the Margin Amount when submitting a Bid and the remainder of the Bid Amount, if any, collected thereafter.
Escrow Agreement	An agreement to be entered into among the Company, the Registrar, the Escrow Collection Banks, the Book Runners and the Syndicate Members for collection of the Bid Amounts and for remitting refunds, if any, of the amounts collected, to the Bidders on the terms and conditions thereof.
Escrow Collection Banks	The banks that are clearing members and registered with SEBI as Bankers to the Issue with whom the Escrow Accounts will be opened, comprising ABN AMRO Bank NV, HDFC Bank Limited, ICICI Bank Limited, UCO Bank, Deutsche Bank, AG, Kotak Mahindra Bank Limited and Axis Bank Limited.
FEMA	The Foreign Exchange Management Act, 1999, as amended, and the regulations framed thereunder.
FIIs	Foreign Institutional Investors as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995, as amended, registered with SEBI.
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Fiscal/fiscal/Financial Year/financial year/FY	A period of twelve months ended March 31 of that particular year, unless otherwise stated.
Fitch	Fitch Ratings India Private Limited.
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.
FVCIs	Foreign Venture Capital Investors as defined under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended, registered with SEBI.
GIR Number	General Index Registry Number.
IAS	International Accounting Standards.
IDFC-SSKI	IDFC-SSKI Private Limited.
IFCI	Industrial Finance Corporation of India Limited
IFRS	International Financial Reporting Standards.
Indian GAAP	Generally accepted accounting principles in India.
Industrial Policy	The policy and guidelines relating to industrial activity in India issued by the Ministry of Commerce and Industry, Government of India, as updated, modified or amended from time to time.
Issue	The public issue of an aggregate of 3,46,11,000 Equity Shares.
Issue Price	The final price at which Equity Shares will be Allotted in the Issue, as determined by the Company, in consultation with the Book Runners, on the Pricing Date.
KMCC	Kotak Mahindra Capital Company Limited.

Term	Description
Lehman	Lehman Brothers Securities Private Limited.
Margin Amount	The amount paid by the Bidder at the time of submission of the Bid, which may be between 10% and 100% of the Bid Amount, as applicable.
MICR	Magnetic Ink Character Recognition.
Monitoring Agency	IFCI.
Morgan Stanley	Morgan Stanley India Company Private Limited.
Mutual Funds	Mutual funds registered with SEBI under the Securities and Exchange Board of India (Mutual Funds) Regulations, 1996, as amended.
Mutual Fund Portion	5% of the QIB Portion, equal to a minimum of 10,38,350 Equity Shares, available for allocation to Mutual Funds from the QIB Portion.
Non-Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and have bid for an amount greater than Rs.1,00,000.
Non-Institutional Portion	The portion of the Issue being not less than 10% of the Issue consisting of 34,61,100 Equity Shares, available for allocation to Non-Institutional Bidders, subject to valid Bids being received at or above the Issue Price.
Non-Residents/NRs	All eligible Bidders that are persons resident outside India, as defined under FEMA, including Eligible NRIs, FIIs and FVCIs.
Non-Resident Indian/NRI	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, such terms as defined under the Foreign Exchange Management (Deposit) Regulations, 2000, as amended.
NSDL	National Securities Depository Limited.
NSE	The National Stock Exchange of India Limited.
OCB/Overseas Corporate Body	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly and which was in existence on October 3, 2003 and immediately before such date was eligible to undertake transactions pursuant to the general permission granted to OCBs under the FEMA. OCBs are not permitted to invest in this Issue.
Pay-in Date	The Bid/Issue Closing Date with respect to the Bidders whose Margin Amount is 100% of the Bid Amount or the last date specified in the CAN with respect to the Bidders whose Margin Amount is less than 100% of the Bid Amount.
Pay-in Period	(i) With respect to Bidders whose Margin Amount is 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the Bid/Issue Closing Date; and (ii) With respect to Bidders whose Margin Amount is less than 100% of the Bid Amount, the period commencing on the Bid/Issue Opening Date and extending until the closure of the Pay-in Date specified in the CAN.
Pre-IPO Placing	The private placement of 1,73,06,000 Equity Shares for cash consideration to selected investors completed by the Company.
Price Band	The price band with a minimum price (Floor Price) of Rs.240 per Equity Share and a maximum price (Cap Price) of Rs.255 per Equity Share, including all revisions thereof.
Pricing Date	The date on which the Issue Price is finalized by the Company, in consultation with the Book Runners.
Prospectus	The prospectus to be filed with the RoC after the Pricing Date containing, *inter alia*, the Issue Price that is determined at the end of the Book Building Process, the size of the Issue and certain other information.
Public Issue Account	The account opened with the Bankers to the Issue to receive money from the Escrow Accounts for the Issue on the Designated Date.
QIBs or Qualified Institutional Buyers	As defined under the SEBI Guidelines and includes the National Investment Fund, public financial institutions as defined in Section 4A of the Companies Act, FIIs, scheduled commercial banks, mutual funds, multilateral and bilateral development financial institutions, VCFs, FVCIs, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development

Term	Description
	Authority, provident funds with a minimum corpus of Rs.25 crore and pension funds with a minimum corpus of Rs.25 crore.
QIB Margin Amount	An amount representing at least 10% of the Bid Amount that QIBs are required to pay at the time of submitting a Bid.
QIB Portion	The portion of the Issue being at least 60% of the Issue consisting of 2,07,66,600 Equity Shares, to be allotted to QIBs on a proportionate basis.
Refund Account	The account opened with an Escrow Collection Banks, from which refunds, if any, of the whole or part of the Bid Amount shall be made.
Registrar/Registrar to the Issue	Karvy Computershare Private Limited.
Retail Individual Bidders	Bidders (including HUFs) who have bid for Equity Shares of an amount less than or equal to Rs.1,00,000.
Retail Portion	The portion of the Issue being not less than 30% of the Issue consisting of 1,03,83,300 Equity Shares, available for allocation to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
RHP or Red Herring Prospectus	This red herring prospectus dated June 14, 2008, issued in accordance with Section 60B of the Companies Act, which does not have complete particulars of the price at which the Equity Shares are offered and the size of the Issue. The Red Herring Prospectus will become the Prospectus after filing with the RoC after the Pricing Date.
RoC	The Registrar of Companies, Andhra Pradesh, located at Hyderabad.
RTGS	Real Time Gross Settlement.
SCRA	The Securities Contracts (Regulation) Act, 1956, as amended.
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended.
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act.
SEBI Act	The Securities and Exchange Board of India Act, 1992, as amended.
SEBI Guidelines	The Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000, as amended.
Stock Exchanges	The BSE and the NSE.
Syndicate or members of the Syndicate	The Book Runners and the Syndicate Members.
Syndicate Agreement	The agreement to be entered into among the Company and the members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	Kotak Securities Limited, Sharekhan Limited and Edelweiss Securities Limited.
Takeover Code	The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended.
TRS or Transaction Registration Slip	The slip or document issued by any of the members of the Syndicate to a Bidder as proof of registration of the Bid.
Underwriters	The Book Runners and the Syndicate Members.
Underwriting Agreement	The agreement to be entered into among the Underwriters and the Company on or after the Pricing Date.
U.S. GAAP	Generally accepted accounting principles in the United States of America.
VCFs	Venture Capital Funds as defined under the Securities and Exchange Board of India (Venture Capital Fund) Regulations, 1996, as amended, registered with SEBI.

Industry Related Terms

Term	Description
AAI	Airports Authority of India.
ABT	Availability Based Tariff.
APDRP	Accelerated Power Development Reform Programme.
BOO	Build, Own and Operate.
BOP	Balance of Plant.
BOT	Build, Operate and Transfer.
BTG	Boiler, Turbine and Generator.
CEA	Central Electricity Authority.
CECB	Chhattisgarh Environment Conservation Board.
CERC	Central Electricity Regulatory Commission.
Cusec	Cubic foot per second.
CSEB	Chhattisgarh State Electricity Board.
CuM	Cubic Meter.
DG	Diesel Generator.
DPR	Detailed Project Report.
EPC	Engineering, Procurement and Construction.
EIA	Environmental Impact Assessment.
Electricity Act	Electricity Act, 2003, as amended.
GAIL	Gas Authority of India Limited.
GMDC	Gujarat Mineral Development Corporation Limited.
IEA	International Energy Agency.
IGCC	Integrated Gasification Combined Cycle.
IPP	Independent Power Producers.
kV	kilovolt.
kVA	kilovolt Ampere.
MSETCL	Maharashtra State Electricity Transmission Company Limited.
MLD	Million Liters per Day.
MIDC	Maharashtra Industrial Development Corporation.
MoC	Ministry of Coal.
MoEF	Ministry of Environment and Forests.
MoP	Ministry of Power.
MOU	Memorandum of Understanding.
MTPA	Million Tonnes Per Annum.
MU	Million Units.
MW	Megawatt.
NEP	National Electricity Policy.
NTP	National Tariff Policy, 2006.
O&M	Operation and Maintenance.
PLF	Plant Load Factor.
PPA	Power Purchase Agreement.
RES	Renewable Energy Source.
ROR	Rate of Return.
RRVPNL	Rajasthan Rajya Vidyut Prasaran Nigam Limited.
SEB	State Electricity Board.
SERC	State Electricity Regulatory Commission.
SPV	Special Purpose Vehicle.
T&D	Transmission and Distribution.
U.I.	Unscheduled Interchange.

Other Abbreviations/Terms

Abbreviation	Full Form
AGM	Annual general meeting.
Air Act	Air (Prevention and Control of Pollution) Act, 1981, as amended.
AS	Accounting Standards as issued by the Institute of Chartered Accountants of India.
CAGR	Compound Annual Growth Rate.
DIPP	The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.
EGM	Extraordinary general meeting.
EPS	Earnings per share.
ESI	Employee's State Insurance.
ESIC	Employee's State Insurance Corporation.
ESOP	Employee Stock Option Plan.
FCNR Account	Foreign Currency Non-Resident Account.
FDI	Foreign Direct Investment.
FIPB	The Foreign Investment Promotion Board of the Government of India.
GDP	Gross Domestic Product.
GoI/Government	The Government of India.
HUF	Hindu Undivided Family.
IPO	Initial Public Offering.
I.T. Act	The Income Tax Act, 1961, as amended.
I.T. Rules	The Income Tax Rules, 1962, as amended.
NAV	Net Asset Value.
NRE Account	Non-Resident External Account.
NRO Account	Non-Resident Ordinary Account.
p.a.	Per annum.
PAN	Permanent Account Number.
P/E Ratio	Price/Earnings Ratio.
PLR	Prime Lending Rate.
RBI	The Reserve Bank of India.
RoNW	Return on Net Worth.
SICA	The Sick Industrial Companies (Special Provisions) Act, 1985, as amended.
TAN	Tax Deduction and Collection Account Number.
U.K.	The United Kingdom of Great Britain and Northern Ireland.
U.S.	The United States of America.
Water Act	The Water (Prevention and Control of Pollution) Act, 1974, as amended.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless indicated otherwise, the financial data in this Red Herring Prospectus is derived from our restated consolidated financial statements prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Guidelines. Our fiscal year commences on April 1 and ends on March 31, so all references to a particular fiscal year are to the 12-month period ended March 31 of that year. In this Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. There are significant differences between Indian GAAP, IAS/IFRS and U.S. GAAP; accordingly, the degree to which the Indian GAAP financial statements included in this Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines. Any reliance by persons not familiar with Indian accounting practices, Indian GAAP, the Companies Act and the SEBI Guidelines on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited. The Company has not attempted to quantify those differences or their impact on the financial data included herein, and you should consult your own advisors regarding such differences and their impact on our financial data.

Unless otherwise specified or the context otherwise requires, all references to "India" in this Red Herring Prospectus are to the Republic of India and all references to the "US" or the "U.S." or the "USA" or the "United States" are to the United States of America, 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. All references to "$", "US$", "U.S.$", "USD", "U.S. Dollar(s)" or "US Dollar(s)" are to United States Dollars, the official currency of the United States of America and all references to GBP or "£" are to Pound Sterling, the official currency of the United Kingdom.

Rs.1.00 crore=Rs.10.00 million
Rs.1.00 lakh=Rs.0.10 million

Exchange Rates

This Red Herring Prospectus contains translations of certain U.S. Dollar, GBP and other currency amounts into Indian Rupees (and certain Indian Rupee amounts into U.S. Dollars, GBP and other currency amounts). These have been presented solely to comply with the requirements of Clause 6.9.7.1 of the SEBI Guidelines. These translations should not be construed as a representation that such Indian Rupee or U.S. Dollar, GBP or other currencies could have been, or could be, converted into Indian Rupees, as the case may be, at any particular rate or at all. Unless otherwise specified, all currency translations provided herein have been made based on the RBI reference rate specified at March 31, 2008 which was US$1.00=Rs. 39.97 and £1.00=Rs. 79.53. *(Source: Reserve Bank of India as of March 31, 2008 available at www.rbi.org.in/scripts/ReferenceRateArchive.aspx)*

Industry and Market Data

Unless stated otherwise, industry data used in this Red Herring Prospectus has been obtained from industry publications and certain public sources. Industry publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that the industry data used in this Red Herring Prospectus is reliable, it has not been verified by us or any other independent source.

Further, the extent to which the market and industry data presented in this Red Herring Prospectus 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 we conduct our business, and methodologies and assumptions may vary widely among different industry sources.

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward looking statements". These forward looking statements can generally be identified by words or phrases such as "will", "aim", "will likely result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions.

Similarly, statements that describe our objectives, strategies, plans or goals are also forward-looking statements. All of these forward looking statements are based on our current plans and expectations and are subject to a number of risks, uncertainties and assumptions about us that could significantly affect our current plans and expectations, cause actual results and our future financial condition and results of operations to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from the Company's expectations include, among others:

- Our inability to successfully implement our projects, strategy and expansion plans;
- Our inability to estimate our future performance because of limited operating history and our inability to effectively manage growth;
- Construction, financial, operational and technical risks inherent to our projects and our inability to implement our projects within estimated timelines and costs;
- Our inability to anticipate potential risks or delays involved in the planning and execution of various ancillary and support infrastructure that facilitates uninterrupted operations of our power plants;
- Unavailability of raw material (water/fuel/any other raw material) for our current and proposed power plants or availability of inferior quality fuel or fuel at exorbitant costs;
- Our reliance on government or the performance of government-controlled entities for major areas of our business execution, raw materials and costs and revenues;
- Our inability to raise requisite funding for capital expenditure, including for development activities and implementation of our new projects;
- Our inability to finance our indebtedness as it comes due and our inability to comply with restrictive covenants under such indebtedness and still manage our business growth;
- Failure of our offtakers to fulfill their payment obligations under the relevant PPAs or our inability to enforce contractually obtained securities against such defaults;
- Our inability to establish new offtake arrangements;
- Delays or problems in the acquisition of land and other resettlement and rehabilitation issues;
- Our inability to obtain necessary environmental and government clearances, in time or at all;
- Our inability to anticipate trends and manage changes or shortages in the supply of skilled or unskilled labor or technology and our dependence on certain key skilled and qualified professionals;
- Our inability to anticipate and mitigate potential project delays as a result of interruptions by non-governmental organizations and labor unions/associations and local communities;
- Our inability to identify and develop relationships with various power equipment suppliers, engineering, procurement and construction ("EPC") and operations and maintenance ("O&M") contractors from time to time;
- Our inability to rectify or take significant corrective actions on EPC contractor deliveries and workmanship or enforce reasonable damages on such contractors;
- Changes in competitive conditions, potential mergers, acquisitions and restructuring resulting in increased competition;
- Increasing competition in and the conditions of our clients, suppliers and power generation and trading;
- Changes in demand and supply of Indian electricity markets;
- Changes in foreign exchange control regulations;
- Changes in technologies, environmental laws and regulations including green energy support that could adversely affect certain of our power plants and their economics;
- Changes in laws and regulations that apply to our clients, suppliers and the power generation and trading sectors;

- Foreign exchange variations in rates, international equity/debt markets, equity prices and other rates and prices;
- The continued availability to us of tax benefits;
- Possible contingent liabilities and uninsured losses;
- General economic and business conditions in India and monetary and interest policies of India, inflation, deflation and unanticipated turbulence in interest rates;
- Changes in political conditions in India;
- Natural calamities including earthquakes, floods, fires and drought in India impacting our projects or the general economy; and
- Adverse weather and natural disasters.

For a further discussion of factors that could cause our actual results to differ from our expectations, see the sections “Risk Factors”, “Our Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on pages 11, 105 and 294, respectively, of this Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Forward looking statements speak only as of the date of this Red Herring Prospectus. Neither the Company, its Directors and officers, the Underwriters, nor any of their respective affiliates or associates 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, the Company and the Book Runners will ensure that investors in India are informed of material developments until such time as the final listing and commencement of trading of the Equity Shares allotted pursuant to the Issue on the Stock Exchanges.

SECTION II: RISK FACTORS

RISK FACTORS

An investment in our Equity Shares involves a high degree of risk. You should consider all information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. If any of the following risks or any of the other risks and uncertainties discussed in this Red Herring Prospectus actually occur, our business, financial condition and results of operations could suffer, the trading price of our Equity Shares could decline, and you may lose all or part of your investment. These risks and uncertainties are not the only issues that we face; additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also have a material adverse effect on our business, results of operations and financial condition.

Unless specified or quantified in the relevant risk factors below, we are not in a position to quantify the financial or other implication of any of the risks described in this section. The numbering of risk factors is provided solely for convenience.

Internal Risk Factors

1. ***There is a criminal case against our Director and Promoter.***

   Mr. S. Kishore, a Director and a Promoter, has been named as a respondent in a complaint filed by DCM Financial Services Limited against Nucor Wires Limited relating to dishonor of cheques pending before the additional chief metropolitan magistrate at New Delhi. For further details, see the section "Outstanding Litigation and Material Developments" beginning on page 336 of this Red Herring Prospectus.

2. ***We have limited experience in developing and operating large power projects and managing the high level of growth we project for our business.***

   While we currently have three power plants that are operational (aggregating 144 MW of power), we have two power projects that are under construction and are expected to be commissioned prior to December 2009 (aggregating 675 MW of power), three power projects under development for which we have either secured debt financing or received term sheets and are in the process of negotiating debt financing arrangements (aggregating 1,973 MW of power) and five power projects (including the Kameng Basin project which comprises seven power stations) that are planned (aggregating 6,345 MW of power). We have not commissioned power projects that are capable of generating 8,993 MW of power, comprising approximately 98% of our current total expected power generation capacity. Our power projects that are not commissioned are large-scale power projects ranging from a power generation capacity of 135 MW to 1,800 MW. Thus, we do not have the experience that demonstrates our ability to develop and manage large-scale power projects including our ability to manage the growth of our business at the rate we project for the next few years. In addition, we are in the process of acquiring land, procuring environmental approvals, entering into financial agreements and obtaining detailed project reports for our planned projects. Any inability to effectively manage and operate our operational power plants or develop or operate our under development or planned power projects could adversely affect our business, prospects, financial condition and results of operations. Please see below a summary of our power projects:

Status of Projects	Number of Projects	Aggregate Existing/ Proposed Installed Capacity (MW)
Operational	3	144
Projects under construction and are expected to be commissioned prior to December 2009	2	675
Power projects under development	3	1,973
Planned power projects	5	6,345
Total	**13**	**9,137**

Development of new projects: The development of new projects involves various risks, including among others, regulatory risk, construction risk, financing risk and the risk that these projects may prove to be unprofitable. In addition, we may need to undergo changes to our operations as a result of developing new projects, in order to integrate the projects into our business, and to ensure that the new projects comply with conditions under our power purchase agreements ("PPAs") and other agreements. Entering into any new project may pose significant challenges to our management, administrative, financial and operational resources. We cannot provide you any assurance that we will succeed in any new project or that we will recover our investments. Any failure in the development, financing or operation of any of our new projects may adversely affect our business prospects, financial condition and results of operations.

3. ***Our power projects have long gestation periods before they become operational and we realize any benefits or returns on investments.***

We operate commissioned power plants capable of generating 144 MW of power and we have power projects at various stages of planning and development, capable of generating an additional 8,993 MW of power. These under development and planned plants have long gestation periods of typically three to five years, due to the process involved in commissioning power projects. This process typically includes the process of applying for and obtaining government approvals, including permission for acquiring land, environmental approvals and approvals for the use of water, entering into fuel supply agreements, evacuation agreements, financing agreements, raw material agreements and obtaining detailed project reports, after which the construction process can commence. Further, power plants typically require months or even years after being commissioned before positive cash flows can be generated, if at all. As a result, the probable impact of our under development or planned power projects on our financial performance is difficult to evaluate. In addition, given the amount of developmental activity in the power sector in India, the commercial viability of our power projects that are not operational may need to be re-evaluated and we may not be able to realize any benefits or returns on investments as estimated.

The scheduled completion dates for our projects are estimates and are subject to delays and other risks, including, among other things, contractor performance shortfalls, unforeseen engineering problems, disputes with workers, force majeure events, unanticipated cost increases or changes in scope and delays in obtaining certain property rights, fuel supply and government approvals and consents, any of which could give rise to delays, cost overruns or the termination of a project's development and/or a breach of the financial covenants imposed by our lenders. For example, the tubes of the boilers for the 43 MW Arasmeta power plant failed during testing, resulting in delays and cost overruns. While we may seek to minimize the risk from contractor performance by including liquidated damages, guarantees and warranties in our contracts for delays and sub-standard workmanship and shortfall in performance, we cannot ensure that all potential liabilities are covered or that the damages that may be claimed from such contractors will be adequate to cover any cost over-runs and any loss of profits resulting from such delays, shortfalls and disruptions.

There can be no assurance that these projects will be completed in the time expected, or at all, or that their gestation periods will not be affected by any or all of these factors. In addition, failure to complete a project according to its original specifications or schedule, if at all, may give rise to potential liabilities and could render certain benefits available under various government statutes, such as deduction of 100% of the profits derived from power generation being unavailable and concessional customs duties on imports being unavailable, as a result of which our returns on investments may be lower than originally expected.

4. ***We have completed a restructuring with LB India Holdings Mauritius I Limited ("LB India") and our Promoter Group, as a result of which our historical financial results will not be comparable to our financial results going forward.***

We have completed a restructuring with LB India and our Promoter Group on January 20, 2008 (the "Restructuring"). Pursuant to the Restructuring, we have reorganized our corporate structure, divested our shareholding from three of our operational power plant special purpose vehicles ("SPVs"), Coromandel Electric Company Limited (the "Coromandel SPV"), RVK Energy Private Limited (the "RVK SPV") and Kasargod Power Company Limited (the "Kasargod SPV") and transferred certain assets including investments in Athena Projects Private Limited as well as our investments in and our investment management services to the "Small Is

Beautiful" Fund, a fund that invests in companies involved in the power and allied sectors. The Coromandel SPV, the RVK SPV and the Kasargod SPV generated a total income of Rs. 44.50 crore, Rs. 27.63 crore and Rs. 29.48 crore, respectively, on a standalone basis for the fiscal year 2007. These SPVs contributed 34.46%, 14.89% and 15.88%, respectively, of our total income on a consolidated basis for the fiscal year 2007. The Coromandel SPV, the RVK SPV and the Kasargod SPV generated a net profit of Rs. 8.99 crore, Rs. 2.13 crore and Rs. 3.89 crore, respectively, on a standalone basis for the fiscal year 2007. These SPVs contributed 34.24%, 5.64% and 10.30%, respectively, of our net profit on a consolidated basis for the fiscal year 2007. For more details on the impact these divested SPVs had on our consolidated financial results, please see "Financial Statements - Notes to Consolidated Accounts" and "Management's Discussion and Analysis of Financial Condition and Results of Operation" beginning on pages 243 and 294 of this Red Herring Prospectus. In addition to this divestment, we acquired 100% of the shareholding of KSK Electricity Financing India Private Limited ("KEFIPL"), previously a joint venture entity in which we held a 51% voting interest. Through this acquisition we have acquired four indirect Subsidiaries and the Sitapuram Power Limited (the "Sitapuram SPV"). For details of the Restructuring, see the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments" beginning on page 297 of this Red Herring Prospectus.

The Restructuring will have a significant impact on our future profitability. KEFIPL, which was a joint venture entity prior to the Restructuring, and is now a Subsidiary is reflected in our historical financial results as a subsidiary in accordance with Indian GAAP. Also, our restated consolidated financial statements, appearing in this Red Herring Prospectus, will not be indicative or representative of our future profitability.

For details of the Restructuring, see the sections "History and Certain Corporate Matters – Material Agreements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 187 and 294, respectively, of this Red Herring Prospectus. Investors should not construe our historical financial statements contained in this Red Herring Prospectus as reflecting our results of operation going forward.

5. ***There has been a regrouping in the presentation of share capital in our consolidated financial statements for the fiscal years 2007, 2006, 2005 and 2004.***

In the Draft Red Herring Prospectus filed with SEBI, the share capital presented under the restated consolidated financial statements included the share of preference share capital held by third parties in the JV entities. However, for the year ended March 31, 2008, the share of preference share capital held by third parties in the JV entities has been classified under "Minority Interest & Preference Share Capital of Joint Venture Entities". This reclassification has been made to better present the share capital on a consolidated basis and is in accordance with generally accepted accounting priniciples. To conform to this classification, the figures for the years ended March 31, 2004, March 31, 2005, March 31, 2006 and March 31, 2007, which were earlier presented under "Share Capital" have been now classified under "Minority Interest & Preference Share Capital of Joint Venture Entities". The reclassification has no impact on our profits. The impact of the reclassification on the share capital presented in the restated consolidated financial statements contained in this Red Herring Prospectus is given below:

(Rs.in lakhs)

Name of the SPV	As at March 31, 2007	As at March 31, 2006	As at March 31, 2005	As at March 31, 2004
In Sitapuram SPV held by Zuari Cement Limited	(179.52)	–	–	–
In Coromandel SPV held by captive consumers	(959.48)	(213.25)	(109.25)	–
In KEFIPL held by LB India	(820.00)	–	–	–
In Kasargod SPV held by Standard Chartered Bank	–	(259.01)	(259.01)	(259.01)
Total	**(1,959.00)**	**(472.26)**	**(368.26)**	**(259.01)**

For further details, please see "Financial Statements" beginning on page 227 of this Red Herring Prospectus.

6. ***Our inability to manage growth could disrupt our business and reduce our profitability.***

A principal component of our strategy is to continue to grow by expanding the size and scope of our existing business, as well as the development of new power projects and acquisition of other power projects. This growth strategy will place significant demands on our management, financial and other resources. It will require us to continuously develop and improve our operational, financial and internal controls. Continuous expansion increases the challenges involved in financial management, recruitment, training and retaining high quality human resources, preserving our culture, values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. Our restated consolidated total income increased to Rs. 357.95 crore for the fiscal year 2008 from Rs. 33.55 crore for the fiscal year 2005 and our Company's restated standalone total income increased to Rs. 169.68 crore for the fiscal year 2008 from Rs. 8.59 crore for the fiscal year 2005. Our Company's profit after tax, on a consolidated basis, increased to Rs. 108.65 crore for the fiscal year 2008 from Rs. 6.51 crore for the fiscal year 2005 and our Company's profit after tax, on a standalone basis, increased to Rs. 101.31 crore for the fiscal year 2008 from Rs. 3.52 crore for the fiscal year 2005. An inability to manage such growth could disrupt our business prospects and adversely affect our results of operations.

7. ***Our projects require significant capital expenditure and if we are unable to obtain the necessary funds on acceptable terms, or at all, we may not be able to operate our projects and our business may be adversely affected.***

The development of power projects is a capital intensive business and our projects require significant additional capital. Our total estimated project cost in respect of our eight under development and planned power projects is Rs. 34,900.0 crore. We estimate we will need to raise Rs. 26,200.0 crore in debt and Rs. 8,700.0 crore as equity to finance these projects. If we are unable to obtain the necessary funds on acceptable terms, or at all, we may not be able to operate our projects. The funding requirement and project costs for our projects are based on management estimates. The implementation of our projects is subject to a number of variables, and the actual amount of capital required to implement these projects may differ from our estimates. We cannot guarantee that the funding requirements of any particular project will not substantially exceed these estimates. In addition, due to the number of large-scale infrastructure projects currently under development in India and increased lending by banks and institutions to these projects, resulting in domestic funds not being available or being available on unattractive terms, we may be required to seek funding internationally, resulting in unattractive terms and conditions and exposure to higher interest rate and foreign exchange risks. If the funding requirements of a particular project increase, we will need to look for additional sources of finance, which may not be readily available, or may not be available on attractive terms, which may have an adverse effect on the profitability of that project.

Our ability to finance our capital expenditure plans is subject to a number of risks, contingencies and other factors, some of which are beyond our control, including tariff regulations, borrowing or lending restrictions, if any, imposed by the Reserve Bank of India (the "RBI") and general economic and capital market conditions. Furthermore, adverse developments in the Indian and international credit markets may significantly increase our debt service costs and the overall cost of our funds. There can be no assurance that we will be able to raise sufficient funds to meet our capital expenditure requirements and on terms acceptable to us. If we are unable to raise the capital needed to fund the costs of our projects, or experience any delays in raising such funds, there could be an adverse effect on our ability to complete these projects and on our revenues and profitability.

8. ***We may encounter problems relating to the operations of our SPVs.***

As a consequence of client requirements and to mitigate risks associated with projects, our current operations are conducted through 15 SPVs and in six of which we share equity participation with certain partners. As of March 31, 2008, we had invested approximately Rs. 753.03 crore, or 89.87% of the Company's total investments in these 15 SPVs. This trend is likely to continue in the future. Many significant decisions on the development model, revenues and costs are taken in close consultation with our partners and could be subject to extensive negotiations. Although we typically retain key rights with respect to control of the power projects indirectly by equity ownership and majority board presence, there can be no guarantee that any disagreement with our equity interest holders will be resolved in our favor. Also, the equity interest holders in these SPVs hold participatory rights, which entail a risk that significant decisions may not be resolved quickly and may require heavy negotiation. For example, under the shareholders agreement with Lafarge India Private Limited ("Lafarge") for the Arasmeta Captive Power Company Private Limited SPV (the "Arasmeta SPV"), the approval of the Lafarge representative is required at board and shareholder meetings for decisions including, further issue of equity capital, alteration of the memorandum of association and the articles of association of the Arasmeta SPV, restructuring the business of this SPV and capital expenditures in excess of Rs. 1.00 crore. In the event of a deadlock on a reserved matter, Lafarge has a put option against us to acquire all of their shares in the SPV, which if exercised, could have an adverse effect on our business, financial condition and results of operations.

If our equity interest holders fail to perform their obligations satisfactorily, the relevant SPV may be unable to perform adequately or deliver its contracted services. In this case, we may be required to make additional investments and/or provide additional services to ensure the adequate performance and delivery of the contracted services as we are subject to joint and several liability as a member of the SPV in most of our projects. We may also be required to purchase the other equity interest holders shares, but in such cases, we may not be able to enforce the equity interest holders obligations to transfer their equity holding to us for their performance failure. These additional obligations could result in reduced profits or, in some cases, significant losses for us. The inability of an equity interest holder to continue with a project due to financial or legal difficulties could mean that we may be required to bear increased and possibly sole responsibility for the completion of the project and bear a correspondingly greater share of the financial risk of the project.

Additionally, some of our shareholders' agreements, memoranda of understanding with state governments and coal supply and investment agreements with certain state mineral development corporations may require us to sell our entire shareholding or dilute our shareholding in such SPVs. For example, our shareholders' agreement with Zuari Cement Limited ("ZCL") for the Sitapuram SPV gives ZCL the option to require us to sell our entire shareholding in the Sitapuram SPV to ZCL or its nominees after the third anniversary of commercial operations of the Sitapuram power plant, which is March 1, 2011, the Government of Arunachal Pradesh ("GOAP") has the option to subscribe up to 11% of the shareholding in our Kameng Dam Hydro Power Private Limited SPV (the "Kameng Dam SPV"). Similarly, under the terms of the coal supply and investment agreement for our 1,800 MW coal-based thermal power plant at Wardha Chhattisgarh ("Wardha Chhattisgarh"), GMDC has the right to invest in the Wardha SPV to the extent of 26% of its total paid-up share capital at par value. Any transfer of our equity interests in such SPVs as indicated above, could reduce our income, cash flow and reduce our ability to meet with our operating expenses. For further details, please see "Our Business", and "Certain Business Agreements" beginning on page 105 and 135, respectively, of this Red Herring Prospectus.

In addition, in the event that we decide to terminate our relationship with our equity interest holders, we may be required to offer them a right of first refusal for all our equity holding in the SPV. There can be no assurance that we will be able to obtain a fair value for our equity holdings, or at all. In the event of any disagreements between us and our various equity interest holders regarding the business and operations of the SPVs, there can be no assurance that we will be able to resolve them in a manner that will be in our best interests, which could have an adverse effect on our business, financial condition and results of operations.

9. Our Company will also depend on dividends or other distributions from our SPVs for its cash flows.

Our Company has equity interests in operating companies that operate our power projects. Our Company's financial condition and results of operations will also depend on the dividends or other distributions it receives from our SPVs. These SPVs contributed, by way of such dividends and distributions, to 2.86%, 2.91% and 6.56% of our Company's restated standalone total income for the fiscal years 2008, 2007 and 2006, respectively. We currently have three operational power plants, two power projects that are under construction and eight power projects that are at various stages of development. Given that, we are looking to secure debt financing for eight of our power projects and considering the long gestation period involved in commissioning power projects, our Company does not expect to receive dividends or other distributions from a number of our SPVs in the near future. As a result, in the event of non-receipt of dividends or other distributions from these SPVs, our Company may have insufficient income and cash flows to declare and pay dividends to our shareholders or to meet our operating expenses.

10. ***We have substantial borrowings and intend to incur further borrowings in connection with the development of our power projects and may not be able to meet our obligations under these debt financing arrangements.***

As of March 31, 2008, our consolidated total indebtedness was Rs. 1,252.23 crore and the Company's standalone total indebtedness was Rs. 298.21 crore. This high degree of leverage (i) renders us more vulnerable to downturns in our business, which are subject to general economic conditions in India, inflation and other factors; (ii) limits our ability to obtain additional financing, if required; and (iii) limits our ability to refinance existing indebtedness on terms favorable to us. Any of these could have significant consequences on our business and results of operations, and consequently for our shareholders.

In addition, our lenders have certain rights to determine how we operate our projects, which, among other things, restrict our ability to raise additional debt or equity, pay dividends, make investments, engage in transactions with affiliates, sell assets or acquire other businesses. Upon a default in repayment, our lenders also have a right to convert debt into equity of our SPVs and as such take control of such SPVs. These debt obligations are secured by a combination of security interests over the assets of our SPVs and hypothecation of movables and future receivables. Our financing agreements also contain cross-default provisions, whereby a default of any of the covenants under a financing agreement would result in an acceleration of our repayment obligations under our debt facilities. For more information regarding our indebtedness, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus. There can be no assurance that we will be able to comply with these financial or other covenants in the future.

Our under development and planned power projects have a total estimated project cost of Rs. 34,900.0 crore. We intend to finance Rs. 26,200.0 crore of this cost through debt and therefore expect to incur substantial borrowings in the future. With respect to one of our projects, we have received sanction letters for term loans aggregating to Rs. 4,400 crore and in-principle sanction letters aggregating to Rs. 1,000 crore, which shall partly finance such projects. Our ability to meet our debt service obligations and to repay our outstanding borrowings will depend primarily upon the cash flow generated by our business. There can be no assurance that we will generate sufficient cash to enable us to service our existing or proposed borrowings, comply with covenants or fund other liquidity needs. Furthermore, adverse developments in the Indian credit markets or a reduced perception of our creditworthiness in the credit markets could increase our debt service costs and the overall cost of our funds. If we fail to meet our debt service obligations or financial covenants required under the financing documents, our lenders could declare us in default under the terms of our borrowings, accelerate the maturity of our obligations, enforce the security interest, take possession of the project assets or substitute themselves or their nominees under any document in relation to the project. There can be no assurance that, in the event of any such acceleration, we will have sufficient resources to repay these borrowings. Failure to meet our obligations under the debt financing arrangements could have an adverse effect on our cash flows, business and results of operations.

11. ***Increases in interest rates may adversely affect our results of operations.***

As we have incurred substantial floating interest rate debt, we are exposed to interest rate risk. As of March 31, 2008, our Company had floating interest rate indebtedness of Rs. 764.62 crore on a consolidated basis and Rs. 100.97 crore on a standalone basis. Our current debt facilities carry interest at floating rates with the provision for periodic reset of interest rates. We do not currently enter into any swap or interest rate hedging transactions in connection with such loan agreements to mitigate our interest rate exposure. Although, we may enter into interest rate hedging contracts or other financial arrangements in the future to mitigate our exposure to interest rate fluctuations, we cannot assure you, however, that we will be able to do so on commercially reasonable terms or any of such agreements we enter into will protect us fully against our interest rate risk. Any increase in interest rates may have an adverse effect on our business prospects, financial condition and results of operations.

12. ***Our Promoters will have the ability to determine the outcome of any shareholder resolution.***

After the completion of the Issue, our Promoters will hold approximately 55.24% of our outstanding Equity Shares. As a result, our Promoters will continue to exercise significant influence over corporate decisions and control over us, including the election or removal of our Directors, declaration of dividends and determination of other matters to be decided by our shareholders, including being able to determine decisions requiring 51% of the total voting power of the Company. Thus our Promoters may influence aspects of our business such as management decisions on strategy and operations by delaying, deferring or causing a change of our control or our capital structure, or by delaying, deferring or causing a merger, a consolidation, a takeover or other business combination involving us, or by discouraging or encouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us. As a result, our Promoters may take actions that may conflict with our interests or the best interests of our other shareholders.

13. ***The interests of our Promoters and our Promoter Group Companies may cause conflicts of interest in the operation of our business.***

There may be conflicts of interest between us and the other KSK Group companies, including companies in which our Promoters hold an equity interest or those which are controlled by our Promoters. Conflicts may arise in the ordinary course of our decision-making. Among other situations, conflicts may arise in connection with our negotiations and dealings with the KSK Group companies with respect to services that they provide to us and the arrangements that we may enter into with them. For example, our Promoter, KSK Energy, holds 100% of the shareholding in KSK Energy Company Private Limited, an entity that is a part of our Promoter Group. Pursuant to the Restructuring, KSK Energy Company Private Limited holds equity interests in the RVK SPV and the Kasargod SPV. These SPVs collectively generate approximately 41 MW of power. This could result in a conflict of interest between us and KSK Energy Company Private Limited, and our business strategy, positioning and operations could be adversely affected. In addition to the above, conflicts may also arise in the allocation of resources, including key personnel, contractors and intellectual property, between other KSK Group companies and us.

14. ***An affiliate of Lehman Brothers, one of the BRLMs, currently has and upon completion of the Issue will continue to have, a significant shareholding in the Company.***

Pursuant to a subscription agreement dated January 20, 2008 between the Company and LB India, LB India subscribed for 98,332,552 of the Company's Equity Shares at price of Rs. 34.55 per Equity Share, for an aggregate consideration of Rs. 339.7 crore (the "Investment"). LB India is an affiliate of Lehman Brothers Securities Private Limited, one of the BRLMs in the Issue. For details of the Investment, see the section "Management's Discussion and Analysis of Financial Condition and Results of Operations – Recent Developments" beginning on page 297 of this Red Herring Prospectus. LB India holds 31.57% of the Equity Shares prior to the Issue and will hold 28.41% of the Equity Shares immediately upon the completion of the Issue. In addition, certain other entities, mutually agreed upon by the Company and LB India, have acquired an aggregate of 4,633,157 of the Equity Shares at a price of Rs. 34.55 per Equity Share, for a total consideration of Rs. 16.00 crore and together, these entities hold approximately 1.49% of the Equity Shares prior to the Issue and will hold approximately 1.34% of the Equity Shares immediately upon the completion of the Issue. In addition, LB India, our Company and KSK Energy, a Promoter, have entered into a shareholders agreement dated January 20, 2008, and LB India and KSK Energy have entered into a voting rights agreement dated January 20, 2008, which grant certain rights to LB India. Pursuant to such agreements, as long as LB India owns 15% or more of the Company's issued share capital as on the date of LB India's subscription pursuant to the above subscription agreement, as such percentage is adjusted for any bonus issue or stock split, it has the right to appoint nominee directors on our Company's Board in proportion to its percentage of shareholding in the Company. LB India's right to appoint nominee directors on the Board is also set out in our Company's Articles of Association. In January 2008, Mr. Henry Klein was appointed to the Board as a nominee of LB India. LB India has given a right of first offer to KSK Energy if LB India seeks to transfer any Equity Shares, as long as LB India holds more than 15% of the equity share capital of the Company. KSK Energy has given LB India a tag along right if KSK Energy seeks to transfer any Equity Shares held by it. In addition, LB India has certain veto rights in respect of (i) any increase, reduction or modification of the share capital and (ii) any business restructuring, reorganization or diversification or any asset/investment sale in excess of Rs. 50 crore or other change of control (including new business initiatives and mergers or consolidations) of the Company. The veto rights will terminate upon the listing of the Equity Shares on the Stock Exchanges.

Upon the completion of the Issue, as a holder of more than 25% of our shareholding, LB India will have the ability to control the outcome of shareholder resolutions that require a three-fourth majority. The interests of

LB India may be different from our interests or the interests of our other shareholders. As a result, LB India may take actions with respect to our business that may not be in our or our other shareholders' best interests. By exercising its powers of control, LB India could delay, defer or cause a change of control or change in our capital structure, delay, defer or cause a merger, consolidation, takeover or other business combination involving us, discourage or encourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, which may be in our best interest, or in the best interest of our other shareholders.

In accordance with the SEBI Guidelines, the Equity Shares held by LB India will be subject to a one-year lock-in period commencing from the date of allotment of the Equity Shares in the Issue. However, there can be no assurance that LB India will not sell some or all of its Equity Shares either prior to the commencement of the lock-in period, which is until the date of allotment of Equity Shares in the Issue, or immediately upon the expiry of one year after the date of allotment of Equity Shares in the Issue. The sale of such Equity Shares, or the perception that such sales will occur, may adversely impact the Issue Price or the price of the Equity Shares trading in the market.

15. ***Our current operations and our expansion plans have significant fuel requirements and we may not be able to ensure that adequate fuel will be available to meet our power generation requirements.***

Once operational, our total power generational capabilities will include eight coal based power plants (aggregating 7,869 MW), one lignite based power plant (135 MW), one natural gas based power plant (58 MW) and three hydro-electric power projects (aggregating 1,075 MW). The success of our operations will depend on, among other things, our ability to source fuel at competitive prices for our thermal power plants. While we have entered into long-term fuel supply agreements with private companies and with certain state mineral development corporations, and have been allotted two lignite blocks, we have not secured fuel supplies for all our power projects. For example, we are currently negotiating with South Eastern Coalfields for an increase in coal supply for the 43 MW coal-based power project adjacent to the existing 43 MW power plant at Arasmeta, Chhattisgarh ("Arasmeta Expansion") and some of the fuel supply arrangements we have with certain state mineral development corporations are memoranda of understanding, which are not yet binding arrangements. Further, pursuant to a letter from GMDC to the Company dated May 30, 2008, GMDC has informed the Company that the coal supply and investment agreement for our Wardha Chhattisgarh power project is subject to government approval and that the relevant documents have been submitted to the government for its approval. In addition, each of our operational and upcoming power projects currently rely on, and will rely on single fuel suppliers for their entire fuel requirements through captive fuel supplies or long-term contracts. For details of the fuel arrangements for our projects see the section "Our Business" beginning on page 105 of this Red Herring Prospectus. Some of these fuel suppliers may have limited experience in exploiting coal blocks and may be operating in jurisdictions where they have limited or no operating histories. As a result, there can be no assurance of the performance capabilities, financial condition and continued commitment of our fuel suppliers.

This dependence on single fuel suppliers for each of our power projects exposes our power projects to serious vulnerabilities such as non-supply due to reserves depletion, pro-rata scaling down of supply to all consumers, onerous contractual terms (such as no penalties for short supply while enjoying the comfort of minimum guaranteed off-take or payments in respect thereof) and an inability to obtain alternative fuel at short notice. In the case of the natural gas supply arrangement with GAIL India Limited ("GAIL") for our 58 MW natural gas based power plant in Tamil Nadu ("Sai Regency"), the gas supply agreement expires in December 2010, with renewal to be mutually agreed between the parties and there can be no assurance that this gas supply agreement will be renewed on terms favorable to us, or at all. Additionally, we are currently negotiating an agreement with Coal India Limited for coal supply from Western Coalfields Limited for the Wardha Warora power project and are negotiating definitive fuel supply agreements with the Madhya Pradesh State Mining Corporation Limited and the Gujarat Mineral Development Corporation Limited for the KSK Narmada power project and the Wardha Naini power project, respectively. In case of any such non-renewal by GAIL, failure to enter into an agreement with Coal India Limited or failures to enter into definitive fuel supply agreements with the state mining development corporations mentioned above, we would need to make alternative arrangements in a timely manner and any delay could adversely affect revenues from our projects including revenues from the Sai Regency and Wardha Warora power projects and future revenues from the KSK Narmada and Wardha Naini power projects.

This dependence on single fuel suppliers for each of our power projects also limits our ability to seek legal recourse which can take several years and considerable expense to resolve, if at all. With respect to the fuel access arrangements with various state mineral development corporations, we may not be able to ensure that adequate fuel will be available to meet our power generation requirement. Further, the conversion of various memoranda of understanding with such state mineral development corporations into final binding agreements after negotiations could lead to additional costs and delays in the completion of our projects. Failure to obtain sufficient fuel supplies for any of our power projects will have an adverse effect on our business, financial condition and results of operations. There can be no assurance that we will be able to obtain gas or coal supplies in sufficient quantities and on commercially acceptable terms, or at all.

16. ***Estimates of coal reserves are subject to assumptions, and if the actual amounts of such reserves are less than estimated, our results of operations and financial condition may be adversely affected.***

We have entered into long-term fuel supply agreements with private companies and with multiple state mineral development corporations, and have been allotted two lignite blocks. Our lignite blocks and the blocks from which the state mineral development corporations source their coal are not operational and will require mining and exploration on our part. In addition, reserve estimates and the calorific value of the coal reserves of our fuel suppliers are based on various assumptions, such as interpretations of geological data obtained from sampling techniques and projected rates of production in the future. Further, these semi-explored blocks would require further confirmatory drilling based on which the actual reserves and production levels including the calorific values may differ significantly from the original estimates. The initial phase of development before production may take longer than we anticipate and could lead to delays in power project production schedules. The economic feasibility of exploiting a discovery may change as a result of changes in the market price for coal during the development period. If the quantity or quality of our fuel suppliers' coal reserves has been overestimated, we may have to source the required coal in the open market. Prices for coal in the open market may exceed the cost at which we currently obtain coal and may not be available at short notice, which would cause our costs to increase and cause delays in obtaining adequate fuel and consequently adversely affect our business, financial condition and results of operations.

17. ***Our success depends on the smooth supply of fuel, raw materials and water to our power projects which are subject to various uncertainties and risks.***

We depend on various forms of transport, such as roadways, railways and pipelines to receive fuel, raw materials and water during the construction and operation of our power projects. For example, we are dependent on the uninterrupted supply of coal and water to our power plants in order to generate power on a continuous basis. Similarly, during the construction of our power projects, we are dependent on the supply of cement, steel, plant and machinery in order to construct our various projects. The building of transportation infrastructure entails obtaining approvals, rights of way and development by the Government or the state governments and their nominated agencies. As a result, we will have no control over the construction, operation and maintenance of the transportation infrastructure. There can be no assurance that such transportation infrastructure will be constructed in a timely manner, operated on a cost effective basis and maintained at adequate levels, which will impact the estimated commissioning dates for our under development or planned projects. Also, the amount of water that our operational and under development or planned power projects are entitled to consume, pursuant to water supply agreements we have entered into for such projects, is often subject to the availability of excess water. In the event of water shortages, our power projects may be required to reduce their water consumption, which would reduce their power generation capability.

In addition, for our Arasmeta Expansion project, we have been mandated by the off-taker to develop dedicated backup evacuation infrastructure for which we have not secured the necessary permissions, including the rights of way. Similarly, extensive transport infrastructure is required for the delivery of fuel, raw materials and water to our Wardha Chhattisgarh power project. Undertaking such development will require significant capital expenditure and active engagement with the Government and its agencies responsible for organizing transport infrastructure and related technologies.

There can be no assurance that these transportation facilities will be available or even adequate to support our operations or the construction of our power projects that are currently under construction, or in the future.

Further, disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in the road or rail infrastructure, or other events could impair the ability of our suppliers to deliver fuel and raw materials. We can provide no assurance that such disruptions due to the occurrence of any of the factors cited above will not occur in the future.

18. ***We may not be able to establish new off-take arrangements for our power projects on terms acceptable to us or at all.***

Once all our power projects are operational, we will have the ability to generate 9,137 MW of power. Of this amount, we have entered into 32 PPAs for approximately 637 MW of power and have not entered into PPAs for the remaining approximately 8,500 MW of power. While we have entered into short-term PPAs for some of our existing projects, our consumers may opt not to extend or renew these short-term PPAs with us upon their expiration. In addition, the PPAs may be terminated upon the occurrence of an event of default or due to certain special circumstances specified in such PPAs. There can be no assurance that we will be able to enter into off-take arrangements on short notice and on terms that are acceptable to us to ensure that our power projects under development will deliver power on a continuous basis and at higher margins to us, or at all. Failure to enter into or renew off-take arrangements in a timely manner and on terms that are acceptable to us could adversely affect our business, financial condition and results of operations. For further details on the off-take arrangements, see the section "Our Business" beginning on page 105 of this Red Herring Prospectus.

19. ***The structure of our off-take agreements may expose us to certain risks.***

We have entered into long-term PPAs for certain of our operational power plants and intend to enter into additional long-term PPAs for our power projects that are under development or planned. Under a long-term PPA, we typically sell power generated from a power plant to the consumers at pre-determined tariffs. In the power generation business, there are often restrictions on a company's ability to, among other things, increase prices at short notice, sell interests to third parties and undertake expansion initiatives with other consumers. Accordingly, if there is an industry-wide increase in tariffs, we will not be able to renegotiate the terms of the PPAs to take advantage of the increase in tariffs. In addition, in the event of costs of coal, transportation, taxes, duties and other increases in costs due to higher financing charges, we do not have the ability to reflect a corresponding increase in our tariffs. Therefore, the prices at which we supply power may have little or no relationship with the costs incurred in generating power, which means that our margins will fluctuate significantly. This limits our business flexibility, exposes us to an increased risk of unforeseen business and industry changes and could have an adverse effect on our business, prospects, financial condition and results of operations.

We also expect to enter into short-term PPAs, which may create additional variability in our revenues and could expose our business to risks of market fluctuations in demand and price for power. Risks associated with our PPAs could have an adverse effect on our business, prospects, financial condition and results of operations.

Under its coal supply and investment agreement with GMDC, the Wardha SPV has agreed to offer 1,010 MW of its annual power generation output to GMDC or, at the option of GMDC, to Gujarat Urja Vikas Nigum Limited ("GUVNL") at a price determined in accordance with the agreement. The Company and the Wardha SPV have entered into a memorandum of understanding with the Government of Chhattisgarh ("GOC") and CSEB, dated February 15, 2008, to facilitate the project development activities relating to the Wardha Chhattisgarh power project. Under this memorandum of understanding, we are required to provide 7.50% of the net power generated to GOC or its nominated agency, on an annualized basis, at variable energy prices determined by the relevant electricity regulatory commission. Over and above this power, GOC or its nominated agency shall have the first right to purchase 30% of the aggregate generating capacity of the power plant at a price determined by the relevant electricity regulatory commission for a period of 20 years.

Further, under the memoranda of understanding with the GOAP for our hydro-electric power projects, we are required to provide free power to the GOAP up to 14% of the total power generated. Over and above this free power, the GOAP shall have the first right to purchase power generated from the project. In the future, similar arrangements with governmental entities may also have onerous terms, which could adversely affect our business, financial condition and results of operations.

20. The terms of our off-take arrangements may not match the terms of our financing arrangements.

The duration of our off-take arrangements may not match the duration of the related financing arrangements and we may be exposed to refinancing risk. In the event of an increase in interest rates, our debt service cost may increase at the time of refinancing our loan facilities and other financing arrangements, but our revenues under the relevant PPA may not correspondingly increase. In addition, a PPA may expire or be terminated and we may not have sufficient revenues to meet our debt service obligations or be able to arrange sufficient borrowings to refinance those obligations on commercially acceptable terms, or at all. This mismatch between the financing arrangements and the corresponding PPAs may adversely affect our business, financial condition and results of operations.

21. Certain of our agreements contain onerous terms.

We enter into agreements with various state governments, state utility companies and industrial consumers. Some of the terms under these agreements are onerous and require us to undertake certain responsibilities and meet with certain conditions that may or may not be beneficial to our business. For example, under the memorandum of understanding with the GOC and CSEB to facilitate the project development activities relating to the Wardha Chhattisgarh power project, we are required to pay all rehabilitation and resettlement costs in connection with the development of the power project and employ people from the State of Chhattisgarh in accordance with the policies of the GOC. In addition, we are required to earmark certain amounts for environmental upgradation and social upliftment of the surrounding villages. Similarly, for KSK Dibbin Hydro Power Private Limited (the "Dibbin SPV"), 50% of the jobs at various levels in the Dibbin SPV shall be reserved for local tribal people. In addition, we are required to earmark certain amounts for social work in accordance with the National Policy on Rehabilitation and Settlement, 2003, adhere to local state laws and are required to make a deposit per unit of power generated to the welfare funds of the state governments for the benefit of the local population. In addition, some of our captive PPAs contain onerous terms with which we must comply, such as the maintenance of private limited company status for our SPVs, which we may not be able to comply with as a listed public company. If we are unable to satisfy any or all of the conditions as specified, we may be in violation of the terms of these agreements, have to undergo heavy negotiation that may not be fruitful and ultimately be adversely affected in our ability to develop these power projects. For further details on the terms of these agreements, see "Business", "History and Certain Corporate Matters" and "Certain Business Agreements" beginning on pages 105, 171 and 135, respectively, of this Red Herring Prospectus.

22. If we do not operate our facilities efficiently, we may incur increased costs, our revenues may be adversely affected and we may face penalties under the terms of the PPAs that we have or will enter into.

Our profitability is largely a function of how effectively we are able to manage our costs during the terms of our contracts and our ability to operate our power plants at optimal levels. If we are unable to manage our costs effectively or operate our power plants at optimal levels, our business prospects, financial condition and results of operations may be adversely affected. Also, as part of our commitment to our consumers under certain of our PPAs, we are committed to supply power in cases of deficit on account of the inoperation of the power plant. We would need to source power from alternate sources in such events, perhaps at substantially higher costs, which could affect our results of operations and business.

PPAs generally require a power supplier to guarantee certain minimum performance standards, such as power plant availability, generation capacity, net energy units as well as performance on heat rate and auxiliary consumption parameters. The tariffs we charge are also typically arrived at assuming a certain calorific value and heat rate and other technical factors including fixed fuel supply costs. If our facilities do not meet the required performance standards, our consumers will not reimburse us for any increased costs arising as a result of our power plants' failure to operate within the agreed norms, which in turn may affect our results of operations. Part load operations can result in significantly higher heat rates for the generating station and consequently higher fuel consumption which cannot be passed through to the customers, thus affecting profit margins.

In addition to the performance requirements specified in our PPAs and other agreements, national and state regulatory bodies and other statutory and government mandated authorities may from time to time impose minimum performance standards upon us. Failure to meet these requirements could expose us to the risk of penalties. In addition, we may not receive certain agreed upon incentives that may adversely affect our revenues.

23. ***Changes to tariff regulations may adversely affect our results of operations and our cash flow from operations.***

The statutory and regulatory framework for the power sector in India has changed significantly. Power tariffs in India are currently established through competitive bidding or determined by central or state regulators. Although we expect that tariffs with respect to some of the power plants will be determined through a process of competitive bidding, it is possible that some projects we develop in the future will be subject to central or state tariff regulation or will be subject to tariff anticipation and negotiation by beneficiary states (where power plants are located or states whose mineral development corporations have entered into agreements with us for fuel supply). Also, with a significant part of our current power off-take arrangements being with industrial consumers, any adverse regulations by the state or central regulators on the availability-based-tariff regime and time-of-day charge regimes could have an impact on our pricing strategies, could potentially reduce our revenues, business and profitability. Under the Electricity Act, 2003, state governments have inherent powers to regulate, although the primary function is that of the Central Electricity Regulatory Commission, and in case of shortage of power in the state where our projects could be located, the states may impose restriction on sale of power to parties outside the state, thereby creating shortfall in performance of our power supply obligations as well as loss of potential opportunities.

24. ***We may face revenue realization risks from our existing and future consumers.***

Currently, approximately 85% of the total capacity generated from our operational power plants is sold to our captive consumers, while the remaining is sold as surplus sales to state owned distribution companies. For the fiscal year 2008, 94.40% of our restated consolidated income was generated from sales to these captive consumers while our Company generated no income on a restated standalone basis from these consumers for fiscal 2008. Going forward, we believe a significant part of our revenues may be derived from sale of power to state-owned distribution companies, their successor distribution companies and other public and private procurers. There can be no assurance that these entities will be able to pay us at all times in a timely fashion, if at all. We are also exposed to the risks associated with entering into arrangements with other public and private buyers of our power with weak credit histories, including industry consumers. Currently, we have entered into PPAs for approximately 637 MW of power and have not entered into PPAs for the remaining 8,500 MW of power we will be able to generate once all our power projects are operational. Any change in the financial position of our current or future consumers that adversely affects their ability to pay us may adversely affect our own financial position and results of operations.

25. ***Our ability to increase revenues depends to a certain extent on the existence of transmission infrastructure with sufficient capacity to transmit the generating capacity of our operational power plants and under development and planned power projects.***

Evacuation or “wheeling” power from each of our power projects to our consumers poses significant challenges due to transmission constraints. Evacuating power to the nearest sub-station is either our responsibility or the responsibility of a procurer, depending upon the arrangements made for a particular project. Further evacuation infrastructure from the sub-station to high voltage transmission lines needs to be made available by the relevant authorities. For example, our Sai Regency power plant was unable to supply power at optimum levels due to inadequate evacuation infrastructure from the sub-station to the high voltage transmission line at the time the power plant was commissioned. If such transmission lines are not made available by the time our power projects are ready to commence operation, it could adversely affect our financial position and results of operations.

In addition, we are undertaking the development of three hydro-electric power projects that are located in the Kameng Basin in the State of Arunachal Pradesh, a remote area with inhospitable terrain and extreme weather conditions. Facilities to wheel power from these hydro-electric power projects currently do not exist. Furthermore, a significant part of the transmission infrastructure in the States of Arunachal Pradesh, Orissa and Chhattisgarh are currently either under development or do not exist. There can be no assurance that there will be adequate evacuation infrastructure in place by the time we are ready to commission our under development or planned power projects, or at all.

If these transmission constraints continue, the electricity that off-takers, distribution utilities and other large purchasers purchase from us could be adversely affected. As a result, any transmission constraints could have an adverse effect on the level of revenues we generate from our power generation business.

26. ***Several of our large capacity projects are geographically concentrated.***

Once all our power projects are commissioned, we shall have three coal-based power plants in the State of Chhattisgarh (aggregating 3,686 MW), two coal-based power plants in the State of Orissa (aggregating 3,600 MW) and three hydro-electric power projects in the State of Arunachal Pradesh (aggregating 1,075 MW), which will aggregate to approximately 92% of our total capacity while our remaining power plants will be spread across other states in India (aggregating 776 MW). Any significant social, political or geological disruption in the States of Chhattisgarh, Orissa and Arunachal Pradesh, or changes in the state or local governments, even on a short term basis, could impair our ability to meet our obligations under the PPAs and other agreements on a timely basis, which could have an adverse effect on our business and results of operations.

27. ***The operations of our power plants may be adversely affected by any breakdown of equipment, civil structure and / or transmission systems including grid failures.***

The breakdown or failure of generation equipment, civil structure or other equipment can disrupt generation of electricity by any of our power plants and result in performance being below expected levels. In addition, the development or operation of our power projects may be disrupted for reasons that are beyond our control, including explosions, fires, earthquakes and other natural disasters, breakdown, failure or sub-standard performance of equipment, improper installation or operation of equipment, accidents, operational problems, transportation interruptions, other environmental risks, and labor disputes. Further, any breakdown or failure of transmission systems can disrupt transmission of electricity by our power plants to the applicable point of evacuation. In the event that we fail to supply the minimum guaranteed power at the delivery points specified in our PPAs, in terms of our "supply or pay" obligations under such PPAs, we may be required to pay for the deficient minimum guaranteed power or the cost differential for the power procured by the consumer from alternate sources. For further details, please see "Certain Business Agreements" beginning on page 135 of this Red Herring Prospectus. A breakdown in one of our larger power plants such as the Wardha Chhattisgarh, KSK Narmada, JR Power or Wardha Naini power plants, each of which will account for approximately 20% of our total future power generational capabilities, could have an adverse impact on our business, financial condition and results of operation.

Power generation facilities are also subject to mechanical failure and equipment shutdowns. In such situations, undamaged units may be dependent on or interact with damaged sections or units and, accordingly, will also be shut down. We rely on sophisticated and complex machinery built by third parties that may be susceptible to malfunction. Although, in certain cases manufacturers are required to compensate us for certain equipment failures and defects and we typically have 12 to 18 month workmanship warranties in our contracts, such arrangements may not fully compensate us for the damage that we suffer as a result of equipment failures and defects or penalties under our agreements with our consumers and do not generally cover indirect losses such as loss of profits or business interruption. If such events occur, the ability of our power plants to supply electricity to off-takers may be adversely affected. In the event any power generation facility is significantly damaged or forced to shut down for a significant period of time, this would have an adverse effect on our business, financial condition and results of operation.

28. ***We depend on a limited number of contractors or specialist agencies to develop and operate our projects, some of whom supply sophisticated and complex machinery to us.***

We depend on the availability and skills of a limited number of third party contractors for the development, construction and operation and maintenance of our power projects. For example, we have entered into operations and maintenance agreements with Operational Energy Group India Private Limited for our 43 MW Arasmeta power plant and our 58 MW Sai Regency power plant and with Enmas O&M Services Private Limited for our Sitapuram power plant, which constitute all of our operational power plants. In addition, we have sourced all our turbines and generators for our operational power plants from Bharat Heavy Electricals Limited. Additionally, for our projects under construction, we have entered into EPC agreements with SEPCOIII Electric Power Construction Corporation and Sichuan Electric Power Design & Consultancy Company Limited who in turn have sourced four boilers and five turbines from Dongfang Electric Corporation, four generators from Harbin Electric Power Company and four cooling towers from BGR Energy Limited.

Our Wardha Chhattisgarh power project will consist of steam turbine generator units, along with its boilers and will require the following machinery, equipment and systems:

- boilers, turbines, generators and associated auxiliaries;
- coal handling equipment;
- ash handling equipment;
- a water treatment plant;
- electrostatic precipitators;
- an effluent treatment plant;
- a de-mineralization plant;
- a compressed air system;
- fire fighting systems;
- air conditioning and ventilation systems;
- transformers, switch yards;
- a water intake system;
- railway systems;
- power evacuation / transmission lines;
- distributed control systems;
- MCC and LT switch gear; and
- miscellaneous equipment including moveable properties.

In addition, we will need to invest in all necessary land development, civil, architectural and structural works and other support infrastructure for setting up and utilization of the power plant equipment outlined above.

While we have sought bids from international contractors and suppliers for our Wardha Chhattisgarh power project, we may appoint the contractors and suppliers indicated above, thereby increasing our dependence on them. This dependence on a limited number of contractors and suppliers exposes our power projects to vulnerabilities such as non-supply of spares and key equipment depletion, scaling down of supply and an inability to obtain alternative spares or equipment at short notice which will have an adverse effect on our business, financial condition and results of operations.

Additionally, we do not have direct control over the quality or timing of services, equipment or supplies provided by these contractors although we retain a supervisory role in overseeing their operations. In addition, as a result of increased industrial development in India in recent years, the demand for contractors with specialist design, engineering and project management skills and services has increased manifold, resulting in a shortage and increasing costs of such contractors. As a result, we may be unable to hire domestic or international contractors with significant India experience, a proper reference base, with an established track record and with adequate working capital facilities to complete construction, installation and commissioning of our projects. There can be no assurance that such skilled and experienced contractors will continue to be available at reasonable rates or at all and will be able to complete our projects within the schedules contemplated by us, and we may be exposed to risks relating to the quality or timing of their services, equipment and supplies. Concentration of imports from certain countries, including the People's Republic of China, which has recently been affected by a major earthquake that may adversely affect the ability of the Chinese contractors to supply us with our requirements or provide adequate service, can affect our business, including when there is a change in the political, social or economic factors in such country, leading to shut-down or longer gestation periods of our power plants for non-availability of spares or delays in equipment supplies.

In addition, we require the continued support of certain original equipment manufacturers, as mentioned above, to supply necessary services and parts to maintain our projects at affordable costs. If we are unable to procure the required services or parts from these manufacturers (for example, as a result of the bankruptcy of the manufacturer or a disruption in supplies), on the schedule contemplated, or from alternative sources, or at all, or if the cost of these services or parts exceeds the budgeted cost, there may be an adverse effect on our business, financial condition and results of operations.

29. Activities in the power generation business can be dangerous and can cause injury to people or property in certain circumstances.

The power generation business requires individuals to work under potentially dangerous circumstances, with volatile and often highly flammable materials and for hydro-electric power projects, in inhospitable terrain. If improperly handled or subjected to unsuitable conditions, high voltage electricity can hurt or kill employees or other persons and cause damage to our properties and the properties of others. This could subject us to disruptions in our business, legal and regulatory difficulties and costs and liabilities which could adversely affect our results of operations and our reputation.

In certain countries, there have been attempts by claimants to argue that the high-voltage transmission of electricity can have an adverse effect on the health of people who spend time near transmission infrastructure. If any such claim were to be brought against us and succeed, our business and financial condition could be adversely affected.

Our senior management team and technical staff often travel to our power projects. Often, our power projects are located in remote areas, which increases the risk of injury, as a result of lack of travel infrastructure or otherwise.

30. Our results of operations could be adversely affected by strikes, work stoppages or increased wage demands by our employees or any other kind of disputes with our employees.

We currently employ many employees at our power projects. There can be no assurance that we will not experience disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations. Furthermore, efforts by labor unions may divert management's attention and result in increased costs. We may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to union-initiated work stoppages, including strikes, which could adversely affect our business and results of operations.

We enter into contracts with independent contractors to complete specified assignments and these contractors are required to source the labor necessary to complete such assignments. Although we do not engage these laborers directly, it is possible under Indian law that we may be held responsible for wage payments or the provision of certain facilities to laborers engaged by contractors should the contractors default on wage payments. Any requirement to make such payments or provide such facilities may adversely affect our business, financial condition and results of operations.

31. Mining operations are subject to additional risks.

We have no experience in operating mining blocks. Mining operations are subject to hazards and risks normally associated with the exploration, development and production of natural resources, any of which could disrupt our operations or cause damage to persons or property. The occurrence of industrial accidents, such as explosions, fires, transportation interruptions and inclement weather as well as any other events with negative environmental consequences, could adversely affect our operations by disrupting our ability to extract minerals from the mines we operate or exposing us to significant liability. We may incur significant costs, which may not be adequately covered by insurance that could have an adverse effect on our results of operations and financial condition.

32. ***Variations in hydrological conditions, meteorological changes and geological uncertainties may adversely affect our results of operations.***

We or our Promoters have no experience in building and operating hydro-electric power projects. We currently have one hydro-electric power project at Dibbin, Arunachal Pradesh (130 MW) for which we are in the process of finalizing debt arrangements and two additional hydro-electric projects at the Kameng Basin, Arunachal Pradesh (945 MW) that are being planned. Hydro-electric power generation is dependent on the amount of rainfall, sunshine, snow melt and river flows in those regions, which vary considerably from quarter to quarter and from year to year. The levels of hydro-electric production can, therefore, vary from period to period. In years of less favorable hydrological conditions, hydro-electric plants generate less electricity, which reduces the amount of electricity that they are able to generate and sell. Furthermore, the advent of climate change can cause conditions that may result in unusual hydrological variations and extremities. Any adverse hydrological condition could render us unable to meet the requirements of our PPAs. Conversely, if hydrological conditions are such that too much rainfall occurs at any one time, such as during the monsoon, water may flow too quickly and at volumes in excess of a particular hydro-electric power plant's designated flood levels, which may result in shutdowns. Any of these events could reduce our revenues from the sale of electricity, which could have an adverse effect on our business, financial condition and results of operations.

Extensive geological investigation is carried out by independent engineers before taking up civil works for our projects. While past studies have not indicated any adverse geological features such as major faults, thrusts or highly stressed rock mass, occurrences of such adverse geological conditions in the future cannot be ruled out. Furthermore, the conclusions of independent geological investigations are subject to uncertainties. As a result, we may be required to undertake additional work to commission our projects, such as digging more tunnels than anticipated, resulting in delays and us having to incur additional costs. In addition, we may have based our bids on Government data, which may be subject to change.

While we have selected our hydro-electric sites on the basis of output projections, there can be no assurance that the water flows will be consistent with our projections, or that the water flow required to generate the projected outputs will exist or will be adequate. There can be no assurance that the long-term historical water availability will remain unchanged in the future or that no material hydrological event will impact the current hydrological conditions at our project sites.

Hydro-electric operations can also be affected by the build up of silt and sediment that can accumulate behind dam walls, which prevent the silt from being washed further down the river. While we propose to use "runners", a component in a hydro-electric plant meant to collect silt, it is not easily available, contributes significantly to the operating costs of the power plant and may require the power plant to be shut down for repairs or replacement. Excess levels of silt can also occur in waterways due to changes in environmental conditions. High concentrations of silt in water can cause erosion problems in hydro-electric turbines or can lead to blockages in the turbines themselves. Any such damage or blockage may require us to shut down the plant which will mean we are unable to generate power that may lead to a reduction in revenue, including associated efficiency incentive payments.

Accordingly, adverse hydrological conditions whether seasonal or for an extended period of time, which result in lower, inadequate and/or inconsistent water flow may render our prospective hydro-electric power stations incapable of generating adequate electrical energy, thus affecting our results of operations and financial condition.

33. ***We currently enjoy certain tax benefits, and any change in tax policies applicable to us may affect our results of operations.***

In accordance with and subject to the condition specified in Section 80 IA of' the Income Tax Act, 1961, we are entitled to deduction of 100% of profits derived from the generation, distribution or transmission of power for any 10 consecutive assessment years out of 15 years beginning from the year in which the undertaking generated power or commences transmission or distribution of power provided that this generation or transmission or distribution occurs before March 31, 2010. For details of the tax benefits available to us, see the section "Statement of Tax Benefits" beginning on page 83 of this Red Herring Prospectus. Eight of our under development and planned power projects are scheduled for commissioning after March 31, 2010. As such, we will not be eligible to receive the tax benefits for a majority of our power projects that are scheduled to be commissioned after the designated date. There can be no assurance that the Government will extend the period of availability for such tax benefits and if such tax benefits become unavailable, our taxes could increase and our results of operations could be adversely affected.

34. Our costs of compliance with environmental laws are expected to be significant, and the failure to comply with new environmental laws could adversely affect our results of operations.

Our projects are subject to national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. Environmental law and regulation of industrial activities in India may become more stringent, and the scope and extent of new environmental regulations, including their effect on our operations, cannot be predicted with any certainty. In case of any change in environmental, or pollution regulations, such as the imposition of carbon taxes and other such levies on thermal power generation, we may be required to incur significant amounts on, among other things, environmental monitoring, pollution control equipment and emissions management. We may also be required to bear additional expenditure for the establishment of additional infrastructure, such as laboratory facilities for monitoring pollution impact and effluent discharge and effluent treatment or recycling plants. Such additional costs may adversely affect our results of operations. In addition, failure to comply with environmental laws may result in the assessment of penalties and fines against us by regulatory authorities. The commencement of environmental actions against us or the imposition of any penalties or fines on us as a result thereof may have an adverse effect on our business, prospects and results of operations.

We expect to generate a considerable amount of ash in our thermal power plants. There are limited options for utilizing ash and therefore the demand for ash is currently low. While we continue to explore methods to utilize or dispose of ash, our ash utilization activities may be insufficient to dispose of the ash we expect to generate. We may be subject to a Government requirement that by 2014, 100% of the fly ash produced through our generation activities must be gainfully utilized. Compliance with this requirement, as well as any future norms with respect to ash utilization, may add to our capital expenditure and operating expenses.

Environmental damage may also result from the development of hydro-electric projects. In the past, certain environmental organizations have expressed opposition to hydro-electric power stations based on the allegation that they cause the killing of aquatic life and have adverse effects on waterways. Certain hydro-electric projects use dams to create large reservoirs over what used to be dry land. This can lead to environmental issues connected to the destruction of wildlife habitats, resettlement of persons, increased sediment in rivers and the production of methane from submerged forest. Due to these factors, environmental regulators may impose restrictions on our operations that would limit our ability to generate revenues.

We could be subject to substantial civil and criminal liability and other regulatory consequences in the event that an environmental hazard was to be found at the site of any of our power stations, or if the operation of any of our power stations results in material contamination of the environment. We may be the subject of public interest litigation in India relating to allegations of environmental pollution by our plants, as well as cases having potential criminal and civil liability filed by state pollution control authorities. If such cases are determined against us, there could be an adverse effect on our business and operations.

35. ***The construction and operation of power projects or mines may face opposition from local communities and other parties.***

The construction and operation of power projects and mines has, in the past, faced opposition from the local communities where these projects are located and from special interest groups. In particular, the public, the forest authorities and other authorities may oppose mining operations due to the perceived negative impact it may have on the environment. We were in the past, made party to a public interest litigation which we have since settled to operate our Sai Regency power plant. We have not had to undertake any resettlement and rehabilitation programs for our mining activities at the Gurha (East) and Lunsara lignite blocks, however, as our mining activity increases and we start to infringe on local habitations, we will have to resettle the local inhabitants. There can be no assurance that there will not be any objection or dispute in relation to such resettlement, including litigation which may entail us having to suspend mining operations until the dispute is resolved. Significant opposition by local communities, NGOs and other parties, at public hearings or otherwise, to the construction of our power projects may adversely affect our results of operations and financial condition.

36. ***We may not be able to acquire sufficient land for our projects.***

We have not commenced acquiring land for eight of our power projects that are under development or planned. We estimate that we will require, on an aggregate basis, approximately 3,320 hectares of land for the Wardha Chhattisgarh, KSK Narmada, JR Power and Wardha Naini power projects. This estimate is based on a requirement of approximately 830 hectares for each power plant and the ancillary support infrastructure such as railway sidings, water intake systems and power evacuation infrastructure. Due to some of these power plants being adjacent to each other, we intend to use common land for the ancillary support infrastructure. We are unable to provide an estimate of our land requirements for our three hydro-electric power projects that are being planned or are under development as the Government of Arunachal Pradesh is required to facilitate the land acquisition. We intend to use the existing land for our Arasmeta power plant for our Arasmeta Expansion power project. There can be no assurance that such land acquisitions will be completed in a timely manner, on terms that are commercially acceptable to us, or at all. Our ability to identify and acquire suitable sites is dependent on a number of factors that are beyond our control. There may be local protests or resistance for any land that we need to or intend to acquire or lease, including land that may be acquired by local governments. For instance, writ petitions have been initiated challenging the land acquisition proceedings initiated by the Government of Rajasthan in favor of VS Lignite Power Private Limited (the "VS Lignite SPV"). For further details, please see "Outstanding Litigation and Material Developments" beginning on page 336 of this Red Herring Prospectus. These factors include the availability of suitable land, the willingness of landowners to sell land and/or assign development rights on terms attractive to us, the ability to obtain an agreement to sell from all the owners where land has multiple owners, the availability and cost of financing, encumbrances on targeted land, government directives on land use and obtaining permits and approvals for land acquisition and development. With respect to the coal supply agreements entered into with state mineral development corporations, although the coal blocks have been allotted in favor of such mineral development corporations, there could be potential risks associated with acquisition of land for mine exploration and actual mining land that could involve protracted government land acquisition processes. For more details, see "Objects of the Issue" and "Our Business" beginning on pages 74 and 105, respectively, of this Red Herring Prospectus.

37. ***Differential dividend rights in the share capital of certain of our SPVs, namely the Arasmeta SPV, the Sai Regency SPV, the VS Lignite SPV and the Wardha SPV may be constrained or terminated, since they have become our Subsidiaries pursuant to the Restructuring.***

Certain our SPVs, namely the Arasmeta SPV, the Sai Regency SPV, the VS Lignite SPV and the Wardha SPV, have in the past issued shares with differential dividend rights to their shareholders. Since the change of our status from a private limited company to a public company, these companies are now regarded as public limited companies in accordance with the Companies Act. A subsidiary of a public company will be able to issue shares with differential rights only upon fulfillment of certain conditions under the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.

Accordingly, these SPVs may not be in compliance with the conditions under the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001 and we may need to terminate these arrangements with the

SPVs' shareholders or recapitalize the equity shareholding of such SPVs. In addition, the change of status of our SPVs to public limited companies may contravene our agreements with our consumers, and consequently we may need to amend these agreements or obtain a waiver of those provisions, which our consumers may not agree to give.

Our future power projects may not be able to issue equity shares with differential rights. Our existing and future SPVs are currently restricted from raising equity capital with differential rights and consequently further investment infusions, without restructuring their capital or complying with the conditions under the Companies (Issue of Share Capital with Differential Voting Rights) Rules, 2001.

38. We have pledged, have agreed to pledge and will continue to pledge a portion of our shares in certain of our SPVs in favor of lenders, who may exercise their rights under the respective pledge agreements in events of default.

We have pledged a portion of the shares we hold in each of the Arasmeta SPV (26%), the Sai Regency SPV (37%), the VS Lignite SPV (51%), the Sitapuram SPV (26%) and the Wardha SPV (51%), and may pledge a certain percentage of shares we hold in each of the SPVs being developed and planned, in favor of the lenders as security for the loans provided to these SPVs. Additionally, in one of our power plants, we have also provided a second charge in our shareholding in favor of one of our customers. If the SPVs default on their obligations under the relevant financing documents, the lenders may enforce the share pledges, have the shares transferred to their names and acquire management control over the pledged companies. If this happens, we will lose the value of any such pledged shares and we will no longer be able to recognize any revenue attributable to them. In addition, if we lose control of any of our SPVs, our ability to implement our overall business strategy would be adversely affected.

39. Our success largely depends on our senior management and our ability to attract and retain our key personnel.

Our success depends on the continued services and performance of the members of our management team and other key employees. If one or more members of our senior management team were unable or unwilling to continue in their present positions, those persons could be difficult to replace with competent employees and our business could be adversely affected. Moreover, we do not own any key person insurance. Competition for senior management in the power development sector in India is intense, and we may not be able to retain our existing senior management or attract and retain new senior management in the future. As such, any loss of our senior management personnel or key employees could adversely affect our business, results of operations and financial condition.

40. Our quarter-on-quarter financial results may not be comparable.

The nature of the power generation sector is subject to many variables such as disruptions to power supply due to scheduled or unscheduled outages. In addition, due to us commissioning our power projects at different periods, our power projects shall start generating revenues at different periods of time resulting in our quarter-on-quarter financial results not being comparable.

41. Our financial results may be subject to seasonal variations.

Our revenues and results may be affected by seasonal factors. For example, inclement weather, including during monsoon season, may delay or disrupt development of our power projects undergoing construction at such times. Further, some of our power consumers have businesses which are seasonal in nature, such as cement manufacturing, and a downturn in demand for power by such consumers could reduce our revenue during such periods. Since a large part of our planned power plants involve thermal power generation, there could be potential risks in the form of shortfalls and resultant variation in future revenues.

In addition, tariffs for hydro-electric power generation vary seasonally, partially because the availability of such power depends on the level of water. We therefore expect that tariffs for hydro-electric power would be reduced during the monsoon season. However, the substantial rainfall during these months generally leads to high power generation because sufficient water is available to allow our power stations to be operated at full capacity.

42. ***Changes in technology may affect our business by making our equipment or plants less competitive or obsolete.***

Our future success will depend in part on our ability to respond to technological advances and emerging power generation industry standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails technical and business risks. For example, with increasing global concerns on carbon emissions and potential mitigation through clean development mechanisms or CDM, carbon credits and certified emissions, we may not stand to gain substantially from usage of new emerging technologies that our competition could choose to use. There can be no assurance that we will be able to successfully implement new technologies or adapt our processing systems to customer requirements or emerging industry standards. 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 and financial performance could be adversely affected.

Changes in technology and high fuel costs may make newer generation plants or equipment more competitive than ours or may require us to make additional capital expenditures to upgrade our facilities. In addition, there are other technologies that can produce electricity, most notably fuel cells, micro turbines, windmills and photovoltaic (solar) cells. If we are unable, for technical, 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.

43. ***As per our restated financial statements, we have a number of contingent liabilities, and our profitability could be adversely affected if any of these contingent liabilities materialize.***

Our contingent liabilities as of March 31, 2008 amounted to Rs. 1,661.25 crore as per our Company's restated consolidated financial statements and Rs. 332.86 crore as per our Company's restated standalone financial statements and consisted of the following:

(Rs. in crore)

Particulars	**As At March 31, 2008 (Consolidated)**	**As At March 31, 2008 (Standalone)**
Letter of Credit / Claims not acknowledged as debt	4.20	-
Guarantees Issued by Banks	351.43	332.50
Corporate Guarantees	-	-
Fuel Related Minimum Guaranteed Off-take (MGO) Liability	-	-
Estimated amount of contracts remaining to be executed on capital account	1,288.44	0.36
Arrears of fixed cumulative dividend on preference share capital	17.18	-
Total	**1,661.25**	**332.86**

If any of these contingent liabilities materialize, our profitability may be adversely affected. For more detailed descriptions of our contingent liabilities, see the section titled "Financial Statements" beginning on page 227 of this Red Herring Prospectus.

44. ***Certain of our Promoter Group companies and Subsidiaries have incurred losses in the last three fiscal years.***

Certain of our Promoter Group companies and Subsidiaries have incurred losses (as per their standalone financial statements) in the last three fiscal years, as set forth in the tables below:

(Rs. in lakhs)

Name of Promoter Group Company / Subsidiary	**Fiscal Year ended March 31, 2008**	**2007**	**2006**
Subsidiaries:			
KSK Electricity Financing India Private Limited	(95.31)	(90.30)	(16.34)
Sai Regency Power Corporation Private Limited	-	(22.73)	-

Promoter Group Companies:			
KSK Energy Limited#	-	(6.25)	-
K & S Consulting Group Private Limited	-	(1,306.50)	(8.93)
Sayi Power Energy Limited, Isle of Man#	-	(4.22)	-

One GBP = Rs. 79.53, as per RBI reference rate on March 31, 2008.

K & S Consulting Group Private Limited has incurred losses during the financial year ended March 31, 2007 which exceeds 50% of its net worth. We cannot assure you that these companies will make profits in the future or at all.

45. ***We have entered into certain related party transactions and continue to rely on our Promoter and Promoter Group Companies for certain key development and support activities and guarantees.***

Our power projects have relied upon and will continue to depend upon the services of our Promoters and our Promoter Group with respect to the development and support, including the identification, negotiation and conclusion of the various facilities, agreements, access and support infrastructure for our power projects. The SPVs operating the power projects have entered into long term binding contracts for payment of project development and support fees to KSK Energy as consideration for these services by our Promoters. We will not derive any economic benefit from these payments. Such payments by the SPVs would be a part of their operational expenditure and payable irrespective of the profitability of the SPVs and could affect the SPVs' ability to make any dividend payments to us. In addition, our Promoters have in the past provided personal guarantees to certain lenders for debt incurred by us. Our Promoters may not provide similar guarantees for us in the future, which could adversely affect our ability to procure debt financing.

Further, pursuant to the Restructuring, we have reorganized our corporate structure, divested our shareholding from three of our operational power plant SPVs, Coromandel SPV, RVK SPV and Kasargod SPV and transferred certain assets, including investments in Athena Projects Private Limited and our investments in the Small Is Beautiful Fund and have discontinued providing asset management services to the Small is Beautiful Fund. The above transfers and divestments pursuant to the Restructuring, has been made in favor of KSK Energy Company Private Limited, a related party entity. As per our restated consolidated financial statements, and restated standalone financial statements, we entered into related party transactions aggregating to Rs. 1031.63 crore, Rs. 325.19 crore and Rs.87.60 crore for the fiscal years 2008, 2007 and 2006, respectively. Please see the sections "Related Party Transactions" and "History and Certain Corporate Matters" beginning on pages 223 and 171, respectively of this Red Herring Prospectus for details.

46. ***We have made applications for registration of the trademark including the logo and name appearing on the cover page of this Red Herring Prospectus, and our use of the trademark, along with the value of such intellectual property, may be impaired by the actions of others.***

Our trademark is not owned by us, although an application for the registration of our logo and our name is pending. The trademark, including our name and our logo appearing on the cover page of this Red Herring Prospectus, is an important asset of our business. Infringement of the trademark, for which we may not have any immediate recourse, may adversely affect our ability to conduct our business as well as affect our reputation, and consequently, our results of operations.

47. ***Certain properties, including the land on which we are constructing our power projects and our registered office are not owned by us and we enjoy only a leasehold right over these properties.***

Some of our power projects have been constructed on land that has been leased to us. Upon the termination of the lease, we are required to return the land to the owners. We may not be able to recover the amount paid as security to the land owners or the costs incurred for the construction and development of the power project during the lease period. Further, these lease agreements typically have a clause where the lease may, but is not required to, be extended with the consent of the parties. In the event that the owners do not wish to renew the lease agreements, our business, financial condition and results of operations could be materially and adversely affected.

In addition, the premises on which our registered office is situated has been leased to our Promoter Group Company, K&S Consulting Group Private Limited, until January 31, 2009. If our landlord does not renew the lease or decides to terminate the lease, we may suffer a disruption in our operations.

48. ***We may not be able to identify or correct any defects or irregularities in title to the lands upon which we have developed and intend to develop our power projects.***

There may be various legal defects and irregularities in title to the lands on which we have developed or intend to develop our power projects, which we may not be able to fully identify or assess. Our rights in respect of these lands may be compromised by improperly executed, unregistered or insufficiently stamped conveyance instruments in the property's chain of title, unregistered encumbrances in favor of third parties, rights of adverse possessors, ownership claims of family members of prior owners, or other defects that we may not be aware of. Any defects or irregularities of title may result in loss of development rights over land, which will prejudice the success of our power project and may require us to write off substantial expenditures in respect of a project. Any inability to identify defects or irregularities of title, and any inability to correct any such defects or irregularities of title may have an adverse effect on our business, financial condition and results of operations. Any decision to acquire land based on inaccurate, incomplete or dated information may result in risks and liabilities associated with acquiring and owning such parcels of land.

49. ***The Net Proceeds of the Issue may be inadequate and we may not be able to raise additional capital to fund the balance costs for projects that are a part of the "Objects of the Issue".***

The Net Proceeds we expect to receive from the Issue are meant to cover a part of the estimated cost to complete our Wardha Chhattisgarh power project. The estimated requirement of this project is Rs. 6,874.0 crore comprising Rs. 5,156.0 crore of debt and Rs. 1,718.0 of equity. For this, we have received sanction letters for term loans aggregating Rs. 4,400.0 crore and an in-principle sanction for Rs. 1,000.0 crore from certain banks and financial institutions to partly finance this project. We have also completed a Pre-IPO Placing aggregating Rs. 415.34 crore, of which Rs.215.34 crore is proposed to be utilized for the Wardha Chhattisgarh power project. The balance fund requirement will be partly funded through the net proceeds, augmented by either further borrowings and/ or equity issuances, which have not yet been tied up. Further, the sanction letters and the in-principle letters are indicative only and are subject to conditions (including covenants that we or our shareholders need to comply with) and commercial negotiations. We may not be able to fulfill all or any of the conditions or agree on commercial terms or non-commercial terms with these banks and financial institutions, in which case they would have no obligation to provide such loans to us. For more details, see "Objects of the Issue – Means of Finance" and "Indebtedness" beginning on pages 77 and 313 of this Red Herring Prospectus.

There can be no assurance that we will be able to arrange additional financing on terms that would be acceptable to us, or at all. If we are unable to negotiate terms satisfactory to us, we will have to seek financing from other sources in order to complete these projects. Other sources of financing may not be available and we may not be able to obtain the capital necessary to fund the development of the projects.

50. ***Our management will have significant flexibility in applying the proceeds of the Issue.***

We intend to use the Net Proceeds of the Issue for equity investment in the Wardha SPV to partially finance the Wardha Chhattisgarh power project, as described in the section "Objects of the Issue" beginning on page 74 of this Red Herring Prospectus. Our assessment of the fund requirements and deployment is based on management estimates. Our management may determine that it is appropriate to revise our estimated costs, fund requirements and deployment schedule owing to factors such as geological assessments, exchange or interest rate fluctuations and changes in design or configuration of the project, incremental rehabilitation and other preoperative expenses and other external factors which may not be within the control of our management.

Further, pending utilization of the Net Proceeds of the Issue and other financings, we intend to invest such Net Proceeds in interest-bearing liquid instruments, including money market mutual funds and bank deposits, as approved by our Board. Although the utilization of the Net Proceeds from the Issue and other financings will be monitored by our Board and the Monitoring Agency, there are no limitations on interim investments that we can make using such Net Proceeds.

51. ***A large portion of the Net Proceeds of the Issue will be invested in the Wardha SPV which is not wholly-owned by us.***

We propose to invest a significant portion of the Net Proceeds of the Issue in the Wardha SPV and not in our Company. We hold 74% of the equity shareholding in the Wardha SPV through our wholly owned Subsidiary, KEFIPL. For more details see the sections "Our Business" and "History and Certain Corporate Matters" beginning on pages 105 and 171, respectively, of this Red Herring Prospectus.

52. ***We have not entered into any definitive agreements or placed orders for plant and machinery for the project proposed to be funded from the Net Proceeds of the Issue.***

The deployment of funds as described in the section "Objects of the Issue" beginning on page 74 of this Red Herring Prospectus is at the discretion of our Board, though it is subject to monitoring by an independent monitoring agency. We have neither entered into any definitive agreements, nor placed orders for equipment and machinery for the project proposed to be funded from the Net Proceeds of the Issue. The estimated cost for the plant and machinery is Rs. 5,333.0 crore for the Wardha Power Project. There can be no assurance that we will be able to conclude definitive agreements on terms anticipated by us or at all.

53. ***Our business is subject to extensive government regulation and requires periodic approvals and renewals and changes in these regulations or in their implementation could disrupt our operations and adversely affect our results of operation.***

Our business is subject to extensive government regulation by, among others, the Ministry of Power and the Ministry of Environment and Forests and the State Pollution Control Board, as well as pursuant to a number of laws and regulations such as the Electricity Act, 2003. In addition, we require certain approvals, licenses, registrations and permissions for operating our business, some of which may have expired and for which we may have made an application for obtaining the approval or its renewal. If we fail to obtain or retain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected. Furthermore, our government approvals and licenses are subject to numerous conditions, some of which may be onerous and require us to make substantial expenditure. For example, we may be required by our approvals, to undertake additional activities such as utilization of fly ash or development of a green belt and we may need to incur additional effort and expenses to undertake such activities. If we fail to comply, or a regulator claims that we have not complied, with these conditions, our business, financial condition and results of operations could be adversely affected.

There can be no assurance that we will be able to apply for any licenses in a timely manner, or at all, or obtain such permits or approvals at such times as may be required, and there can be no assurance that the relevant authorities will issue or transfer any of such permits or approvals in the time frames anticipated by us. Further, we cannot assure that the licenses issued to us would not be subject to suspension or revocation for non-compliance or alleged non-compliance with any terms or conditions thereof, or pursuant to any regulatory action. Any failure to apply for and obtain the required permits or approvals, or any suspension or revocation of any of the licenses and approvals that have been or may be issued to us, may result in the interruption of the operation of our existing plants or impede execution of our proposed projects.

There can be no assurance that we will be able to obtain and comply with all necessary licenses, permits and approvals required for our plants, or that changes in the governing regulations or the methods of implementation will not occur. For more information, see "Government and Other Approvals" beginning on page 345 of this Red Herring Prospectus.

54. ***We may not have sufficient insurance coverage to cover all possible losses.***

We maintain insurance coverage, including insurance against damage, loss of profit and business interruption for certain of our projects, marine inland transit and third party liability with respect to our power projects, which we believe is in accordance with the market practice in India. Our insurance, however, may not provide any or adequate coverage and is subject to certain deductibles, exclusions and limits on coverage. Moreover, certain eventualities are not insurable on commercially reasonable terms or at all. There can be no assurance that the operation or the construction of our power projects will not be affected by any of the incidents and hazards listed above, or that the terms of our insurance policies will cover or be adequate to cover any damage caused by any such incidents and hazards.

55. One of our erstwhile promoters has disassociated himself from the Company.

Mr. Hari Kiran Vadlamani, a former promoter of the Company has disassociated himself from the Company on November 8, 2007 to pursue other business interests outside the Group. Except as disclosed in the section "Outstanding Litigation and Other Material Developments" beginning on page 336 of this Red Herring Prospectus, the disassociation from the Company has been without any claims or notices or litigation, and there can be no assurance that Mr. Vadlamani will not join the services of a competitor company or that he will not compete directly with the Company. Mr. Vadlamani does not hold any shares in the Company.

56. We have issued Equity Shares during the last year at a price which may be below the Issue Price. Two of the Book Runners have subscribed for our Equity Shares in the Pre-IPO Placing.

We have issued Equity Shares to the persons as described below in the year preceding the date on which this Red Herring Prospectus is filed with SEBI, which may be at a price lower than the Issue Price:

Name of the Shareholder	Date of Issue	Whether Belongs to Promoter Group	Number of Equity Shares of Rs. 10 each	Issue price per Equity Share (Rs.)	Reasons for Issue
KSK Energy Limited	January 18, 2008	Yes	3,00,00,000	N.A.	Conversion of Preference Shares into Equity Shares
KSK Energy Limited	January 19, 2008	Yes	7,01,95,400	N.A.	Bonus issue in the ratio of 580 : 1000
Mr. Denis Sek Sum (Nominee of KSK Energy Limited)	January 19, 2008	No	29	N.A.	Bonus issue in the ratio of 580 : 1000
LB India Holdings Mauritius I Limited	January 25, 2008	No	9,83,32,552	34.55	Preferential allotment
Suyash Outsourcing Private Limited	January 25, 2008	No	46,32,857	34.55	Preferential allotment
Mr. Girish Kulkarni	January 25, 2008	No	100	34.55	Preferential allotment
Mrs. Sarika Kulkarni	January 25, 2008	No	100	34.55	Preferential allotment
Mr. Neelesh V. Wagle	January 25, 2008	No	100	34.55	Preferential allotment
Tree Line Asia Master Fund (Singapore) Pte	June 3, 2008	No	35,83,000	240.00	Preferential allotment
Macquarie Bank Limited	June 3, 2008	No	35,50,000	240.00	Preferential allotment
Infrastructure Development Finance Company	June 3, 2008	No	31,25,000	240.00	Preferential allotment
Universities Superannuation Scheme Limited	June 3, 2008	No	18,00,000	240.00	Preferential allotment
Axis Bank Limited	June 3, 2008	No	26,24,000	240.00	Preferential allotment
GE Capital International (Mauritius)	June 3, 2008	No	26,24,000	240.00	Preferential allotment

Infrastructure Development Finance Company and Axis Bank Limited, who are also the Book Runners in the Issue, have subscribed for 31,25,000 and 26,24,000 Equity Shares in the Pre-IPO Placing, representing approximately 0.90% and 0.76% of our issued and outstanding Equity Shares upon the completion of the Issue.

57. There is outstanding litigation against us, our Subsidiaries, our Directors, our Promoters and our Promoter Group Companies.

There are certain proceedings, including criminal proceedings, pending in various courts and authorities at different levels of adjudication against us, our Subsidiaries, our Directors, our Promoters and our Promoter Group. These legal proceedings are pending at different levels of adjudication before various courts and tribunals. The amounts claimed in these proceedings have been disclosed to the extent ascertainable, excluding contingent liabilities but including amounts claimed jointly and severally from parties. Should any new developments arise, such as a change in Indian law, regulations or orders against the parties by appellate courts or tribunals, we may need to make additional provisions in our financial statements that could increase expenses and current liabilities.

Cases filed against our Company

Type of legal proceedings	Total number of pending cases / show cause notices / summons	Financial Implications (to the extent quantifiable) (Rs. in lakh)
Accident Claims	1	6

Cases filed against our Subsidiaries

Type of legal proceedings	Total number of pending cases / show cause notices / summons	Financial Implications (to the extent quantifiable) (Rs. in lakh)
Civil Cases	5	Rs. 26.28 crore has been claimed*

*In the case no. 2 against VS Lignite Private Limited mentioned below, the petitioners have claimed that the land acquisition be set aside, or alternatively, that the valuation of the land should be enhanced from the amounts specified by the Government in its notification of May 2, 2007.

Cases filed against our Promoters

Type of legal proceedings	Total number of pending cases / show cause notices / summons	Financial Implications (to the extent quantifiable) (Rs. in lakh)
Criminal Cases	1	The amount of Rs. 21.17 lakh has been claimed
Civil Cases	1	Not quantifiable

Cases filed against our Promoter group companies

Type of legal proceedings	Total number of pending cases / show cause notices / summons	Financial Implications (to the extent quantifiable) (Rs. in million)
Civil Cases	1	Not quantifiable

Cases filed against our Directors

Type of legal proceedings	Total number of pending cases / show cause notices / summons	Financial Implications (to the extent quantifiable) (Rs. in million)
Criminal Cases	1	The amount of Rs. 21.17 lakh has been claimed
Civil Cases	1	Not quantifiable

This litigation is summarized below:

Our Company:

There is a compensation claim against our Company filed by the relatives of the deceased Mr. Vilas Vithal Bamne before the Motor Vehicles Claims Tribunal, Greater Mumbai. The amount involved is Rs. 6 lakh.

Our Subsidiaries:

Sai Regency Power Corporation Private Limited:

There is a writ petition filed by Mr. M.V.B Reddy before the High Court of Andhra Pradesh challenging the transfer of gas from Regency Ceramics to Sai Regency Power Corporation Private Limited (formerly, Regency Power Corporation).

Arasmeta Captive Power Company Private Limited:

A suit has been filed before the City Civil Judge, Hyderabad by Thermax Limited for an injunction on the invocation of the bank guarantee amounting to Rs. 698.07 lakh. Thermax Limited has been granted a temporary injunction by the City Civil Judge which is challenged pursuant to an appeal by Arasmeta Captive Power Company Private Limited before the High Court of Andhra Pradesh. A Special Leave Petition has also been filed against the Arasmeta SPV in the Supreme Court of India by Thermax Limited for stay of the order of the Andhra Pradesh High Court which dismissed the application for appointment of arbitrator and for invoking arbitration proceedings.

VS Lignite Private Limited:

1) There is a writ petition filed by Mr. Gain Singh and others before the High Court of Rajasthan praying for stopping the construction of the power project on land on which a water reservoir/dam was located.

2) A batch of 102 petitions have been filed challenging land acquisition proceedings initiated by the Rajasthan State Government in favor of VS Lignite Private Limited. The petitioners are claiming that the land acquisition be set aside, or alternatively, that the valuation of the land be enhanced from the amounts stated by the Government in its notification of May 2, 2007. The cumulative amount claimed by them is Rs. 19.30 crore.

3) A Mr. Sunil Kumar Gehlot filed a writ petition before the High Court of Rajasthan challenging the land acquisition proceedings initiated by the State Government

Our Promoters:

Mr. S. Kishore: 12 cases relating to a single lease transaction have been filed by DCM Financial Services Limited before the additional chief metropolitan magistrate at New Delhi against Nucor Wires Limited relating to dishonor of cheques.

Mr. S. Kishore and Mr. KA Sastry: A shareholder of K & S Consulting Group Private Limited ("K & S"), Raajratna Metal Industries Limited, has filed a petition under Sections 397 and 398 of the Companies Act before the Company Law Board, Additional Principal Bench, Chennai ("CLB") against K & S, Mr. S. Kishore, Mr. K.A. Sastry, Mr. Kiran Vadlamani and others, challenging two allotments of shares aggregating 9,61,894 equity shares made by K & S in 2002 and 2003 and praying for cancellation of the two allotments, reduction of the share capital and for direction to K & S to make a fresh offer of shares to existing shareholders on the grounds that it amounts to oppression and mismanagement. Mr. Kiran Vadlamani, who was one of the shareholders and had exited the company on November 8, 2007 by selling his shares to Mr. Kishore and Mr. Sastry and who was one of the respondents has filed a counter to the petition dated December 15, 2007 stating that the petitioner is acting in collusion with Mr. S. Kishore and Mr. K.A. Sastry to deceive the CLB. By an ad-interim order dated September 7, 2007, the CLB has restrained K & S from issuing any further shares without the leave of the CLB.

Our Promoter Group:

K & S Consulting Group Private Limited: See above under "Our Promoters".

Our Directors:

Mr. S. Kishore: See above under "Our Promoters".

Mr. K.A. Sastry: See above under "Our Promoters".

Also, our Subsidiaries, the Sitapuram SPV, Promoters and Promoter Group have from time to time initiated legal proceedings in connection with their business and operations. For further details of outstanding litigation against us, our Subsidiaries, our Directors, our Promoter and our Promoter Group companies, please see "Outstanding Litigation and other Material Developments" beginning on page 336 of this Red Herring Prospectus.

External Risk Factors

58. We face significant competition as a result of deregulation of the Indian power sector.

We operate in an increasingly competitive environment. This is particularly the case because of the deregulation of the Indian power sector and increased private sector investment. The Electricity Act 2003 removed certain licensing requirements for thermal power generation companies, provided for open access to transmission and distribution networks and also facilitated additional capacity generation through captive power plants. These reforms provide opportunities for increased private sector participation in power generation. Specifically, the open access reform enables private power generators to sell power directly to distribution companies and, ultimately to end consumers, enhancing the financial viability of private investment in power generation. As a result, we face significant competition with other Indian companies seeking to expand their power generation business as well as international power companies while negotiating or bidding for power projects. We also compete with central and state power utilities. Competitive bidding for power procurement further increases the competition among power generators. Our competitors may have greater resources than we do and may be able to achieve better economies of scale, allowing them to bid at more competitive rates. We may face the pressure of decreased margins due to such competition. There can be no assurance that we will be able to compete effectively, and our failure to do so could result in an adverse effect on our business, prospects, financial condition and results of operations.

59. Political, economic and social changes in India could adversely affect our business.

The Government has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Our business, and the market price and liquidity of our shares, may be affected by changes in the Government's policies, including taxation. Social, political, economic or other developments in or affecting India, acts of war and acts of terrorism could also adversely affect our business.

Since 1991, successive governments have pursued policies of economic liberalization and financial sector reforms. However, there can be no assurance that such policies will be continued and any significant change in the Government's policies in the future could affect business and economic conditions in India in general and could also affect our business and industry in particular. In addition, any political instability in India or geo political stability affecting India will adversely affect the Indian economy and the Indian securities markets in general, which could also affect the trading price of our Equity Shares.

India has also witnessed civil disturbances in recent years. While these civil disturbances have not directly affected the operations of our project companies, it is possible that future civil unrest, as well as other adverse social, economic and political events in India, could also adversely affect us.

60. Our growth is dependant on the Indian economy.

Our performance and the growth of our business is dependant on the performance of the Indian economy. India's economy could be adversely affected by a general rise in interest rates, currency exchange rates, adverse conditions affecting agriculture, commodity and electricity prices or various other factors. A slowdown in the Indian economy could adversely affect our business, including our ability to implement our strategy and increase our participation in the power sector. The Indian economy is currently in a state of transition and it is difficult to predict the impact of certain fundamental economic changes upon our business. Conditions outside India, such as slow downs in the economic growth of other countries or increases in the price of oil, has an impact on the growth of the Indian economy, and government policy may change in response to such conditions. While recent governments have been keen on encouraging private participation in the infrastructure sector, any adverse change in policy could result in a slowdown of the Indian economy. Additionally, these policies will need continued support from stable regulatory regimes that stimulate and encourage the investment of private capital into infrastructure development. Further, since infrastructure services in India have historically been provided by central or state governments without charge or at a nominal charge, the growth of the private infrastructure industry will be impacted by consumer income levels and the extent to which they would be willing to pay, or can be induced to pay for, infrastructure services. Any downturn in the macroeconomic environment in India or in the infrastructure sector could adversely affect the price of our shares, our business and results of operations.

61. Fluctuations of the Rupee against foreign currencies may have an adverse effect on our results of operations.

While most of our revenues are currently denominated in Rupees, we expect to enter into certain project development contracts, the price of which could be denominated in foreign currencies. Accordingly, any depreciation of the Rupee against these currencies will increase the Rupee cost to us. The Rupee has depreciated from Rs. 39.41 per U.S. dollar as of December 31, 2007 to Rs. 42.85 per U.S. dollar as of May 28, 2008, as per the RBI reference rate available on the RBI website. If we are unable to recover the costs of foreign exchange variations through our tariffs, depreciation of the Rupee against foreign currencies may adversely impact our results of operations and financial condition.

62. If the rate of Indian price inflation increases, our results of operations and financial condition may be adversely affected.

In 2006, India's wholesale price inflation index indicated an increasing inflation trend compared to recent years. An increase in inflation in India could cause a rise in the price of transportation, wages, raw materials or any other expenses. If this trend continues, we may be unable to reduce our costs or pass our increased costs on to our consumers and our results of operations and financial condition may be adversely affected. Some of our PPAs provide for reimbursement of increases in operation and maintenance costs, based on certain pre-defined parameters. Any increase in our O&M costs over and above the reimbursable amount may adversely affect our profitability.

63. Any downgrading of India's debt rating by a domestic or international rating agency could adversely affect our business.

Any adverse revisions to India's credit ratings for domestic and international debt by domestic or international rating agencies may adversely affect our ability to raise additional financing, and the interest rates and other commercial terms at which such additional financing is available. This could harm our business and financial performance, ability to obtain financing for capital expenditures and the price of our Equity Shares.

Risks Related To Our Equity Shares

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

    Prior to this Issue, there has been no public market for our Equity Shares, and an active trading market on the Stock Exchanges may not develop or be sustained after the Issue. The Issue Price of the Equity Shares may bear no relationship with the market price of the Equity Shares after the Issue. The market price of the Equity Shares after the Issue may be subject to significant fluctuations in response to, among other factors, variations in our operating results, competitive conditions, general economic, social and political factors, volatility in Indian and global securities market or significant developments in India's fiscal regime.

65. ***Any future issuance of Equity Shares by us may dilute your shareholding and adversely affect the trading price of the Equity Shares.***

    Any future issuance of Equity Shares by us may dilute your shareholding in our Company, adversely affect the trading price of our Equity Shares and our ability to raise capital through an issue of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Additionally the disposal, pledge or encumbrance of Equity Shares by any of our major shareholders, or the perception that such transactions may occur may affect the trading price of the Equity Shares. No assurance may be given that we will not issue Equity Shares or that such shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

66. ***Our ability to raise foreign capital may be constrained by Indian law.***

    As an Indian company, we are subject to exchange controls that regulate borrowing in foreign currencies. Such regulatory restrictions limit our financing sources for our power projects under development or acquisitions and other strategic transactions, and hence could constrain our ability to obtain financing on competitive terms and refinance existing indebtedness. In addition, we cannot assure you that the required approvals will be granted to us without onerous conditions, or at all. Limitations on foreign debt may have a material adverse impact on our business growth, financial condition and results of operations.

Notes to Risk Factors

1. Public Issue of 3,46,11,000 Equity Shares, for cash at a price of Rs. [●] per Equity Share, aggregating Rs. [●] crore. The Company has completed a Pre-IPO Placing of 1,73,06,000 Equity Shares, representing approximately 5% of the post-Issue equity share capital of the Company, for cash at a price of Rs.240 per Equity Share, aggregating Rs. 415.34 crore. The Issue will constitute 10% of the post-Issue equity share capital of the Company.

2. The net worth of the Company was Rs. 634.25 crore as of March 31, 2008 and the book value of each Equity Share was Rs. 21.56 as of March 31, 2008 as per our restated consolidated financial statements. The net worth of the Company was Rs. 641.62 crore as of March 31, 2008 and the book value of each Equity Share was Rs. 21.81 as of March 31, 2008 as per the restated standalone financial statements of the Company. For more information, see the section "Financial Statements" beginning on page 227 of this Red Herring Prospectus.

3. The average cost of acquisition of the Equity Shares by our Promoter, KSK Energy, is Rs.9.66 per Equity Share. The other Promoters do not directly own any Equity Shares in the Company. The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by it to acquire the Equity Shares issued by the Company. For details, see the section "Capital Structure" beginning on page 65 of this Red Herring Prospectus.

4. For related party transactions, see the section "Related Party Transactions" beginning on page 223 of this Red Herring Prospectus.

5. The Company has not issued any Equity Shares for consideration other than cash.

6. For details of transactions in the securities of the Company by the Promoters, the Promoter Group and the Directors in the last six months, see the section "Capital Structure — Notes to the Capital Structure" beginning on page 65 of this Red Herring Prospectus.

7. For information on changes in the Company's name, registered office and objects clause of the Memorandum of Association of the Company, see the section "History and Certain Corporate Matters" beginning on page 171 of this Red Herring Prospectus.

8. Except as disclosed in the sections "Capital Structure", "Our Promoters and Promoter Group Companies" and "Our Management" beginning on pages 65, 211 and 194, respectively, of this Red Herring Prospectus, none of the Promoters, Directors or key managerial personnel have any interest in the Company.

9. In terms of Rule 19(2)(b) of the SCRR, this being an Issue for less than 25% of the post-Issue capital, the Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs. 5% of the QIB Portion shall be available for allocation to Mutual Funds only and the remaining QIB Portion shall be available for allocation to the QIB Bidders including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. For further details, see the section "Issue Structure" beginning on page 372 of this Red Herring Prospectus.

10. Investors may contact the Book Runners or the Company for any clarification or information relating to the Issue, which shall be made available by the Book Runners and the Company to the investors at large. No selective or additional information will be available for a section of investors in any manner whatsoever.

11. Investors may contact the Book Runners and the Syndicate Members for any complaints pertaining to the Issue.

12. Investors are advised to also refer to the section "Basis for the Issue Price" beginning on page 80 of this Red Herring Prospectus.

13. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For more information, see the section "Issue Procedure - Allotment - Basis of Allotment" beginning on page 396 of this Red Herring Prospectus.

14. Trading in Equity Shares for all investors shall be in dematerialized form only.

SECTION III: INTRODUCTION

SUMMARY

The following summary highlights information contained elsewhere in this Red Herring Prospectus. This summary should be read in conjunction with, and is qualified in its entirety by, the more detailed information about us and our financial statements, including the notes thereto, appearing elsewhere in this Red Herring Prospectus. For a discussion of certain matters that should be considered by investors prior to making investments in our Equity Shares, see the section "Risk Factors" beginning on page 11 of this Red Herring Prospectus.

Overview

We are a power project development company in India, with experience in developing and operating power plants. We are well positioned with long-term fuel access to all our operational power plants and many of our power projects are in the development or planning phase. We were established in 2001 to capitalize on the emerging opportunities in the Indian power sector and focus on developing, operating and maintaining power projects. We supply power to a combination of industrial and state-owned consumers in India.

Our Promoter company, KSK Energy Limited, is incorporated and registered in Mauritius, and is a wholly-owned subsidiary of KSK Power Ventur plc, an Isle of Man incorporated entity listed on the London Stock Exchange's Alternative Investment Market. Our individual Promoters, Mr. S. Kishore and Mr. K.A. Sastry have been involved in the development of power projects for over a decade in various advisory and consultant roles. For further details on our Promoters, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

We have operational power plants capable of generating 144 MW of power, and are currently constructing, developing or planning power projects capable of generating an aggregate of 8,993 MW of power, which we sell or intend to sell under a combination of long-term, medium-term and short-term power purchase agreements ("PPAs") to industrial and state-owned consumers. We currently have three power plants (aggregating 144 MW) that are fully operational, two power projects (aggregating 675 MW) that are under construction and expected to commission in December 2008 and December 2009, three power projects (aggregating 1,973 MW) under development for which we have either secured, or received term sheets for, debt financing and intend to commence construction in the near future and five power projects (including the Kameng Basin project which will comprise seven power stations) (aggregating 6,345 MW) that are planned. Our power projects are as follows:

Our Operational Power Plants

- Arasmeta, a 43 MW coal based power plant in Chhattisgarh;

- Sai Regency, a 58 MW natural gas based power plant in Tamil Nadu; and

- Sitapuram, a 43 MW coal based power plant in Andhra Pradesh.

Our Power Projects under Construction

- VS Lignite, a 135 MW lignite based power project in Rajasthan which is scheduled to be commissioned in December 2008; and

- Wardha Warora, a 540 MW coal based power project in Maharashtra which is scheduled to be commissioned in December 2009.

Our Power Projects under Development

- Arasmeta Expansion, a 43 MW expansion of the existing Arasmeta power plant, which we currently estimate to be commissioned in the first quarter of the fiscal year 2011;

- Wardha Chhattisgarh, a 1,800 MW coal based power project in Chhattisgarh, which we currently estimate to be commissioned in the second quarter of the fiscal year 2012; and

- KSK Dibbin, a 130 MW, a run-of-the-river hydro-electric power project in Arunachal Pradesh, which we currently estimate to be commissioned in the fourth quarter of the fiscal year 2011.

Our Planned Power Projects

- KSK Narmada, a 1,800 MW coal based power project in Chhattisgarh, which we currently estimate to be commissioned in the second quarter of the fiscal year 2013;

- JR Power, a 1,800 MW coal based power project in Orissa, which we currently estimate to be commissioned in the fourth quarter of the fiscal year 2012;

- Wardha Naini, a 1,800 MW coal based power project in Orissa, which we currently estimate to be commissioned in the first quarter of the fiscal year 2013;

- Kameng Dam, a 600 MW run-of-the-river hydro-electric power project in Arunachal Pradesh, which we currently estimate to be commissioned in the fourth quarter of the fiscal year 2012; and

- Kameng Basin projects, a group of seven run-of-the-river hydro-electric power stations aggregating 345 MW in Arunachal Pradesh, which we currently estimate to be commissioned in the second quarter of the fiscal year 2013.

For details, see the section "Our Business" beginning of page 105 of this Red Herring Prospectus.

Our Competitive Strengths

1. Fuel Access Security

One of the key factors in the power generation sector is the availability of adequate amounts of quality and cost-efficient fuel through the lifetime of a power plant. We have entered into private-public partnerships in collaboration with government enterprises for accessing fuel for our power plants that are operational and our power projects that are currently under construction, development or being planned. Towards this end, we have secured fuel linkages from government-owned companies for all our operational projects. We have secured two lignite blocks for our VS Lignite power project. We have also entered into long-term fuel supply agreements or memoranda of understanding with multiple state mineral development corporations that own coal blocks for our under-development and planned power projects. We believe that this model not only translates into confirmed access to adequate quantities of fuel reserves but also enables the host states of such mineral development corporations to access part of the power generated at attractive prices. We believe that our access to these fuel reserves on a collective basis is sufficient to cater to our coal and lignite-based operational power plants and planned power projects.

2. Sustainable Business Model

We conduct our business solely through special purpose vehicles incorporated specifically for holding and operating our power projects. Our dedicated and group captive power plants are often developed to align with our consumers' requirements and hence we share equity shareholding in these SPVs with a select group of plant-specific consumers and strategic partners. For example, we own a 51% equity share in the Arasmeta SPV, and the remaining equity shareholding is held by Lafarge India Private Limited, the captive consumer for the Arasmeta power plant. Our consumers or strategic partners who hold equity interests in our SPVs typically hold preference shares or equity shares with restrictive dividend rights. This ownership structure results in lower than anticipated capital outlay for us, while simultaneously allowing us to retain all or a majority of the economic interest in the underlying power plant. We continue to explore other feasible capital structuring options for our power projects.

Currently, we have entered into primary off-take arrangements with our industrial consumers, while providing state-owned utility companies or electricity boards with surplus power. We intend to utilize an optimal mix of off-take arrangements with state-owned and industrial consumers for our planned power projects. We believe that this mix will enable us to tap into the unregulated as well as the regulated space of the Indian power generation market. Tapping into the regulated space will ensure revenues by implementation of take-or-pay structures into long-term PPAs, while catering to industrial consumers on short to medium-term PPAs, whether on a dedicated captive basis or on a group captive basis, will open our tariff structures to market demand and supply dynamics, resulting in opportunities to shift to a superior mix of consumers and to capitalize on increases in tariffs.

3. Diversified Power Plant Mix

We have operational power plants that are capable of generating an aggregate of 144 MW of power, power projects under construction (and which are expected to commission on or prior to December 2009) that are capable of generating an aggregate of 675 MW of power, power projects under development and which we intend to commence constructing in the near future that are capable of generating an aggregate of 1,973 MW of power and planned power projects capable of generating an aggregate of 6,345 MW of power. We believe this diversified mix of power plants in operation and power projects under various stages of development provide us with stable revenues and robust revenue growth opportunities. Once all our power projects are operational, we shall have power plants diverse in geographic locations, fuel types and fuel sources. Our power plants will be spread across seven states and will include eight coal based power plants (aggregating 7,869 MW of power), one lignite based power plant (135 MW of power), one natural gas based power plant (58 MW of power) and three run-of-the river hydro-electric power plants (including the Kameng Basin project which will comprise seven power stations) (aggregating 1,075 MW of power). This geographic and fuel diversification is intended to mitigate any dependence on a particular region or fuel type or source. In addition, a number of our power projects are located in or linked through grid access to areas with limited power generation capacity, such as the North-East of India, and in locations with demand and supply imbalances.

4. Committed Power Off-Take and Established Relationships with our Consumers

We generally enter into long-term, medium-term and short-term PPAs with our consumers, depending on their requirements. Typically, our long-term agreements provide that consumers purchase power generated in pre-determined quantities at fixed rates and surplus power, if any, may then be sold to other third party consumers in the unregulated market. This arrangement allows us to ensure our consumers are locked-in for a particular period while enabling us to take advantage of market rates for surplus power. In the case of our medium and short-term PPAs, our relationships with our consumers facilitate renewal of our PPAs along with permitting us to increase tariffs according to prevailing market conditions.

In addition, our strategy of sharing equity participation with our consumers in the SPVs that operate the power plants catering to their respective needs has resulted in strong and long-term relationships with our consumers. As a result of this business model, we believe we demonstrate our commitment to our consumers and to their industries during the lifetime of their industrial unit. We currently have 11 industrial consumers for our operating power plants, 19 consumers for our power projects that are under construction and a number of prospective consumers for our power projects under development for which we have secured or obtained term sheets for debt financing and are negotiating debt financing agreements. Some of our key consumers include Lafarge India Private Limited, Zuari Cement Limited and Viraj Profiles Limited.

Given the shortage of power, our mix of short-term, medium-term and long-term PPAs along with our strong relationships with our consumers gives us assured revenues for the duration of the PPAs along with taking advantage of tariff increases.

5. Strong Investor and Financing Relationships

In addition to our relationships with our consumers, we also had a joint-venture relationship with an affiliate of Lehman Brothers Inc. USA, which has resulted in Lehman Brothers becoming a 31.57% shareholder in our Company. For further details on our relationship with Lehman Brothers, see the sections "History and Certain Corporate Matters" and "Management's Discussion and Analysis on Financial Condition and Results of Operations" beginning on pages 171 and 294, respectively, of this Red Herring Prospectus. In addition, we have been successful in obtaining financing from a number of domestic institutional lenders, such as Infrastructure Development Finance Company Limited, Bank of India, State Bank of India, UCO Bank, Indian Bank and Indian Overseas Bank, who have provided our SPVs with debt financing as per our projects' requirements.

6. Experience and Proven Management and Execution Skills

We have experience in operating small dedicated captive power plants in India. We have, along with our operational power plants, experience in commissioning six power plants with a total capacity of 210 MW of power to date. In addition to our three operational power plants that generate an aggregate of 144 MW of power, we had in the past commissioned three power plants generating a combined capacity of approximately 66 MW of power, which we have since divested to KSK Energy Company Private Limited, a Promoter Group company. In addition, our individual Promoters, Mr. S. Kishore and Mr. K.A. Sastry have been involved in power project development for over a decade in various advisory and consultant roles.

As a result, we believe that we have demonstrated the skills necessary in developing and operating power projects and have also established a qualified and experienced team to undertake the development and operation of power projects in India. We believe that our experience, together with the experience of our Promoters and other companies in the KSK Group, in project implementation provides us with a competitive advantage in an industry where substantial expansion is expected in the foreseeable future. Details of our management team are provided under the section "Our Management" beginning on page 194 of this Red Herring Prospectus.

Our Business Strategy

1. Capitalize on the Growth of the Indian Power Generation Sector

The power sector in India has historically been characterized by power shortages that have worsened over time. According to Central Electricity Authority, the total peak shortage was 13,869 MW as of November 2007. In the 11th Plan (2007-2012), the Government of India recommended a capacity addition of 78,577 MW, and the 11th Plan working group recommended a capacity addition of 82,200 MW for the 12th Plan (2012-2017), assuming a 9% GDP growth rate. We believe that our power projects will play a role in the growth of the Indian power sector and contribute in achieving the Government of India's vision of "Power for All by 2012." In addition to our power projects capable of generating 8,993 MW of power that we are currently either developing or planning, we intend to develop or acquire additional power projects in the future.

2. Continue to Focus on our Sustainable Business Model

Opening the power generation sector in India to the private sector has increased the involvement of market dynamics in the operation and maintenance of power projects across the country. In order to remain competitive we will continue to undertake the following steps:

- continue to evaluate and gauge competitive opportunities in the power sector that we can enter into;
- consolidate our position in the power sector by increasing our portfolio of power projects;
- focus on fuel security, through the use of various types of fuel from separate sources; and
- continue to enter into strategic relationships with our consumers in establishing SPVs to operate the power projects.

3. Developer Driven Business Model

We intend to continue to focus on a developer driven business model. We intend to establish power projects with cost-efficient, sustainable, long-term sources of fuel. In addition, we intend to continue to invest in the captive power projects of our consumers by setting up dedicated power projects matching, as much as possible, their power requirements. We intend to continue to partner with our key large consumers, procuring joint equity participation in

SPVs operating the specific power projects set up for meeting such consumers' power requirements. We believe this will continue to enable us to enter into long-term bilateral relationships with captive industrial consumers, and hence enter into non-traditional off-take arrangements where the consumers invest significant amounts of capital to establish the power plant in exchange for guaranteed power supply entitlements. In addition, we will continue to focus on entering into short-term to medium-term PPAs with respect to our balance power availability to actualize potential revenue increases.

4. Secure Fuel Access

Having a dedicated, cost-efficient and established fuel supply line for a power plant is fundamental to its success. Our strategy has been to establish dedicated fuel lines prior to setting up a power plant. We try to ensure that we have adequate supplies of cost-efficient fuel through captive fuel sources, long-term contracts with private parties or with state mineral development corporations to fuel our power project's needs. While we believe that we have adequate quantities of fuel to sustain our operational power plants and planned power projects, we will continue to explore other options and sources for procuring and strengthening our fuel supplies.

5. Engage in an Optimal Mix of Off-Take Arrangements with State-Owned and Industrial Consumers

We currently have operational power plants that are capable of generating an aggregate 144 MW of power and power projects under construction that are capable of generating an aggregate of 675 MW of power, and have entered into multiple PPAs with captive consumers. We have three power projects under development and five planned projects that are capable of generating an aggregate 8,318 MW of power. We believe that state-run utility companies will require substantial amounts of power in order to meet their power demands and to cope adequately with power shortages in their respective states. While our focus will remain on being a developer driven power company, we intend to utilize our power capacities at optimum levels by diversifying our off-take arrangements between state-run utility companies and our industrial consumers. Once our power projects under development are fully commissioned, we believe that we will be in a position to take advantage of the current power deficit in India and supply power to the state-run utility companies at competitive rates.

THE ISSUE

Issue	3,46,11,000 Equity Shares
A) QIB Portion[(1)]	At least 2,07,66,600 Equity Shares
Of which:	
Mutual Fund Portion	10,38,350 Equity Shares
Balance for all QIBs including Mutual Funds	1,97,28,250 Equity Shares
B) Non-Institutional Portion[(2)]	Not less than 34,61,100 Equity Shares available for allocation
C) Retail Portion[(2)]	Not less than 1,03,83,300 Equity Shares available for allocation
Equity Shares outstanding prior to the Issue	31,14,93,740 Equity Shares
Equity Shares outstanding after the Issue	34,61,04,740 Equity Shares
Use of proceeds by the Company	See the section "Objects of the Issue" beginning on page 74 of this Red Herring Prospectus.

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

(2) Subject to valid Bids being received at or above the Issue Price. Under-subscription, if any, in the Non-Institutional Portion and the Retail Portion, would be allowed to be met with spill-over from any category or a combination of categories, at the discretion of the Company, in consultation with the Book Runners.

The Company has completed a Pre-IPO Placing of 1,73,06,000 Equity Shares to certain investors. The Equity Shares issued in the Pre-IPO Placing represent approximately 5% of our issued and outstanding Equity Shares upon the completion of the Issue. For details, see the section "Capital Structure" beginning on page 65 of this Red Herring Prospectus.

SUMMARY FINANCIAL INFORMATION

The following tables set forth the summary financial information derived from the restated consolidated and standalone financial statements of the Company as of and for the fiscal years ended March 31, 2004, 2005, 2006, 2007 and 2008 prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Guidelines as described in the Auditors' Report included in the section "Financial Statements" beginning on page 227 of this Red Herring Prospectus.

The summary financial information of the Company presented below should be read in conjunction with the respective financial statements and the notes (including accounting polices) thereto included in "Financial Statements" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 227 and 294, respectively, of this Red Herring Prospectus.

Summary Restated Statement of Assets and Liabilities, Consolidated

(Rs. in Lakhs)

	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Shareholders' Funds					
Share Capital	29,418.77	9,102.66	2,977.39	2,977.39	1,144.39
Preference Capital	-	3,000.00	125.00	125.00	925.24
Share Application Money	2,660.10	0.03	828.33	627.81	44.74
Reserves & Surplus		-	-	-	-
Reserves and Surplus	34,275.85	8,846.92	624.30	258.43	(3.53)
Minority Interest & Preference Share Capital of Joint Ventue Entities	7,991.44	1,959.26	499.33	425.40	259.00
Loan Funds					
Secured Loans	112,163.91	8,582.98	7,906.49	4,471.69	2,556.67
Unsecured Loans	13,059.55	11,030.95	2,573.04	537.80	245.27
Deferred Tax Liability	390.82	96.10	26.04	68.12	11.52
TOTAL	199,960.44	42,618.90	15,559.92	9,491.64	5,183.31
Fixed Assets					
Gross Block	51,448.78	13,968.71	6,797.24	6,832.21	4,316.07
Less: Depreciation	2,352.04	4,623.12	1,904.90	1,666.35	1,214.69
Net Block	49,096.74	9,345.59	4,892.34	5,165.86	3,101.38
Capital Work-in-Progress	94,025.08	3,525.19	6,415.46	1,624.68	379.55
Goodwill	19,082.87	-	70.55	-	-
Investments	8,492.26	3,219.41	756.64	61.45	1.30
Current Assets, Loans and Advances	-	-	-	-	-
Inventories	757.05	338.14	131.89	133.52	101.20
Sundry Debtors	-	-	-	-	-
More than six months	26.93	522.34	217.63	286.37	199.27
Others	3,214.54	853.31	271.25	205.38	161.94
Cash & Bank Balances	41,566.18	10,917.58	2,091.05	812.42	596.13
Loans and Advances	26,961.08	16,286.28	3,665.88	2,509.23	1,185.29
	72,525.78	**28,917.66**	**6,377.70**	**3,946.93**	**2,243.83**
Less:					
Current Liabilities and Provisions					
Current Liabilities	41,014.93	1,238.29	2,746.31	1,016.39	535.25
Provisions	3,236.08	1,404.89	222.36	315.88	34.78

	44,251.01	**2,643.18**	**2,968.67**	**1,332.27**	**570.02**
Net Current Assets	28,274.77	26,274.48	3,409.03	2,614.67	1,673.81
Miscellaneous Expenditure (to the extent not written off or adjusted)	268.72	254.23	15.90	24.99	27.27
TOTAL	199,960.44	42,618.90	15,559.92	9,491.64	5,183.31

Analysis of Key Parameters:

Reserves and Surplus: Reserves and surplus increased to Rs. 342.75 crore in fiscal 2008 from Rs. 88.86 crore in fiscal 2007, primarily due to share premium received on issue of shares and higher profits made during the fiscal year 2008.

Minority Interest and Preference Share Capital of Joint Venture Entities: Minority interest and preference share capital of joint venture entities increased to Rs. 79.91 crore in fiscal 2008 from Rs. 38.35 crore in fiscal 2007 over due to fresh investment in our SPVs.

Secured Loans: Secured loans increased to Rs. 1,121.63 crore in fiscal 2008 from Rs. 124.44 crore in fiscal 2007, primarily due to fresh loans drawn by the Company and also by the power project under construction.

Unsecured Loans: Unsecured borrowings increased to Rs. 130.59 crore in fiscal 2008 from Rs. 110.59 crore in the fiscal year 2007 due to fresh short term borrowings obtained by the Company for the fiscal year 2008.

Investments: Investments increased to Rs. 84.92 crore in fiscal 2008 from Rs. 32.24 crore in fiscal 2007 due to fresh short term investments made by the Company in fiscal 2008.

Summary Restated Statement of Profits and Losses, Consolidated

(Rs. in lakhs)

Particulars	Fiscal Year-2008	Fiscal Year-2007	Fiscal Year-2006	Fiscal Year-2005	Fiscal Year-2004
INCOME					
Sales	23,912.53	7,754.51	2,777.71	3,073.18	2,591.23
Other Income	11,882.06	1,527.12	964.94	282.18	164.32
TOTAL	**35,794.59**	**9,281.63**	**3,742.65**	**3,355.36**	**2,755.54**
EXPENDITURE					
Raw Materials Consumed	7,479.56	2,395.69	681.45	737.71	1,067.51
Manufacturing Expenses	1,206.03	656.55	177.14	220.11	161.29
Payments to and Provisions for Employees	738.01	415.94	165.13	82.66	42.43
Administrative and Selling Expenses	4,285.00	1,203.38	971.06	755.17	634.93
Interest and Finance Charges	6,271.28	996.55	394.35	295.76	272.49
Depreciation and Amortization	2,235.90	897.48	445.75	449.28	368.34
Preliminary & Pre-Operative expenses Written Off	0.36	20.18	7.40	7.29	80.41
TOTAL	**22,216.15**	**6,585.76**	**2,842.28**	**2,547.98**	**2,627.41**
PROFIT/ (LOSS) BEFORE EXTRA ORDINARY ITEM & TAXATION	**13,578.44**	**2,695.87**	**900.37**	**807.38**	**128.13**
Gain/(Loss) on Sale of Subsidiary	(506.37)				
Extra Ordinary Item		-	1.95	0.38	89.37
Prior Period Income/(Expenses)	-	-	(0.93)	-	1.11
PROFIT/(LOSS) BEFORE TAXATION	**13,072.07**	**2,695.87**	**897.49**	**807.00**	**37.65**
Provision for Taxation					
Current Tax including Wealth Tax & Fringe					

Particulars	Fiscal Year-2008	Fiscal Year-2007	Fiscal Year-2006	Fiscal Year-2005	Fiscal Year-2004
Benefit Tax	1,891.83	656.82	146.11	100.21	15.88
Earlier years Taxes including Wealth Tax & Fringe Benefit Tax	49.44	62.03	-	-	-
Deferred Tax	266.26	90.86	24.28	55.39	11.52
Total Tax Expense	**2,207.53**	**809.71**	**170.38**	**155.60**	**27.41**
PROFIT FOR THE YEAR BEFORE MINORITY INTEREST	**10,864.54**	**1,886.16**	**727.11**	**651.40**	**10.24**
Minority Interest	-	-	-	-	-
PROFIT FOR THE YEAR	**10,864.54**	**1,886.16**	**727.11**	**651.40**	**10.24**
Balance Brought Forward from Last Year/Period	2,321.47	1,722.19	(15.53)	(248.44)	73.31
PROFIT AVAILABLE FOR APPROPRIATION	**13,186.01**	**3,608.34**	**711.58**	**402.95**	**83.56**
Appropriations					
Equity Dividend	-	300.98	1.17	0.12	-
Preference Dividend	168.00	348.57	110.95	184.33	24.24
Tax on Dividend	28.55	102.70	15.74	25.64	3.12
General Reserve	-	35.00	4.09	8.26	32.32
Transfer to Capital Reserve	-	193.96	-	-	158.43
Balance after appropriation	**12,989.46**	**2,627.13**	**579.63**	**184.60**	**(134.56)**
Amount utilized in elimination of the cost of Investment in Subsidiary/JV	996.35	-	-	-	-
Amount attributable to minorities	1041.11	-	-	-	-
Surplus/(Deficit) carried to Balance Sheet	**10,952.00**	**2,627.13**	**579.63**	**184.60**	**(134.56)**
Significant Accounting Policies & Notes forming part of Accounts					
Earnings *Per Share –*					
Basic (Rs)	5.73	2.74	2.02	2.64	(0.54)
Diluted (Rs)	5.17	2.82	2.34	2.54	0.17

Analysis of key parameters:

Sales: Our sales income increased by 208.4% to Rs. 239.13 crore for the fiscal year 2008 from Rs. 77.55 crore for the fiscal year 2007 due to full year operations of some of our SPVs as compared to part-year operations in fiscal 2007, enhanced project development fees received by the Company and one time power arrangement income relating to the Sitapuram SPV.

Other Income: Other income increased to Rs. 118.82 crore for fiscal 2008 from Rs. 15.27 crore for fiscal 2007. This increase was primarily due to profits on the sale of investments and dividends from investments.

Expenditure: Total expenditure increased to Rs. 222.16 crore for fiscal 2008 from Rs. 65.86 crore for fiscal 2007, primarily attributable to an increase in our manufacturing expenses, interest and finance charges, administrative and selling expenses and depreciation.

Raw Materials Consumed: Expenditure on raw materials consumed increased to Rs. 74.79 crore in the fiscal year 2008 from Rs. 23.96 crore in the fiscal year 2007. This increase was due to an increase in cost of raw material consumed at our operational power plants.

Manufacturing Expenses: Manufacturing expenses increased to Rs. 12.06 crore for fiscal 2008 from Rs. 6.57 crore for fiscal 2007. This increase was due to an increase in manufacturing costs at our operational power plants.

Administrative and Selling Expenses: Administrative and selling expenses increased to Rs. 42.85 crore for fiscal 2008 from Rs. 12.03 crore for fiscal 2007 which was due to higher legal and professional charges, travel and conveyance expenses, rent, rates, taxes and selling and advertisement expenses.

Interest and Finance Charges: Interest and finance charges increased to Rs. 62.71 crore for fiscal 2008 from Rs. 9.97 crore for fiscal 2007 due to interest paid on fresh loans drawn by our SPVs under construction.

Profit for the year: Profit for the year increased to Rs. 108.65 crore for fiscal 2008 from Rs. 18.86 crore for fiscal 2007 due to full year operations of some of our SPVs as compared to part-year operations in fiscal 2007, enhanced project development fees received by the Company and profit on sale of investments made by the Company.

Summary Restated Statement of Assets and Liabilities, Standalone

(Rs. in Lakhs)

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Shareholders' Funds					
Share Capital	29,418.77	12,102.66	3,102.39	3,102.39	2,069.62
Share Application Money pending allotment	-	-	-	70.14	35.48
Reserves & Surplus					
Reserves and Surplus	34,743.72	7,310.17	526.39	99.68	-
Loan Funds					
Secured Loans	25,107.82	9.72	1,452.94	1,530.87	-
Unsecured Loans	4,713.19	10,970.53	2,507.25	199.89	-
Deferred Tax Liability	37.16	9.59	-	-	-
TOTAL	**94,020.66**	**30,402.67**	**7,588.97**	**5,002.97**	**2,105.10**
Fixed Assets					
Gross Block	551.44	309.90	142.94	24.24	8.72
Less: Depreciation	102.59	43.17	19.53	2.34	0.66
Net Block	448.86	266.72	123.41	21.90	8.06
Add :Capital Work-in-Progress	-	-	-	9.74	-
	448.86	**266.72**	**123.41**	**31.64**	**8.06**
Investments	83,795.25	6,130.45	2,862.79	2,036.41	1,115.13
Current Assets, Loans and Advances					
Cash & Bank Balances	9,557.30	9,216.21	1,007.82	142.07	27.01
Loans and Advances & Other Current Assets	31,497.61	15,776.28	5,634.91	3,069.66	900.82
	41,054.92	**24,992.49**	**6,642.73**	**3,211.73**	**927.83**
Less:					
Current Liabilities and Provisions					
Current Liabilities	29,010.46	150.77	1,837.65	81.13	68.19
Provisions	2,267.91	836.22	202.35	200.20	-
	31,278.37	**986.99**	**2,040.00**	**281.33**	**68.19**
Net Current Assets	**9,776.55**	**24,005.50**	**4,602.74**	**2,930.40**	**859.64**
Miscellaneous Expenditure (to the extent not written off or adjusted)	-	-	-	-	-
Deferred Tax Asset	-	-	0.04	4.52	-
Profit and Loss Account	-	-	-	-	122.27
TOTAL	**94,020.66**	**30,402.67**	**7,588.97**	**5,002.97**	**2,105.10**
Significant Accounting Policies & Notes forming part of accounts					

Analysis of key parameters:

Reserves and Surplus: Reserves and surplus increased to Rs. 347.43 crore in fiscal 2008 from Rs. 73.10 crore for fiscal 2007 due to profit on sale of investments made by the Company.

Secured Loans: Secured borrowings increased to Rs. 251.07 crore in fiscal 2008 from Rs. 0.09 crore in fiscal 2007 primarily due to increase in borrowings for corporate purposes

Investments: Investments increased to Rs. 837.95 crore in fiscal 2008 from Rs. 61.30 crore in fiscal 2007 due to fresh investments in SPVs and some short term strategic investments.

Debtors: The business of the Company is carried out through special purpose vehicles (SPVs). Accordingly, sundry debtors are at the level of the SPVs only and hence there are no sundry debtors on a standalone basis.

Summary Restated Statement of Profits and Losses, Standalone

(Rs. in Lakhs)

Particulars	**Fiscal Year-2008**	**Fiscal Year-2007**	**Fiscal Year-2006**	**Fiscal Year-2005**	**Fiscal Year-2004**
INCOME :					
Management Fees	267.32	162.56	160.73	231.00	-
Project Development Fees	2,336.50	1,558.64	417.95	374.00	-
Corporate Support Services Fee	144.00	-	-	-	-
Power Arrangement Income	2,300.00	-	-	-	-
Interest Income	1,301.26	1,283.74	599.84	254.45	137.96
Other Income	10,619.76	129.02	333.11	0.02	-
TOTAL	**16,968.84**	**3,133.97**	**1,511.63**	**859.46**	**137.96**
EXPENDITURE					
Payments to and Provisions for Employees	634.37	472.79	239.25	150.52	30.45
Administrative and Selling Expenses	1,419.93	639.07	558.44	254.96	152.72
Interest and Finance Charges	3,100.47	339.45	135.49	34.67	0.13
Depreciation and Amortisation	59.41	23.64	17.19	1.68	0.41
Preliminary & Pre-Operative expenses W/o	-	-	-	-	76.53
TOTAL	**5,214.18**	**1,474.95**	**950.36**	**441.83**	**260.23**
PROFIT/ (LOSS) BEFORE EXTRA ORDINARY ITEM & TAXATION	11,754.65	1,659.02	561.28	417.64	(122.27)
Prior Period Income/(Expenses)	-	-	(0.93)	-	-
PROFIT/(LOSS) BEFORE TAXATION	11,754.65	1,659.02	560.35	417.64	(122.27)
Provision for Taxation					
Current Tax incl. Wealth Tax & Fringe Benefit Tax	1,601.65	595.01	113.49	70.49	-
Deferred Tax Liability/(Asset)	21.59	9.63	4.48	(4.52)	-
Total Tax Expense	**1,623.24**	**604.64**	**117.97**	**65.97**	**-**
PROFIT/(LOSS) FOR THE YEAR	**10,131.41**	**1,054.37**	**442.39**	**351.66**	**(122.27)**
Balance Brought Forward from Last Year	1,485.02	526.39	99.68	(122.27)	-
PROFIT AVAILABLE FOR APPROPRIATION	11,616.43	1,580.76	542.07	229.39	(122.27)
Appropriations					
Equity Dividend	-	-	-	-	-
Preference Dividend	196.55	92.86	13.75	113.76	-
Premium on Redemption of preference shares	-	-	-	-	-
Tax on Dividend	-	15.78	1.93	15.95	-
General Reserve	-	-	-	-	-
Transfer to Capital Reserve	-	-	-	-	-
Surplus/(Deficit) carried to Balance Sheet	11,419.88	1,472.12	526.39	99.68	(122.27)
Earning Per Share - Basic (Rs)	5.34	1.75	1.43	1.33	(3.87)
Diluted (Rs)	4.82	1.58	1.43	1.33	(3.87)
Significant Accounting Policies & Notes forming part of accounts					

Analysis of key parameters:

Sales: Sales income increased to Rs. 50.48 crore for fiscal 2008 from Rs. 17.21 crore for fiscal 2007. This increase was primarily attributable to an increase in project development fees paid to us by the Wardha SPV of Rs. 18.22 crore and the VS Lignite SPV of Rs. 4.83 crore, as well as a one time power arrangement income amount relating to Sitapuram SPV of Rs. 23.00 crore.

Other Income: Other income increased to Rs. 119.21 crore for fiscal 2008 from Rs. 14.13 crore for fiscal 2007 due to profits on the sale of investments and dividends from investments.

Expenditure: Total expenditure increased to Rs. 52.14 crore for fiscal 2008 from Rs. 14.75 crore for fiscal 2007, which was primarily attributable to increase in interest costs and administration costs in fiscal 2008.

Administrative and Selling Expenses: Administrative and selling expenses increased by 122.2% to Rs. 14.20 crore for fiscal 2008 from Rs. 6.39 crore for fiscal 2007 which was attributable to increased legal and professional charges, travel and conveyance expenses and advertisement expenses.

Interest and Finance Charges: Interest and finance charges increased to Rs. 31.00 crore for fiscal 2008 from Rs. 3.39 crore for fiscal 2007. This increase is on account of interest paid on drawl of fresh loans.

Profit for the year: Profit for the year increased to Rs. 101.31 crore for fiscal 2008 from Rs. 10.54 crore for fiscal 2007 due to increase in project development fees paid to us by the Wardha SPV of Rs. 18.22 crore and the VS Lignite SPV of Rs. 4.83 crore, one time power arrangement income amount relating to the Sitapuram SPV of Rs. 23.00 crore and profits on sale of investments and dividend from investments.

GENERAL INFORMATION

The Company was incorporated as KSK Energy Ventures Private Limited on February 14, 2001 under the Companies Act. It became a public company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on February 9, 2002, and the word "private" was deleted from its name. The Company became a private limited company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on July 3, 2006, and the word "private" was added to its name. Subsequently, pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on January 19, 2008, the Company has become a public limited company and the word "private" has been deleted from its name. The certificate of incorporation to reflect the new name was issued on February 6, 2008 by the RoC. For details of changes in the registered office, see the section "History and Certain Corporate Matters" beginning on page 171 of this Red Herring Prospectus.

Registered Office of the Company

8-2-293/82/A/431/A, Road No.22
Jubilee Hills
Hyderabad – 500 033, Andhra Pradesh, India
Telephone: +91 40 2355 9922/23/24/25
Facsimile: +91 40 2355 9930

Website: www.ksk.co.in
Corporate Identity Number: U45204AP2002PLC057199

The Company is registered at the Registrar of Companies, Andhra Pradesh, located at 2nd Floor, CPWD Building, Kendriya Sadan, Sultan Bazar, Koti, Hyderabad – 500 195, Andhra Pradesh, India.

Board of Directors

Under the Articles of Association, the Company cannot have less than three and more than 12 Directors. The Company currently has 10 Directors.

The Company's Board of Directors comprises the following:

Name and DIN	Age (years)	Designation
Mr. T.L. Sankar DIN: 00121570	74	Chairman Independent Director Non-Executive Director
Mr. S.R. Iyer DIN: 00580437	68	Independent Director Non-Executive Director
Mr. Abhay Mahadeo Nalawade DIN: 00342055	59	Independent Director Non-Executive Director
Mr. Girish Nilkanth Kulkarni DIN: 00062382	42	Independent Director Non-Executive Director
Mr. Henry Klein DIN: 01228116	46	Non-Independent Director Non-Executive Director (Nominee of LB India Holdings Mauritius I Limited)*
Mr. K.A. Sastry DIN: 00006566	49	Non-Independent Director Executive Director (Wholetime Director)
Mr. S. Kishore DIN: 00006627	46	Non-Independent Director Executive Director (Wholetime Director)

Name and DIN	Age (years)	Designation
Mr. K.B. Raju DIN: 00940849	44	Non-Independent Director Executive Director (Wholetime Director)
Mr. Anil Kumar Kutty DIN: 00055634	55	Non-Independent Director Non-Executive Director
Mr. Tanmay Das DIN: 00680042	37	Non-Independent Director Non-Executive Director

* The post-issue shareholding of LB India will be 28.41%. Based on such shareholding and the current Board strength of 10 Directors, LB India will have the right to appoint a maximum of two Directors. Currently, however, Mr. Henry Klein, is LB India's sole nominee to the Board. In the event that LB India exercises its right to nominate an additional Director to the Board, the Company will continue to be in compliance with the provisions of Clause 49 of the Listing Agreement. For further details of LB India's right to Board representation, see the section "History and Certain Corporate Matters – Material Agreements" beginning on page 187 of this Red Herring Prospectus.

For further details regarding the Board of Directors, see the section "Our Management" beginning on page 194 of this Red Herring Prospectus.

Company Secretary and Compliance Officer

Mr. D. Suresh Babu
8-2-293/82/A/431/A, Road No.22
Jubilee Hills
Hyderabad – 500 033, India
Telephone: +91 40 2355 9922/23/24/25
Facsimile: +91 40 2355 9930
Email: investors@ksk.co.in
Website: www.ksk.co.in

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

Book Running Lead Managers

Kotak Mahindra Capital Company Limited
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai - 400 021, India
Telephone: +91 22 6634 1100
Facsimile: +91 22 2283 7517
Email: ksk.ipo@kotak.com
Investor Grievance Email: kmccredressal@kotak.com
Contact Person: Mr. Chandrakant Bhole
Website: www.kotak.com
SEBI registration number: INM000008704

IDFC-SSKI Private Limited*
803/4, Tulsiani Chambers
8th Floor, Nariman Point
Mumbai - 400 021, India
Telephone: +91 22 6638 3333
Facsimile: +91 22 2204 0282
Email: ksk.ipo@idfcsski.com
Investor Grievance Email: complaints@idfcsski.com
Contact Person: Mr. Hiren Raipancholia
Website: www.sski.co.in
SEBI registration number: INM000010254

* Name being changed from SSKI Corporate Finance Private Limited, subject to regulatory approvals.

Morgan Stanley India Company Private Limited
1101-1115, Hilton Towers
Nariman Point
Mumbai - 400 021, India
Telephone: +91 22 6621 0555
Facsimile: +91 22 6621 0556
Email: ksk_ipo@morganstanley.com
Investor Grievance Email:
investors_india@morganstanley.com
Contact Person: Mr. Amit H. Shah
Website:
www.morganstanley.com/indiaofferdocuments
SEBI registration number: INM000011203

Lehman Brothers Securities Private Limited
Ceejay House, 11th Level
Plot F, Shivsagar Estate
Dr. Annie Besant Road, Worli
Mumbai - 400 018, India
Telephone: +91 22 4037 4037
Facsimile: +91 22 4037 4111
Email: ksk.ipo@lehman.com
Investor Grievance Email: ksk.ipo@lehman.com
Contact Person: Mr. Shreyance Shah
Website: www.lehman.com/ibd/geographic/asia/ipos_india.htm
SEBI registration number: INM000010957

Edelweiss Capital Limited
14th Floor, Express Towers
Nariman Point
Mumbai - 400 021, India
Telephone: +91 22 4086 3535
Facsimile: +91 22 2288 2119
Email: ksk.ipo@edelcap.com
Investor Grievance Email: ksk.ipo@edelcap.com
Contact Person: Mr. Sumeet Lath/ Ms. Dipti Samant
Website: www.edelcap.com
SEBI registration number: INM000010650

Co-Book Running Lead Manager

Axis Bank Limited
Central Office, Maker Tower 'F'
11th Floor, Cuffe Parade, Colaba
Mumbai - 400 005, India
Telephone: +91 22 6707 1312
Facsimile: +91 22 2216 2467
Email: ksk.ipo@axisbank.com
Investor Grievances Email: axbmbd@axisbank.com
Contact Person: Mr. Dipen Kapadia
Website: www.axisbank.com
SEBI registration number: INM000006104

Syndicate Members

Kotak Securities Limited
3rd Floor, Bakhtawar
229, Nariman Point
Mumbai – 400 021, India
Telephone: +91 22 6634 1100
Facsimile: +91 22 2283 7517
Email: umesh.gupta@kotak.com
Contact Person: Mr. Umesh Gupta
Website: www.kotak.com
SEBI registration number: INB010808153

Sharekhan Limited
A 206, Phoenix House, 2nd Floor
Senapati Bapat Marg, Lower Parel
Mumbai - 400 013, India
Telephone: +91 22 6748 2000
Facsimile: +91 22 2498 2626
Email: pankajp@sharekhan.com
Contact Person: Mr. Pankaj Patel
Website: www.sharekhan.com
SEBI registration number: INB011073351 (NSE) / INB231073330 (BSE)

Edelweiss Securities Limited
14th floor, Express Towers
Nariman Point
Mumbai – 400 021, India
Telephone: +91 22 2286 4400
Facsimile: +91 22 4097 9292
Email: ksk.ipo@edelcap.com
Contact Person: Ms. Pinki Dodhia
Website: www.edelcap.com
SEBI registration number: INB231193310 (NSE) / INB011193332 (BSE)

Legal Advisors

Domestic Legal Counsel to the Company

Khaitan & Co.
Meher Chambers, 4th and 5th Floors
R.K. Marg, Ballard Estate
Mumbai – 400 001, India
Telephone: +91 22 6636 5000
Facsimile: +91 22 6636 5050

Domestic Legal Counsel to the Underwriters

S&R Associates
64, Okhla Industrial Estate, Phase III
New Delhi – 110 020, India
Telephone: +91 11 4069 8000
Facsimile: +91 11 4069 8001

International Legal Counsel to the Underwriters

Jones Day
29th Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central, Hong Kong
Telephone: +852 2526 6895
Facsimile: +852 2868 5871

Registrar to the Issue

Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar
Madhapur
Hyderabad – 500 081, India
Telephone: +91 40 2342 0815
Facsimile: +91 40 2342 0814
Email: mrvs@karvy.com
Contact Person: Mr. M.R.V Subramanyam
Website: www.karvycomputershare.com
SEBI Registration Number: INR000000221

Bankers to the Issue and Escrow Collection Banks

ABN AMRO Bank NV
Brady House
14, Veer Nariman Road
Hornimon Circle, Fort
Mumbai - 400 001, India
Telephone: +91 22 6658 5858, 6658 5817
Facsimile: +91 22 2282 1480, 2287 3042
Contact Person: Mr. Malay Akhouri
Email: Akhouri.malay@in.abnamro.com
Website: www.abnamro.co.in
SEBI registration number: INBI00000034

Deutsche Bank, AG
Kodak House
222, D. N. Road
Mumbai – 400 001, India
Telephone: +91 22 6658 4045
Facsimile: +91 22 6658 4374
Contact Person: Mr. Shyamal Malhotra
Email: shyamal.malhotra@db.com
Website: www.db.com
SEBI registration number: INBI00000003

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai – 400 001, India
Telephone: +91 22 2262 7600
Facsimile: +91 22 2261 1138
Contact Person: Mr. Viral Bharani
Email: viral.bharani@icicibank.com
Website: www.icicibank.com
SEBI registration number: INBI00000004

HDFC Bank Limited
BTI Ops Department
Maneckji Wadia Building ,3rd Floor
Nanik Motwani Marg, Fort
Mumbai - 400 001, India
Telephone: +91 22 6657 3746 / 2270 0272
Facsimile: +91 22 2270 0024
Contact Person: Mr. Deepak Rane
Email: deepak.rane@hdfcbank.com
Website: www.hdfcbank.com
SEBI registration number: INBI00000063

UCO Bank
Jubilee Hills Branch
D.No.8-2-293/82/A/490
Road No. 10 & 22 Corner, Jubilee Hills
Hyderabad - 500 033, India
Telephone: +91 40 23555768
Facsimile: +91 40 23555769
Contact Person: Mr. G. Badulla
Email: ucojubileehills@ucobank.co.in
Website: www.ucobank.com
SEBI registration number: INBI00000927

Kotak Mahindra Bank Limited
36-38A, Nariman Bhavan
227 Nariman Point
Mumbai - 400 021, India
Telephone: +91 40 6759 4850
Facsimile: +91 40 6648 2710
Contact Person: Mr. Ibrahim Sharief
Email: Ibrahim.sharief@kotak.com
Website: www.kotak.com
SEBI registration number: INBI00000927

Axis Bank Limited
6-3-879/B, 1st Floor
G. Pulla Reddy Building
Greenlands, Begumpet
Hyderabad - 500 016, India
Telephone: +91 40 2340 0731, 2340 0732
Facsimile: +91 40 2340 7184
Contact Person: Mr. K. Srinivas
Email: k.srinivas@axisbank.com
Website: www.axisbank.co.in
SEBI registration number: INB100000017

Auditors

Umamaheswara Rao & Co., Chartered Accountants
Flat No. 5-H, D Block
8-3-324, Krishna Apartments
Yellareddyguda Lane

Ameerpet “X” Roads
Hyderabad – 500 073, India
Telephone: +91 40 2375 1833
Facsimile: +91 40 2375 1823
Email: gopalvsanka@gmail.com
Contact Person: CA. S. Venugopal, FCA, DISA (ICA), Partner

Bankers to the Company

Indian Overseas Bank
C&IC Branch
98-1, Dr. Radhakrishnan Salai
Mylapore
Chennai – 600 004
Telephone: +91 44 2847 8634/ 2847 8635
Facsimile: +91 44 2847 8633
Email: canicbr@chemsco.iobnet.co.in
Contact Person: Mrs. Vijaya
Website: www.iob.com

Dena Bank
Corporate Business Branch
C-10, G Block, Bandra Kurla Complex
Bandra (East)
Mumbai – 400 051
Telephone: +91 22 2654 5012/ 2654 5020
Facsimile: +91 22 2654 5017
Email: vankur@denabank.co.in; seemar@denabank.co.in
Contact Person: Mr. V. Ramachandran
Website: www.denabank.com

Bank of India
Large Corporate Branch
4th Floor, Bank of India Building
70/80 Mahatma Gandhi Road, Fort
Mumbai – 400 023
Telephone: +91 22 2267 0507/ 2270 2536
Facsimile: +91 22 2267 1718
Email: mumbailcb@bankofindia.co.in
Contact Person: Mr. Mahapatra
Website: www.bankofindia.com

Indian Bank
210 Mittal Towers, B Wing
Nariman Point
Mumbai – 400 021
Telephone: +91 22 2204 6696
Facsimile: +91 22 2204 5290
Email: narimanpoint@indianbank.co.in
Contact Person: Mr. Shankaran
Website: www.indian-bank.com

Andhra Bank
6-3-648, Padmaja Land Mark
3rd Floor, Somajiguda
Hyderabad – 500 016
Telephone: +91 40 2342 1158
Facsimile: +91 40 2342 1174
Email: Not available
Contact Person: Mr. Sai Baba
Website: www.andhrabank.in

Bank of Maharashtra
6-2-975, 1st Floor, Kushal Towers
Khairatabad
Hyderabad – 500 016
Telephone: +91 40 2331 4544
Facsimile: +91 40 2339 2886
Email: Not available
Contact Person: Mr. Godse
Website: www.bankofmaharashtra.in

UCO Bank
Road No. 10
Banjara Hills
Hyderabad – 500 034
Telephone: +91 40 2331 7818/ 6658 7838
Facsimile: +91 40 2337 5876
Email: ucobh@sancharnet.in
Contact Person: Mr. Kumaravel/ Ms. Vimala
Website: www.ucobank.com

8-2-293/82/A/490,
Road No. 10 & 22 Corner
Jubilee Hills
Hyderabad – 500 033
Telephone: +91 40 2355 5768/ 2355 5769

State Bank of India
IFB, 1st Floor, Navbharat Chambers
Raj Bhavan Road
Hyderabad – 500 082
Telephone: +91 40 2340 2143
Facsimile: +91 40 2340 2837
Email: sbi.9103@sbi.co.in
Contact Person: Mr. Karun Babu
Website: www.statebankofindia.com

Facsimile: +91 40 2355 5768
Email: ucojubileehills@ucobank.co.in
Contact Person: Mr. Badulla

Monitoring Agency

Industrial Finance Corporation of India Limited
5-9-13, Taramandal Complex, 8th floor
Saifabad, Hyderabad – 500 004
Telephone: +91 40 6662 3642/43/44/45
Facsimile: +91 40 2324 1138
Email: nd.auddy@ifciltd.com
Contact Person: Mr. N.D. Auddy
Website: www.ifciltd.com

IPO Grading Agency

Fitch Ratings India Private Limited
6th Floor, Apeejay House
3, Dinshaw Vacha Road
Churchgate
Mumbai – 400 020
Telephone: +91 22 4000 1700
Facsimile: +91 22 4000 1701
Email: atul.joshi@fitchratings.com
Contact Person: Mr. Atul Joshi
SEBI registration number: IN/CRA/002/1999

Statement of Responsibility of the Book Running Lead Managers

The following table sets forth the *inter se* allocation of responsibilities for various activities among the Book Runners:

S.No.	Activities	Responsibility	Coordinator
1.	Capital structuring with relative components and formalities etc.	KMCC, Morgan Stanley, IDFC-SSKI, Edelweiss, Axis Bank	Morgan Stanley
2.	Due diligence of Company's operations/ management/ business plans/ legal etc. Drafting and design of Red Herring Prospectus and of statutory advertisement including memorandum containing salient features of the Prospectus. The BRLMs and Co-BRLM shall ensure compliance with stipulated requirements and completion of prescribed formalities with the Stock Exchanges, RoC and SEBI including finalization of Prospectus and RoC filing	KMCC, Morgan Stanley, IDFC-SSKI, Edelweiss, Axis Bank	KMCC
3.	Drafting and approval of all publicity material other than statutory advertisement as mentioned in (2) above including corporate advertisement, brochure etc.	KMCC, Morgan Stanley, IDFC-SSKI, Edelweiss, Axis Bank	Morgan Stanley
4.	Appointment of intermediaries viz., Printers and Advertising Agency, IPO Grading Agency, Monitoring Agency, Registrar and Bankers to the Issue	KMCC, Morgan Stanley, IDFC-SSKI, Edelweiss, Axis Bank	KMCC
5.	International Institutional marketing strategy: finalize the list and division of investors for one to one meetings; preparation of road show presentation and FAQs	KMCC, Morgan Stanley, IDFC-SSKI, Lehman, Edelweiss, Axis Bank	Lehman
6.	Domestic Institutional marketing strategy: finalize the list and division of investors for one to one meetings	KMCC, Morgan Stanley, IDFC-SSKI, Lehman, Edelweiss,	KMCC

S.No.	Activities	Responsibility	Coordinator
		Axis Bank	
7.	Retail / HNI marketing strategy – Finalize centers for holding conference for brokers etc. – Finalize media, marketing & PR Strategy – Follow up on distribution of publicity and issue materials including form, prospectus and deciding on the quantum of the Issue material – Finalize bidding centers – Managing the book and co ordination with Stock Exchanges	KMCC, Morgan Stanley, IDFC-SSKI, Edelweiss, Axis Bank	IDFC-SSKI
8.	Pricing, in consultation with the Company	KMCC, Morgan Stanley, IDFC-SSKI, Lehman, Edelweiss, Axis Bank	IDFC-SSKI
9.	The post bidding activities including management of escrow accounts, co-ordinate non-institutional and institutional allocation, intimation of allocation and dispatch of refunds to bidders etc The Post Issue activities for the Issue will involve essential follow up steps, which include the finalization of basis of allotment, dispatch of refunds, demat of delivery of shares, finalization of listing and trading of instruments with the various agencies connected with the work such as the Registrar(s) to the Issue and Bankers to the Issue. (The merchant banker shall be responsible for ensuring that these agencies fulfill their functions and enable it to discharge this responsibility through suitable agreements with the Company)	KMCC, Morgan Stanley, IDFC-SSKI, Lehman, Edelweiss, Axis Bank	IDFC-SSKI

Credit Rating

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

IPO Grading

Pursuant to Clauses 5.6B.1 and 6.8.2.9A of the SEBI Guidelines, this Issue has been graded by Fitch. Through its letter dated June 14, 2008, Fitch has assigned the Issue a grade of 3 (ind) out of a maximum of 5 (ind) indicating average fundamentals. The report provided by Fitch, furnishing the rationale for its grading is included as Appendix A to this Red Herring Prospectus and a copy of this report is available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

A summary of the grading rationale is as disclosed below:

The grading assigned to KSK reflects its ability to tie up fuel linkages (present reserves of 1.1 billion tonnes) by pioneering tie-ups with state owned entities, its critical role as a neutral aggregator of power, its strategy of entering into Power Purchase Agreements (PPAs) with established customers, the relationships enjoyed with financial institutions and its sound execution strategy.

The Company's strategy of sharing equity participation with customers in Special Purpose Vehicles (SPVs) that operate the power plants has resulted in long-term relationships with offtakers. However, the execution risk remain high on account of limited experience in developing power projects of the magnitude entailed i.e. 98% of the Company's current total expected power generation capacity is yet to be commissioned.

The Company's inability to obtain funding at competitive rates may affect its projected plans. The estimated layout of INR 3,49,000mn is proposed to be funded by debt INR 2,62,000 mn. and equity INR 87,000 mn. The floating interest rate indebtedness of the company as on March 31st 2008 was INR 7,646.2 mn. (61% of total debt) exposing it to interest rate risk. The lenders to the SPV's possess the right to convert debt into equity in case of default. The companies consolidated debt as on March 31st 2008 was INR 12,522.3mn which restricts the ability of the company to respond adequately during periods of economic downturn. It must also be noted that power projects have long gestation periods and a considerable amount of time elapses before positive cash flows are generated.

For a majority of the larger projects the company has entered into long-term PPAs for part of the power supply at pre-determined tariffs which preclude the company from passing on price rises to consumers, implementing expansion measures and selling interests to third parties.

The company is yet to appoint EPC (Engineering Procurement & Construction) contractors for its proposed projects and this exposes KSK to project cost escalation.

Key Grading issues

The key grading issues are as follows:

Areas of strength

- Access to fuel reserves of 1.1 bn. tonnes based on Memorandum of Understanding
- Strategy of sharing equity participation with customers in SPVs that operate the power plants has resulted in long-term relationship with consumers

Areas of Concern

- Execution risk (the company has in place only 2% of its proposed capacity)
- Limited experience in developing power projects of the magnitude entailed
- High financial leverage

For details regarding the grading of the Issue, see Appendix A to this Red Herring Prospectus. For the disclaimer of Fitch, see the section "Other Regulatory and Statutory Disclosures" beginning on page 358 of this Red Herring Prospectus.

Trustees

As the Issue is of equity shares, the appointment of trustees is not required.

Book Building Process

Book Building refers to the process of collection of Bids from investors on the basis of the Red Herring Prospectus. The Issue Price is determined by the Company, in consultation with the Book Runners, after the Bid/Issue Closing Date. The principal parties involved in the Book Building Process are:

(1) the Company;

(2) the Book Runners, in this Issue being KMCC, IDFC-SSKI, Morgan Stanley, Lehman, Edelweiss and Axis Bank;

(3) the Syndicate Members, in this Issue being Kotak Securities Limited, Sharekhan Limited and Edelweiss Securities; and

(4) the Registrar to the Issue, in this Issue being Karvy Computershare Private Limited.

The Equity Shares are being offered to the public through the 100% Book Building Process in accordance with Rule 19(2)(b) of the SCRR and the SEBI Guidelines, wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs, of which 5% shall be reserved for allocation on a proportionate basis to Mutual Funds only. The remainder of the QIB Portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

The Company has completed a Pre-IPO Placing of 1,73,06,000 Equity Shares to certain investors. For details of the investors in the Pre-IPO Placing, see the section "Capital Structure" beginning on page 65 of this Red Herring Prospectus.

The process of Book Building under the SEBI Guidelines is subject to change. Investors are advised to make their own judgment about an investment through this process prior to submitting a Bid in the Issue.

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid. See the section "Issue Procedure" of the Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
- Ensure that the Bid-cum-Application Form is duly completed as per the instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form; and
- Ensure that in all cases, the PAN is quoted in the Bid-cum-Application Form. For details, see the section "Issue Procedure" of the Red Herring Prospectus.

Illustration of Book Building and the Price Discovery Process

(Investors should note that the following is solely for the purpose of illustration 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.20 to Rs.24 per equity share, an issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the bidding/issue period. The illustrative book as shown below indicates the demand for the equity shares of the company at various prices and is collated from bids from various investors.

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

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

Withdrawal of the Issue

The Company, in consultation with the Book Runners, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final RoC acknowledgement of the Prospectus after it is filed with the RoC and (ii) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment.

Underwriting Agreement

After the determination of the Issue Price but prior to filing of the Prospectus with the RoC, the Company intends to enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be issued and sold in the Issue. Pursuant to the terms of the Underwriting Agreement, the Book Runners shall be responsible for bringing in the amount devolved in the event that the Syndicate Members do not fulfill their underwriting obligations. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions to closing, as specified therein.

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

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

Name and Address of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. crores)
Book Runners		
Kotak Mahindra Capital Company Limited 3rd Floor, Bakhtawar 229, Nariman Point Mumbai – 400 021, India Telephone: +91 22 6634 1100 Facsimile: +91 22 2283 7517 Email: ksk.ipo@kotak.com	[●]	[●]
IDFC-SSKI Private Limited* 803/4, Tulsiani Chambers 8th Floor, Nariman Point Mumbai – 400 021, India Telephone: +91 22 6638 3333 Facsimile: +91 22 2204 0282 Email: ksk.ipo@idfcsski.com * Name being changed from SSKI Corporate Finance Private Limited, subject to regulatory approvals.	[●]	[●]
Morgan Stanley India Company Private Limited 1101-1115, Hilton Towers Nariman Point Mumbai – 400 021, India Telephone: +91 22 6621 0555 Facsimile: +91 22 6621 0556 Email: ksk_ipo@morganstanley.com	[●]	[●]
Lehman Brothers Securities Private Limited Ceejay House, 11th Level Plot F, Shivsagar Estate Dr. Annie Besant Road, Worli Mumbai - 400 018, India Telephone: +91 22 4037 4037 Facsimile: +91 22 4037 4111 Email: ksk.ipo@lehman.com	[●]	[●]
Edelweiss Capital Limited 14th floor, Express Towers Nariman Point Mumbai - 400 021, India Telephone: +91 22 4086 3535 Facsimile: +91 22 2288 2119 Email: ksk.ipo@edelcap.com	[●]	[●]
Axis Bank Limited Central Office, Maker Tower 'F' 11th Floor, Cuffe Parade, Colaba Mumbai - 400 005, India Telephone: +91 22 6707 1312 Facsimile: +91 22 2216 2467 Email: ksk.ipo@axisbank.com	[●]	[●]

Name and Address of the Underwriter	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (Rs. crores)
Syndicate Members		
Kotak Securities Limited 3rd Floor, Bakhtawar 229, Nariman Point, Mumbai - 400 021, India Telephone: +91 22 6634 1100 Facsimile: +91 22 2283 7517 Email: umesh.gupta@kotak.com	[●]	[●]
Sharekhan Limited A 201, Phoenix House, 2nd Floor Senapati Bapat Marg, Lower Parel Mumbai – 400 013, India Telephone: +91 22 6748 2000 Facsimile: +91 22 2498 2626 Email: pankajp@sharekhan.com	[●]	[●]
Edelweiss Securities Limited 14th floor, Express Towers Nariman Point Mumbai – 400 021, India Telephone: +91 22 2286 4400 Facsimile: +91 22 4097 9292 Email: ksk.ipo@edelcap.com	[●]	[●]
Total	**[●]**	**[●]**

The above-mentioned amount is an indicative underwriting and will be finalized after determination of the Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [●] and has been approved by the Board of Directors.

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

In the opinion of the Board of Directors (based on certificates given by the Underwriters), the resources of the above-mentioned Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. The above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the Stock Exchanges.

LB India Holdings Mauritius I Limited, an affiliate of Lehman, one of the Book Runners, owns approximately 31.57% of the Equity Shares prior to the Issue and will own 28.41% of the Equity Shares upon completion of the Issue. Please also see the section “Risk Factors” beginning on page 11 of this Red Herring Prospectus.

Axis Bank Limited, one of the Book Runners, is one of our lenders. For details of the facility sanctioned, see the section “Our Indebtedness” beginning on page 313 of this Red Herring Prospectus. Axis Bank Limited is also an investor in the Pre-IPO Placing. For details of the Pre-IPO Placing, see the section “Capital Structure” beginning on page 65 of this Red Herring Prospectus.

IDFC, an affiliate of one of the Book Runners, is one of our lenders. For details of the facility, see the section “Our Indebtedness” beginning on page 313 of this Red Herring Prospectus. IDFC is also an investor in the Pre-IPO Placing. For details of the Pre-IPO Placing, see the section “Capital Structure” beginning on page 65 of this Red Herring Prospectus. In addition, IDFC is planning to develop the KSK Narmada power project with us. For details of the KSK Narmada power project see the section “Our Business” beginning on page 105 of this Red Herring Prospectus.

CAPITAL STRUCTURE

The Company's share capital, as of the date of filing this Red Herring Prospectus with SEBI, before and after the proposed Issue, is set forth below:

		Aggregate Nominal Value (Rs.)	Aggregate Value at Issue Price (Rs.)
A)	**AUTHORIZED SHARE CAPITAL**[(1)]		
	5,00,00,00,000 Equity Shares of Rs.10 each	50,00,00,00,000	
	3,15,00,000 Preference Shares of Rs.10 each	31,50,00,000	
B)	**ISSUED, SUBSCRIBED AND PAID-UP EQUITY SHARE CAPITAL BEFORE THE ISSUE**		
	31,14,93,740 Equity Shares of Rs.10 each	3,11,49,37,400	
C)	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS**		
	3,46,11,000 Equity Shares of Rs.10 each	34,61,10,000	[●]
D)	**PAID-UP EQUITY CAPITAL AFTER THE ISSUE**		
	34,61,04,740 Equity Shares of Rs.10 each	346,10,47,400	[●]
E)	**SHARE PREMIUM ACCOUNT**		
	Before the Issue	643,09,12,592	
	After the Issue	[●]	

(1)

a. The authorized share capital of the Company was increased from Rs.10,00,000 divided into 1,00,000 Equity Shares of Rs.10 each to Rs.32 crore divided into 1.6 crore Equity Shares of Rs.10 each and 1.6 crore Preference Shares of Rs.10 each pursuant to a resolution passed by the shareholders of the Company at an EGM held on June 14, 2003.

b. The authorized share capital of the Company was increased from Rs.32 crore divided into 1.6 crore Equity Shares of Rs.10 each and 1.6 crore Preference Shares of Rs.10 each to Rs.48 crore divided into 3.2 crore Equity Shares of Rs.10 each and 1.6 crore Preference Shares of Rs.10 each pursuant to a resolution passed by the shareholders of the Company at an EGM held on March 15, 2004.

c. The authorized share capital of the Company was increased from Rs.48 crore divided into 3.2 crore Equity Shares of Rs.10 each and 1.6 crore Preference Shares of Rs.10 each to Rs.151.5 crore divided into 12 crore Equity Shares of Rs.10 each and 3.15 crore Preference Shares of Rs.10 each pursuant to a resolution passed by the shareholders of the Company at an EGM held on October 25, 2006.

d. The authorized share capital of the Company was increased from Rs.151.5 crore divided into 12 crore Equity Shares of Rs.10 each and 3.15 crore Preference Shares of Rs.10 each to Rs.5,031.50 crore divided into 500 crore Equity Shares of Rs.10 each and 3.15 crore Preference Shares of Rs.10 each pursuant to a resolution passed by the shareholders of the Company at an EGM held on January 18, 2008.

The Company has completed a Pre-IPO Placing of 1,73,06,000 Equity Shares to certain investors.

Notes to the Capital Structure

1. Share Capital History of the Company

(a) Equity Share Capital

The following is the history of the equity share capital of the Company:

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)	Individuals/ entities to whom Equity Shares allotted
February 14, 2001	3,600*	10	10	Cash	Subscriber to the Memorandum of Association	-	36,000	Mr. S. Kishore

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)	Individuals/ entities to whom Equity Shares allotted
February 14, 2001	3,600*	10	10	Cash	Subscriber to the Memorandum of Association	-	72,000	Mr. K.A. Sastry
February 14, 2001	3,600*	10	10	Cash	Subscriber to the Memorandum of Association	-	1,08,000	Mr. Hari Kiran Vadlamani
January 9, 2002	89,050**	10	10	Cash	Preferential allotment	-	9,98,500	K&S Consulting Group Private Limited
January 9, 2002	50*	10	10	Cash	Preferential allotment	-	9,99,000	Mrs. Aditi Kishore
January 9, 2002	50*	10	10	Cash	Preferential allotment	-	9,99,500	Mrs. K. Ratna
January 9, 2002	50*	10	10	Cash	Preferential allotment	-	10,00,000	Mrs. V. Padmaja
June 14, 2003	35,52,350	10	10	Cash	Preferential allotment	-	3,65,23,500	K&S Consulting Group Private Limited
February 27, 2004	21,91,500	10	10	Cash	Preferential allotment	-	5,84,38,500	K&S Consulting Group Private Limited
March 30, 2004	56,00,000	10	10	Cash	Preferential allotment	-	11,44,38,500	K&S Consulting Group Private Limited
June 19, 2004	5,56,150	10	10	Cash	Preferential allotment	-	12,00,00,000	K&S Consulting Group Private Limited
September 30, 2004	73,850	10	10	Cash	Preferential allotment	-	12,07,38,500	K&S Consulting Group Private Limited
October 27, 2004	1,20,00,000	10	-	-	Conversion of Preference Shares into Equity Shares	-	24,07,38,500	K&S Consulting Group Private Limited
October 27, 2004	12,50,000*	10	10	Cash	Preferential allotment	-	25,32,38,500	Industrial Development Bank of India
March 30, 2005	44,50,000	10	10	Cash	Preferential allotment	-	29,77,38,500	K&S Consulting Group Private Limited
November 5, 2006	8,99,99,950	10	17	Cash	Preferential allotment	62,99,99,650	1,19,77,38,000	KSK Energy Limited
November 5, 2006	50	10	17	Cash	Preferential allotment	63,00,00,000	1,19,77,38,500	Mr. Denis Sek Sum (Nominee of KSK Energy Limited)

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (Rs.)	Issue Price per Equity Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)	Individuals/ entities to whom Equity Shares allotted
November 5, 2006	Buy back of 2,97,73,850 Equity Shares of Rs.10 each at par value from K&S Consulting Group Private Limited pursuant to a resolution of the Board of Directors					63,00,00,000	90,00,00,000	-
January 27, 2007	10,26,602	10	17	Cash	Preferential allotment	63,71,86,214	91,02,66,020	KSK Energy Limited
January 18, 2008	3,00,00,000	10	-	-	Conversion of Preference Shares into Equity Shares	63,71,86,214	121,02,66,020	KSK Energy Limited
January 19, 2008	7,01,95,400	10	-	-	Bonus issue in the ratio of 580:1000	Nil+	191,22,20,020	KSK Energy Limited
January 19, 2008	29	10	-	-	Bonus issue in the ratio of 580:1000	Nil+	191,22,20,310	Mr. Denis Sek Sum (Nominee of KSK Energy Limited)
January 25, 2008++	9,83,32,552	10	34.55	Cash	Preferential allotment	241,40,64,151	289,55,45,830	LB India Holdings Mauritius I Limited***
January 25, 2008++	46,32,857	10	34.55	Cash	Preferential allotment	252,78,00,790	294,18,74,400	Suyash Outsourcing Private Limited
January 25, 2008++	100	10	34.55	Cash	Preferential allotment	252,78,03,245	294,18,75,400	Mr. Girish Kulkarni
January 25, 2008++	100	10	34.55	Cash	Preferential allotment	252,78,05,700	294,18,76,400	Mrs. Sarika Kulkarni
January 25, 2008++	100	10	34.55	Cash	Preferential allotment	252,78,08,155	294,18,77,400	Mr. Neelesh Wagle
June 3, 2008	35,83,000	10	240	Cash	Preferential allotment	335,18,98,155	297,77,07,400	Tree Line Asia Master Fund (Singapore) Pte Ltd
June 3, 2008	35,50,000	10	240	Cash	Preferential allotment	416,83,98,155	301,32,07,400	Macquarie Bank Limited
June 3, 2008	31,25,000	10	240	Cash	Preferential allotment	488,71,48,155	304,44,57,400	Infrastructure Development Finance Company Limited***
June 3, 2008	18,00,000	10	240	Cash	Preferential allotment	530,11,48,155	306,24,57,400	Universities Superannuation Scheme Limited
June 3, 2008	26,24,000	10	240	Cash	Preferential allotment	590,46,68,155	308,86,97,400	Axis Bank Limited***
June 3, 2008	26,24,000	10	240	Cash	Preferential allotment	650,81,88,155	311,49,37,400	GE Capital International (Mauritius)
Total	**31,14,93,740**					**650,81,88,155 #**	**311,49,37,400**	

* Pursuant to a Board resolution dated September 28, 2006, the Equity Shares were transferred to K&S Consulting Group Private Limited. Subsequently, pursuant to a board resolution dated November 5, 2006, there was a buy-back by the Company of the Equity Shares held K&S Consulting Group Private Limited.

** On January 9, 2002, 80,000 Equity Shares were allotted to K&S Consulting Group Private Limited and 9,050 Equity Shares were allotted to Upanishadic Management Counsel Private Limited. Subsequently, pursuant to an order of the High Court of Andhra Pradesh dated August 24, 2002, Upanishadic Management Counsel Private Limited was merged with K&S Consulting Group Private Limited.

\+ The entire share premium amount was capitalized in the bonus issue on January 19, 2008.

++ Prior to January 20, 2008, pursuant to a joint venture agreement dated November 18, 2005, between the Company and LB India Holdings Mauritius I Limited ("LB India"), the Company and LB India together held the outstanding equity shares of KSK Electricity Financing India Private Limited.

Together with the Promoter Group, we completed a restructuring (the "Restructuring") under which (a) pursuant to a share purchase agreement dated January 20, 2008, among the Company, LB India, KEFIPL and KSK Energy, the Company purchased from LB India, all of LB India's equity interest in KEFIPL for an aggregate purchase price of Rs.695.74 crore, of which Rs.100 crore remains outstanding, along with interest; (b) pursuant to a subscription agreement, between the Company and LB India, dated January 20, 2008, LB India has subscribed for 98,332,552 Equity Shares, amounting to 31.57% of our outstanding Equity Shares prior to the Issue, for an aggregate subscription price of Rs. 339.74 crore, and the Company issued and allotted to Suyash Outsourcing Private Limited, 46,32,857 Equity Shares, amounting to 1.49% of our outstanding Equity Shares prior to the Issue, for an aggregate subscription price of Rs. 16.01 crore; and (c) the Company entered into a shareholders agreement with LB India and KSK Energy, and LB India and KSK Energy have entered into a voting rights agreement, to provide for certain governance and voting rights with respect to the Company.

*** LB India Holdings Mauritius I Limited is an affiliate of Lehman, one of the Book Runners. Infrastructure Development Finance Company Limited and Axis Bank Limited, each of which is a Book Runner, are investors in the Pre-IPO Placing. Please also see the section "Risk Factors" beginning on page 11 of this Red Herring Prospectus.

\# Rs. 643,09,12,592 is outstanding in the share premium account after deduction of Issue expenses of Rs. 7,72,75,563.

(b) Preference Share Capital

The following is the history of the preference share capital of the Company:

Date of Allotment	Number of Preference Shares	Face Value per Preference Share (Rs.)	Issue Price per Preference Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)	Individuals/ entities to whom Equity Shares allotted
11% optionally convertible cumulative redeemable Preference Shares								
June 14, 2003	36,52,350	10	10	Cash	Preferential allotment	-	3,65,23,500	K& S Consulting Group Private Limited
March 30, 2004	56,00,000	10	10	Cash	Preferential allotment	-	9,25,23,500	K& S Consulting Group Private Limited
June 19, 2004	27,47,650	10	10	Cash	Preferential allotment	-	12,00,00,000	K& S Consulting Group Private Limited
October 27, 2004	Conversion of 1,20,00,000 Preference Shares of Rs.10 each into Equity Shares of Rs.10 each					-	Nil	-
October 27, 2004	12,50,000*	10	10	Cash	Preferential allotment	-	1,25,00,000	Industrial Development Bank of India
November 7, 2006	12,50,000 11% optionally convertible cumulative redeemable Preference Shares of Rs.10 each redeemed at par value					-	Nil	-
7% optionally convertible cumulative redeemable Preference Shares								
November 5, 2006	3,00,00,000	10	10	Cash	Preferential allotment	-	30,00,00,000	KSK Energy Limited

Date of Allotment	Number of Preference Shares	Face Value per Preference Share (Rs.)	Issue Price per Preference Share (Rs.)	Nature of consideration (cash, bonus, other than cash)	Reasons for allotment	Cumulative Share Premium (Rs.)	Cumulative Share Capital (Rs.)	Individuals/ entities to whom Equity Shares allotted
January 18, 2008	Conversion of 3,00,00,000 Preference Shares of Rs.10 each into Equity Shares of Rs.10 each					-	Nil	-
Total	**Nil**					**Nil**	**Nil**	

* Pursuant to a Board resolution dated September 28, 2006, the Preference Shares were transferred to K&S Consulting Group Private Limited.

2. Indicated below is the capital build-up of the Promoters' shareholding in the Company:

Name of the Promoter	Date on which the Equity Shares were Allotted/Acquired and made fully paid-up or Transferred	Nature of allotment	Nature of payment of consideration	Face value (Rs.)	Issue Price (Rs.)	Number of Equity Shares	% of pre-Issue share capital	% of post-Issue share capital
KSK Energy Limited	November 5, 2006	Preferential allotment	Cash	10	17	9,00,00,000*	28.89	26.00
	January 27, 2007	Preferential allotment	Cash	10	17	10,26,602	0.33	0.30
	January 18, 2008	Conversion of Preference Shares into Equity Shares	-	10	-	3,00,00,000	9.63	8.66
	January 19, 2008	Bonus issue in the ratio of 580:1000	-	10	-	7,01,95,429*	22.54	20.28
Total						**19,12,22,031**	**61.39**	**55.24**

* This includes the Equity Shares allotted to Mr. Denis Sek Sum as a nominee of KSK Energy.

3. Promoters' Contribution and Lock-in

The Equity Shares that are being locked-in are not ineligible for computation of Promoter's contribution under Clause 4.6 of the SEBI Guidelines. In this connection, as per Clause 4.6 of the SEBI Guidelines, the Company confirms the following:

(i) The Equity Shares offered for minimum 20% Promoters' contribution are not acquired for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves or reserves without accrual of cash resources or against shares which are otherwise ineligible for computation of Promoters' contribution;

(ii) The minimum Promoters' contribution does not consist of Equity Shares acquired during the preceding one year, at a price lower than the price at which Equity Shares are being offered to the public in the Issue;

(iii) The Company has not been formed by the conversion of a partnership firm into a company;

(iv) The Equity Shares held by the Promoters and offered for minimum 20% Promoters' contribution are not subject to any pledge;

(v) The minimum Promoters' contribution does not consist of any private placement made by solicitation of subscriptions from unrelated persons either directly or through any intermediary; and

(vi) The minimum Promoters' contribution does not consist of Equity Shares for which specific written consent has not been obtained from the respective shareholders for inclusion of their subscription in the minimum Promoters' contribution subject to lock-in.

(a) *Details of Promoter's contribution locked-in for three years*

Pursuant to the SEBI Guidelines, an aggregate of 20% of the post-Issue shareholding of the Promoters shall be locked-in for a period of three years from the date of Allotment in the Issue. The details of such lock-in are given below:

Name of the Promoter	**Date on which the Equity Shares were Allotted/Acquired**	**Date when made fully paid-up**	**Nature of Allotment**	**Nature of payment of consideration**	**Number of Equity Shares locked-in**	**Face value (Rs.)**	**Issue Price (Rs.)**	**Percentage of pre-Issue share capital (%)**	**Percentage of post-Issue share capital (%)**
KSK Energy Limited	November 5, 2006	November 5, 2006	Preferential allotment	-	6,92,20,948	10	17	22.22	20.00

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

In addition to the Equity Shares proposed to be locked-in as part of the Promoters' contribution as stated above, the entire pre-Issue equity share capital of the Company, including the Equity Shares issued in the Pre-IPO Placing, together constituting 24,22,72,792 Equity Shares will be locked-in for a period of one year from the date of Allotment in the Issue.

Pursuant to Clause 4.15 of the SEBI Guidelines, locked-in Equity Shares held by the Promoters can be pledged with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that (i) the pledge of shares is one of the terms of sanction of the loan; and (ii) if the shares are locked in as Promoters' contribution for three years under Clause 4.11.1 of the SEBI Guidelines, such shares may be pledged, only if, in addition to fulfilling the requirements of paragraph (i), the loan has been granted by the banks or financial institutions for the purpose of financing one or more of the objects of the Issue.

Further, pursuant to Clause 4.16.1(a) of the SEBI Guidelines, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding 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 the Takeover Code, as applicable.

Pursuant to Clause 4.16.1(b) of the SEBI Guidelines, Equity Shares held by the Promoters may be transferred to and among the Promoters or 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 the Takeover Code, as applicable.

4. Shareholding Pattern of the Company

The table below presents the Company's shareholding before the Issue and as adjusted for the Issue:

	Pre-Issue		**Post-Issue**	
Name of Shareholder	**Number of Equity Shares**	**Percentage of equity share capital (%)**	**Number of Equity Shares**	**Percentage of equity share capital (%)***
Promoters				
KSK Energy Limited	19,12,21,952	61.39	19,12,21,952	55.24
Mr. Denis Sek Sum (Nominee of KSK Energy Limited)	79	Negligible	79	Negligible

Name of Shareholder	Pre-Issue Number of Equity Shares	Pre-Issue Percentage of equity share capital (%)	Post-Issue Number of Equity Shares	Post-Issue Percentage of equity share capital (%)*
Total Holding of the Promoters	**19,12,22,031**	**61.39**	**19,12,22,031**	**55.24**
Promoter Group (other than Promoters)	Nil	Nil	Nil	Nil
Total Holding of Promoter Group (other than Promoters)	**Nil**	**Nil**	**Nil**	**Nil**
Others				
LB India Holdings Mauritius I Limited	9,83,32,552	31.57	9,83,32,552	28.41
Suyash Outsourcing Private Limited	46,32,857	1.49	46,32,857	1.34
Mr. Girish Kulkarni	100	Negligible	100	Negligible
Mrs. Sarika Kulkarni	100	Negligible	100	Negligible
Mr. Neelesh Wagle	100	Negligible	100	Negligible
Tree Line Asia Master Fund (Singapore) Pte Ltd	35,83,000	1.15	35,83,000	1.04
Macquarie Bank Limited	35,50,000	1.14	35,50,000	1.03
Infrastructure Development Finance Company Limited	31,25,000	1.00	31,25,000	0.90
Universities Superannuation Scheme Limited	18,00,000	0.58	18,00,000	0.52
Axis Bank Limited	26,24,000	0.84	26,24,000	0.76
GE Capital International (Mauritius)	26,24,000	0.84	26,24,000	0.76
Total Holding of Others (other than Promoters and Promoter Group)	**12,02,71,709**	**38.61**	**12,02,71,709**	**34.76**
Public in the Issue	-	-	3,46,11,000	10.00
Total	**31,14,93,740**	**100.00**	**34,61,04,740**	**100.00**

* Assuming that the current shareholders do not participate in the Issue.

5. The Company, the Directors, the Promoters, the Promoter Group, their respective directors and the Book Runners have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.

6. The list of top 10 shareholders of the Company and the number of Equity Shares held by them is set forth below:

   (a) The top 10 shareholders of the Company as of the date of the filing of the Red Herring Prospectus with SEBI are as follows:

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
1.	KSK Energy Limited	19,12,21,952	61.39
2.	LB India Holdings Mauritius I Limited	9,83,32,552	31.57
3.	Suyash Outsourcing Private Limited	46,32,857	1.49
4.	Tree Line Asia Master Fund (Singapore) Pte Ltd	35,83,000	1.15
5.	Macquarie Bank Limited	35,50,000	1.14
6.	Infrastructure Development Finance Company Limited	31,25,000	1.00
7.	Axis Bank Limited	26,24,000	0.84
8.	GE Capital International (Mauritius)	26,24,000	0.84
9.	Universities Superannuation Scheme Limited	18,00,000	0.58
10.	Mr. Girish Kulkarni	100	Negligible
	Mrs. Sarika Kulkarni	100	Negligible
	Mr. Neelesh Wagle	100	Negligible

   (b) The top 10 shareholders of the Company as of 10 days prior to the filing of the Red Herring Prospectus with SEBI were as follows:

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
1.	KSK Energy Limited	19,12,21,952	65.00
2.	LB India Holdings Mauritius I Limited*	9,83,32,552	33.43
3.	Suyash Outsourcing Private Limited	46,32,857	1.57

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
4.	Mr. Girish Kulkarni	100	Negligible
5.	Mrs. Sarika Kulkarni	100	Negligible
6.	Mr. Neelesh Wagle	100	Negligible
7.	Mr. Denis Sek Sum (Nominee of KSK Energy Limited)	79	Negligible

* LB India Holdings Mauritius I Limited is an affiliate of Lehman, one of the Book Runners. Please also see the section "Risk Factors" beginning on page 11 of this Red Herring Prospectus.

(c) The top 10 shareholders of the Company as of two years prior to the filing of the Red Herring Prospectus with SEBI were as follows:

S. No.	Name of Shareholder	Number of Equity Shares	Percentage Shareholding (%)
1.	K&S Consulting Group Private Limited	2,85,12,900	96.00
2.	Industrial Development Bank of India	12,50,000	4.00
3.	Mr. S. Kishore	3,600	Negligible
4.	Mr. K.A. Sastry	3,600	Negligible
5.	Mr. Kiran Vadlamani	3,600	Negligible
6.	Mrs. Aditi Kishore	50	Negligible
7.	Mrs. K. Ratna	50	Negligible
8.	Mrs. V. Padmaja	50	Negligible

7. Except as set forth below, none of the Directors or key managerial personnel holds Equity Shares in the Company:

S.No.	Name of the Shareholder	Number of Equity Shares	Pre-Issue Percentage Shareholding (%)	Post-Issue Percentage Shareholding (%)
1.	Mr. Girish Kulkarni (Director)	100	Negligible	Negligible

8. There are no outstanding warrants, options or rights to convert debentures, loans or other instruments into Equity Shares.

9. The Equity Shares are fully paid up and there are no partly paid up Equity Shares as on the date of filing of this Red Herring Prospectus.

10. The Company does not have any ESOP as of the date of filing of this Red Herring Prospectus.

11. The Equity Shares held by the Promoter, KSK Energy Limited, are not subject to any pledge.

12. Except as disclosed in this Red Herring Prospectus, the Company has not issued Equity Shares out of revaluation reserves or for consideration other than cash.

13. There have been no transfers of Equity Shares by the Directors, the Promoters and the Promoter Group entities within the last six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

14. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, or rights issue or in any other manner during the period commencing from the date of filing of this Red Herring Prospectus with SEBI until the Equity Shares offered through the Red Herring Prospectus have been listed.

15. The Company presently does not have any intention or proposal to alter its capital structure for a period of six months from the Bid/Issue Opening Date, by way of split/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 the Equity Shares) whether preferential or otherwise, except if the Company plans to enter into acquisitions, mergers, joint ventures or strategic alliances, subject to necessary approvals, the Company may issue Equity Shares or securities linked to Equity Shares to finance such acquisition, merger, joint venture or

strategic alliance or as consideration for such acquisition, merger, joint venture or strategic alliance or for regulatory compliance or entering into any other scheme of arrangement if determined by the Board to be in the best interests of the Company.

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

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

18. The Company undertakes that there shall be only one denomination for the Equity Shares of the Company, unless otherwise permitted by law. The Company shall comply with such disclosure and accounting norms as specified by SEBI from time to time.

19. As of the date of filing this Red Herring Prospectus, the total number of holders of Equity Shares is 13.

20. The Company has not raised any bridge loan against the proceeds of this Issue.

21. An oversubscription to the extent of 10% of the Issue can be retained for purposes of rounding off while finalizing the basis of allotment.

22. Under-subscription, if any, in the Non-Institutional Portion and the Retail Portion, would be allowed to be met with spill-over from any category or a combination of categories, at the discretion of the Company, in consultation with the Book Runners. However, if at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith.

23. The Promoters and members of Promoter Group will not participate in this Issue.

24. There are restrictive covenants in the agreements entered into by the Company with certain lenders for short-term and long-term borrowing. For further details, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

25. During the period beginning from the date of the memorandum of understanding with the Book Runners and continuing to and including the date 180 days after the date of the Prospectus, the Company agrees not to, without the prior written consent of the Book Runners, directly or indirectly alter its capital structure including an issue, offer, sale, contract to issue or offer or sell, split/consolidate the denomination of Equity Shares, pledge or otherwise encumber, grant any option to purchase, make any short sale or otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition including entering into any swap or other agreement that transfers, in whole or in part, the economic ownership of the Equity Shares or any securities convertible into Equity Shares (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company, or publicly announce any intention to enter into any such transaction, including but not limited to any options or warrants to purchase any Equity Shares of the Company, or any securities convertible into or exchangeable for, or that represent the right to receive Equity Shares, other than the issue of Equity Shares under any ESOP or employee share purchase scheme of the Company. Notwithstanding the foregoing, this restriction shall not apply to any issue of Equity Shares pursuant to the Pre-IPO Placing.

OBJECTS OF THE ISSUE

We intend to utilize the Issue proceeds, after deducting the underwriting and issue management fees, selling commissions and other expenses associated with the Issue (the "Net Proceeds") for the following objects:

I. Investment in Wardha Power Company Private Limited, a Subsidiary, either directly, or through KSK Electricity Financing India Private Limited, to finance the equity component of the 1,800 MW coal-based thermal power plant at Wardha Chhattisgarh; and

II. General corporate purposes.

The main objects clause of our Memorandum of Association enables us to undertake the activities proposed pursuant to the objects of the Issue, for which the funds are being raised pursuant to this Issue. Our existing activities are within the ambit of the objects clause of the Memorandum of Association of our Company.

Total fund requirement of the Company

The total fund requirement of the Company for each of the objects of the Issue is set out in the following table:

(Rs. in Crores)

S. No.	Particulars	Total fund requirement
1.	Wardha Chhattisgarh power project	6,874
2.	General corporate purposes*	[●]
	Total	**[●]**

* To be completed at the time of filing of the Prospectus with the RoC.

Financing Plan

The financing plan of the Company for each of the objects of the Issue is set out in the following table:

(Rs. in Crores)

			Amount proposed to be financed through third parties		
S. No.	**Particulars**	**Amount proposed to be financed from the Net Proceeds***	**Debt**	**Pre-IPO Placing**	**Equity Contribution**
1.	Wardha Chhattisgarh power project	[●]	5,156	215.34	[●]
2.	General corporate purposes	[●]	-	200.00	-
	Total	**[●]**	**5,156**	**415.34**	-

* To be completed at the time of filing of the Prospectus with the RoC.

Deployment Schedule

The deployment schedule for our Wardha Chhattisgarh power project is set out in the following table:

(Rs. in Crores)

	Proposed funds deployment						
Particulars	**Fiscal 2008**	**Fiscal 2009**	**Fiscal 2010**	**Fiscal 2011**	**Fiscal 2012**	**Total**	**Amount deployed as on May 15, 2008**
Wardha Chhattisgarh	41.39	1,555.61	1,600.00	1,800.00	1,877.00	6,874.00	45.29

Our assessment of the fund requirement and deployment is based on management estimates. The actual costs may vary from the above estimates. Our business, by its nature, is dynamic and competitive, which may necessitate changes in our business plan to avail of new opportunities or to meet competitive threats, including those that we may not currently envisage. The changes, if any, in our business plan, shall be made keeping in mind the interests of investors. In case of shortfall in the Net Proceeds to meet the aforesaid objects of the Issue, we propose to meet the same through internal accruals, borrowings and/or further issue of capital.

In case of any variation in the actual utilization of funds earmarked for the above activities, including on account of cost overruns in the project for which the investment is being made, increased fund deployment for a particular activity may be met with surplus funds, if any, available in the other activities, or from internal accruals, debt or equity.

Details of use of Net Proceeds

I. Investment in Wardha Power Company Private Limited, either directly, or through KSK Electricity Financing India Private Limited, to finance the equity component of the 1,800 MW coal-based thermal power plant at Wardha, Chhattisgarh

We propose to set up a 1,800 MW coal-based thermal power plant in Chhattisgarh through Wardha Power Company Private Limited, a Subsidiary, incorporated by us as a special purpose vehicle. Our equity interest in the Wardha SPV is through our wholly-owned Subsidiary, KSK Electricity Financing India Private Limited. We hold 74% of the voting equity in the Wardha SPV through KEFIPL. Conducting our business through SPVs enables us to share equity interests in our operating SPVs with a select group of plant-specific consumers and strategic partners. Wardha Power Company Private Limited is one such SPV. However, no dividends are assured to KEFIPL from such SPVs. For further details of the Wardha Chhattisgarh power project, see the section "Our Business" beginning on page 105 of this Red Herring Prospectus.

A. Project Cost

As per management estimates, the cost of Wardha Chhattisgarh power project is Rs.6,874 crore. A detailed break-down of the cost is as follows:

(Rs. in Crores)

Particulars	**Amount**
Land and site development	98.40
EPC Cost (Power plant island and balance of plant supplies, erection and commissioning)	4,608.00
Non-EPC works (including water intake system)	390.00
Evacuation, transmission line and plant unloading point	335.00
Overheads, preliminary and pre-operative expenses	248.90
Financing costs	911.00
Contingency provisions	217.30
Margin money for working capital	65.40
Total Project Cost	**6,874.00**

a) Land and site development (Rs.98.40 crore)

The land area required for setting up the proposed power plant complex is approximately 830 hectares including provision for any expansion. This includes the land required for the main power plant area, ash disposal, water storage and township areas.

The entire land for the Wardha Chhattisgarh power project is yet to be acquired by the Wardha SPV.

b) EPC Cost (Power plant island and balance of plant supplies, erection and commissioning) (Rs.4,608.00 crore)

The Wardha Chhattisgarh power plant is proposed to be implemented through a fixed time, fixed price EPC contract. The Wardha SPV has not finalized the EPC contractor and is currently in the process of evaluating and shortlisting contractors. The scope of work under the EPC contract shall include civil construction.

c) *Non-EPC works (including water intake system) (Rs.390.00 crore)*

The Wardha SPV needs to undertake major capital works outside the scope of the regular EPC contract such as water intake system for cooling, makeup, ash disposal and fire fighting and general services in the plant area, township, site office and ash dyke works. The Wardha SPV will select appropriate local contractors for execution of such non–EPC works.

d) *Evacuation, transmission line and plant unloading point (Rs.335.00 crore)*

Power generated from the station is planned to be evacuated at a 400 kV level. The Wardha SPV proposes to use a 400 kV substation of CSEB/PGCIL grid for evacuation of power. In addition to the transmission towers over approximately 55 kilometers, two outgoing bays are envisaged from the power plant's 400 kV switchyard for the grid connection to evacuate the power from the plant. Also the coal unloading point infrastructure is to be developed. It is anticipated that extensive transportation infrastructure will be required to make coal supplies available from the Morga mine close to the plant site.

e) *Overheads, preliminary and pre-operative expenses (Rs.248.90 crore)*

Overheads and preliminary expenses include duties and levies, survey and investigations, engineering and consultancy studies, expenses on salaries, travel and conveyance of the project teams, project development fee and insurance coverage.

f) *Financing costs (Rs.911.00 crore)*

The total project cost is proposed to be funded through a debt-equity ratio of 75:25. The financing charges primarily include the interest during the construction phase, bank charges, processing, guarantee fees, upfront fees and syndication fees.

g) *Contingency provisions (Rs.217.30 crore)*

Project contingencies are estimated as a percentage of the project work cost elements of EPC, non-EPC and evacuation expenditure.

h) *Margin money for working capital (Rs.65.40 crore)*

Working capital margin is estimated at 25% of the working capital requirement. Working capital is estimated at one month's O&M fees, two months of receivables and 45 days of average inventory holding period.

Approvals: For the status of government and statutory approvals received and applied for in relation to the Wardha Chhattisgarh power project, see the section "Government and Other Approvals" beginning on page 345 of this Red Herring Prospectus.

B. Schedule of Implementation

The proposed implementation schedule for the Wardha Chhattisgarh power project is given below which will be finalized after the execution of the key contracts and review by the lenders' engineer.

Particulars	Estimated Start Date	Estimated Completion Date
Site Development	May 2008	December 2008
Technical and Engineering Work	August 2008	June 2009
Civil Works	March 2009	August 2011
Installation of equipment	September 2009	August 2011
Trial runs	April 2010	August 2011
Commissioning	Second quarter of 2012	

C. Means of Finance

(Rs. in Crores)

Means of Finance	Amount
Net Proceeds*	[●]
Debt	5,156.00
Pre-IPO Placing	215.34
Equity contribution	[●]
Total	**6,874.00**

* To be completed at the time of filing of the Prospectus with the RoC.

Brief details of the funding arrangements are as follows:

We have received (a) a letter dated January 29, 2008 from Infrastructure Development Finance Company for an amount of Rs.1,000 crore; (b) a letter dated April 21, 2008 from Bank of Baroda sanctioning a rupee term loan for an amount of Rs.300 crore; (c) a letter dated January 14, 2008 from Axis Bank sanctioning a rupee term loan for an amount of Rs.1,000 crore; (d) a letter dated February 1, 2008 from UCO Bank sanctioning a term loan for an amount of Rs.500 crore; (e) a letter dated March 27, 2008 from Union Bank of India sanctioning a rupee term loan for an amount of Rs.200 crore; (f) a letter dated February 7, 2008 from Axis Bank granting enhancement of facility through an additional in-principle sanction of a rupee term loan for an amount of Rs.1,000 crore; (g) a letter dated February 28, 2008 from Bank of India sanctioning a rupee term loan for an amount of Rs.500 crore; (h) a letter of intent dated April 2, 2008 from Life Insurance Corporation of India sanctioning a rupee term loan for an amount of Rs.250 crore; (i) a letter dated April 21, 2008 from Central Bank of India sanctioning a rupee term loan for an amount of Rs.300 crore; (j) a letter dated May 23, 2008 from Indian Bank sanctioning a term loan for an amount of Rs.100 crore; and (k) a letter dated June 2, 2008 from Bank of India sanctioning an additional term loan for an amount of Rs.250 crore.

The sanction letters provide for certain conditions to disbursement. For details of the sanctioned facilities and certain conditions specified therein, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Further, we have received Rs. 415.34 crore pursuant to subscription for Equity Shares by certain investors in the Pre-IPO Placing. Of the subscription amount received in the Pre-IPO Placing, Rs.200 crore is proposed to be utilized for general corporate purposes and Rs.215.34 crore is proposed to be utilized of the Wardha Chhattisgarh power project. For details of the Pre-IPO Placing, see the section "Capital Structure" beginning on page 65 of this Red Herring Prospectus.

Accordingly, the Company has made firm arrangements (as required under Clause 2.8 of the SEBI Guidelines) for financing at least 75% of the financing requirements of the Wardha Chhattisgarh power project, excluding the proposed financing from the Net Proceeds.

D. Schedule of Deployment

(Rs. in Crores)

Period ending	Equity	Debt	Total
March 31, 2008	41.39	-	41.39
March 31, 2009	1,555.61		1555.61
March 31, 2010	121.00	1,479.00	1,600.00

March 31, 2011	-	1,800.00	1,800.00
March 31, 2012	-	1,877.00	1,877.00
Total	**1,718.00**	**5,156.00**	**6,874.00**

E. Details of amounts deployed

As per a certificate dated May 22, 2008 of Umamaheswara Rao & Co., Chartered Accountants, the amount deployed on the Wardha Chhattisgarh power project as on May 15, 2008 was as follows:

(Rs. in Crores)

Particulars	Amount
Land and site development	21.40
EPC Cost (Power plant island and Balance of Plant supplies, erection and commissioning)	NIL
Non-EPC works (including water intake system)	0.68
Evacuation, Transmission line and plant unloading point	NIL
Overheads, preliminary and pre-operative expenses	14.22
Financing costs	8.99
Contingency provisions	NIL
Margin Money for Working Capital	NIL
Total	**45.29**

The source of funds so deployed was investment made by KEFIPL.

II. General corporate purposes

We will have flexibility in applying a part of the Net Proceeds for general corporate purposes, including (i) bidding/negotiating for new projects; (ii) commissioning detailed project report studies; (iii) security deposit in favor of various state mineral development corporations/fuel suppliers for securing fuel linkages; (iv) commissioning soil investigations and environment impact assessment studies; (v) releasing appropriate equipment and EPC advances in advanced development projects; (vi) initiation of land acquisition effort and associated expenditure including deposits, duties and taxes; (vii) site development and fencing; (viii) initial implementation expenses including upfront fees for project debt being tied up; (ix) brand building and other marketing efforts; (x) investing in subsidiaries, associates or joint ventures through any type of financial instrument including equity, preference, debt, loans, debentures, ICDs, bonds, advances and convertibles; (xi) acquiring fixed assets including land, building, furniture and fixtures and vehicles; (xii) meeting any expense of the Group including salaries and wages, rent, administration, insurance, repairs and maintenance, payment of taxes and duties; (xiii) repayment of loans; and (xiv) meeting expenses incurred in the ordinary course of business, and (xv) any other purpose as may be approved by our Board of Directors from time to time.

Issue Expenses

The Issue expenses include, among others, Issue management fees, underwriting and selling commission, distribution expenses, legal fees, fees to advisors, printing and stationery expenses, advertising and marketing expenses, listing fees to the Stock Exchanges, Registrar and depository fees. Expenses related to this Issue will be borne by our Company.

We intend to utilize approximately Rs.[●] crore from the proceeds of the Issue towards the Issue expenses.

The detailed breakdown of the Issue expenses is as under:

Particulars	Estimated Expenses*	Percentage of total Issue expenses (%)*	Percentage of total Issue size (%)*
BRLMs fees, underwriting and selling commission	[●]	[●]	[●]
Printing, stationery and dispatch expenses	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
IPO grading fees	[●]	[●]	[●]
Other expenses (listing fees, SEBI filing fees, bidding	[●]	[●]	[●]

Particulars	Estimated Expenses*	Percentage of total Issue expenses (%)*	Percentage of total Issue size (%)*
charges, Registrar's fees, legal advisors expenses, depository fees, Auditor's fees, etc.)			
Total	**[●]**	**[●]**	**[●]**

* To be incorporated at the time of filing the Prospectus with the RoC.

All expenses with respect to the Issue will be borne out of the Issue proceeds.

Interim use of proceeds of the Issue

Our management, in accordance with the policies established by the Board, will have the flexibility in deploying the Net Proceeds received by us from the Issue. Pending utilization for the purposes described above, we intend to temporarily invest the proceeds of this Issue in high quality liquid instruments including deposits with banks and investments in mutual funds (or money market mutual funds), treasury bonds or in instruments as may be approved by our Board or a duly authorized committee thereof.

Bridge Financing Facilities

The Company has not raised any bridge loan against the proceeds of the Issue.

Monitoring of utilization of funds

In terms of Clause 8.17 of the SEBI Guidelines, we have appointed IFCI as the monitoring agency for the purposes of this Issue.

As required under the listing agreements with the Stock Exchanges, the Audit Committee appointed by our Board of Directors will also monitor the utilization of the Issue proceeds. We will disclose the utilization of the proceeds of the Issue, including interim use, under a separate head in our quarterly financial disclosures and annual audited financial statements until the Issue proceeds remain unutilized, to the extent required under the applicable law and regulation. In connection with the utilization of the proceeds of the Issue, the Company shall comply with the requirements of the listing agreements with the Stock Exchanges, including clauses 43A and 49 of the listing agreements as amended from time to time.

BASIS FOR THE ISSUE PRICE

The Issue Price will be determined by the Company in consultation with the Book Runners on the basis of assessment of market demand for the Equity Shares by the Book Building Process. The face value of the Equity Shares is Rs.10 per Equity Share and the Issue Price is 24 times the face value at the lower end of the Price Band and 25.5 times the face value at the higher end of the Price Band. The information presented in this section for fiscal 2005, 2006, 2007 and 2008 is derived from the Company's restated audited consolidated financial statements, prepared in accordance with Indian GAAP and the Companies Act and restated in accordance with the SEBI Guidelines. Investors should also refer to the sections "Risk Factors", "The Indian Power Industry", "Our Business" and "Financial Information" beginning on pages 11, 90, 105 and 227, respectively, of this Red Herring Prospectus to get a more informed view before making an investment decision.

Qualitative Factors

For a detailed discussion on the qualitative factors which form the basis for computing the price, see the sections "Our Business" and "Risk Factors" beginning on pages 105 and 11 of this Red Herring Prospectus.

Quantitative Factors

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

1. Weighted Average Earnings Per Share ("EPS")

On a standalone basis:

Financial Period	EPS (Rs.)	Weight
Fiscal 2006	1.43	1
Fiscal 2007	1.75	2
Fiscal 2008	5.34	3
Weighted Average	**3.49**	

On a consolidated basis:

Financial Period	EPS (Rs.)	Weight
Fiscal 2006	2.02	1
Fiscal 2007	2.74	2
Fiscal 2008	5.73	3
Weighted Average	**4.12**	

EPS as per the restated audited standalone financial statements for the year ended March 31, 2008 is Rs. 5.34. EPS as per the restated audited consolidated financial statements for the year ended March 31, 2008 is Rs. 5.73.

EPS = Adjusted profit after tax, as restated, divided by the weighted average number of Equity Shares outstanding as on the date specified.

2. Price Earnings Ratio ("P/E Ratio")

a.

Particulars	P/E at the lower end of the Price Band (No. of times)	P/E at the higher end of the Price Band (No. of times)
Based on fiscal 2008 restated EPS of Rs. 5.34 (standalone)	44.94	47.75
Based on weighted average EPS of Rs. 3.49 (standalone)	68.77	73.07
Based on fiscal 2008 restated EPS of Rs. 5.73 (consolidated)	41.88	44.50
Based on weighted average EPS of Rs. 4.12 (consolidated)	58.25	61.89

b. Peer group P/E[1]
   (i) Highest: 49.1 times
   (ii) Lowest: 10.4 times
   (iii) Industry average: 24.1 times

[1] All figures for peer group are from *Capital Markets, Volume XXIII/05, May 05, 2008 – May 18, 2008 (Industry – Power Generation)*

3. Return on Net Worth ("RoNW")

On a standalone basis:

Financial Period	**Return on Net Worth (%)**	**Weight**
Fiscal 2006	12.63	1
Fiscal 2007	6.42	2
Fiscal 2008	15.79	3
Weighted Average	**12.14**	

On a consolidated basis:

Financial Period	**Return on Net Worth (%)**	**Weight**
Fiscal 2006	13.22	1
Fiscal 2007	6.10	2
Fiscal 2008	17.13	3
Weighted Average	**12.80**	

RoNW on a restated standalone basis for fiscal 2008 was 15.79%. RoNW on a restated consolidated basis for fiscal 2008 was 17.13%.

RoNW = Adjusted profit after tax, as restated, divided by net worth as restated at the end of year/period.

4. Minimum Return on Increased Net Worth Required to Maintain Pre-Issue EPS

The minimum return on increased net worth required to maintain pre-Issue EPS of Rs.5.73 is 13.54% at the lower end of the price band and 13.07% at the higher end of the price band.

5. Net Asset Value ("NAV")

Financial Period	**Net Asset Value per Equity Share (Rs.)**
Fiscal 2008 (consolidated)	21.56
Fiscal 2008 (standalone)	21.81

The net asset value after the issue will be Rs. 42.33 at the lower end of the price band and Rs.43.83 at the higher end of the price band.

NAV = Net worth as restated divided by Equity Shares at the end of the specified period, if any.

6. Comparison with Industry Peers

We have chosen the companies which we believe are peers for our power project development operations only. The information presented below is on a consolidated basis.

	Face Value Per share (Rs.)	**EPS[1] (Rs.)**	**P/E[1] (times)**	**Return on Net Worth[1] (%)**	**Net Asset Value per Equity Share[1] (Rs.)**	**Sales (Rs. in Crores)**
KSK Energy Ventures Limited	10	5.73	[●]	17.13	21.56	239.13
Peer Group[2]						

CESC	10	28.7	15.7	16.5	209.3	2,530.3
Tata Power	10	27.3	49.1	12.0	334.2	4,949.7
Torrent Power	10	4.4	29.3	5.4	57.3	1,394.6
GMR Infrastructure	2	0.2	-	0.3	30.8	33.4
Reliance Energy	10	43.1	31.6	10.2	399.4	5,769.3

(1) EPS, P/E (except our Company), is for the trailing 12 months ended September 30, 2007. Return on Net Worth, Net Asset Value and Sales of the Company are based on the restated audited consolidated financial statements for Fiscal 2008.
All figures for peer group are from *Capital Markets, Volume XXIII/05, May 05, 2008 – May 18, 2008 (Industry – Power Generation)*

(2) The companies specified in the peer group operate in the same industry and are engaged in similar lines of business.

STATEMENT OF TAX BENEFITS

To
The Board of Directors
KSK Energy Ventures Limited
8-2-293/02/431/A
Road No. 22
Jubilee Hills
Hyderabad– 500 033

Dear Sirs,

We hereby report that the enclosed annexure states "Tax Benefits" available to KSK Energy Ventures Limited (the "**Company**") and its shareholders under the current tax laws in force in India as amended by the Finance Act, 2008. The benefits as stated are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant tax laws. Hence the ability of the Company or its Shareholders to derive the tax benefits is dependent upon fulfilling such conditions.

The benefits discussed in the enclosed annexure are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional advice. In view of the individual nature of the tax consequences, 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.

For Umamaheswara Rao & Co.
Chartered Accountants

(S Venugopal)
Partner
M No 205565
Place: Hyderabad
Date: June 2, 2008

Annexure to Statement of "Tax Benefits" available to KSK Energy Ventures Limited and its shareholders

A. General to the Company

1. <u>Under the Income Tax Act, 1961</u>

- Energy saving devices being Specialized Boilers and furnaces, Instrumentation and Monitoring System for Energy flows, Waste heat recovery Equipment ,Co-generation Equipments, Electrical equipments such as Shunt capacitors and Synchronous condenser systems, automatic power cut off devices, automatic voltage controller, power factor controller for AC motors, Series compensation equipments etc are entitled for higher depreciation at the rate of 80% on Written Down Value as per Appendix I of Income Tax Rules under Section 32 of the Income Tax Act., 1961.

- Air and water Pollution Control equipments such as Ash Handling system & evacuation system, Mechanical screen system, Aerated detritus chambers (including air compressor), etc. are entitled for higher depreciation at the rate of 100% as per Appendix I of Income Tax Rules under Section 32 of the Income Tax Act., 1961.

- In accordance with and subject to the condition specified in Section 80 IA of the Income Tax Act, 1961, the power SPVs would be entitled to get deduction of 100% of profits derived from Industrial Undertaking engaged in generation and/or distribution or transmission of power for any 10 consecutive assessment years out of fifteen years beginning from the year in which the undertaking generated power or commences transmission or distribution of power before 31st March 2010.

- In accordance with and subject to the provisions of Section 35, the Company would be entitled to get deduction in respect of expenditure laid out or expended on scientific research related to the business Weighted deduction of 125% is available, if contribution is made to an approved Indian Company having main object the scientific research and development.

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115(O) of the IT Act, is exempt from tax in the hands of the company.

- By virtue of Section 10(35) of the Income Tax Act, 1961, income received in respect of the units of Mutual Funds specified under clause (23D), is exempt from the tax in the hands of the company.

- By virtue of Section 10(38) of the Income Tax Act, 1961, income arising from transfer of long-term capital asset, being an equity share in the Company is exempt from tax provided such transaction is chargeable to the Securities Transaction Tax. However, the long-term capital gain of a share holder being a company shall be subject to income tax computation on book profit under section 115JB of' the Income Tax Act, 1961.

- Under Section 115JA(1A) of the Income Tax Act, 1961, credit is allowed in respect of any tax paid (MAT) under 115JB of the Act for any assessment year commencing on or after April 1, 2006. Credit eligible for carry forward is the difference between the MAT paid and the Tax computed as per the normal provisions of the Act. Such MAT credit shall be available for set off up to 7 years succeeding the year in which the MAT credit becomes allowable.

- By virtue of Section 111A, short term capital gain on transfer of equity share of the Company shall be chargeable to tax @ 15%, provided such transaction is chargeable to Securities Transaction Tax.

2. <u>Under Central Sales Tax Act, 1956</u>

- Tax on inter state sales tax leviable under Section 6(1) of the Central *Sales* Tax Act, 1956 is not applicable on transmission of electricity energy.

- In terms of section 8(3)(b) of the Central Sales Tax Act, 1956, the purchases made in the course of inter-state trade or commerce for use in the generation or distribution or any other form of power is eligible for sales tax @ 2% with effect from June 1, 2008.

3. <u>Under Customs Tariff</u>

- In terms of notification No. 21/2002-Cus., dated 1.3.2002 as amended from time to time under the Customs Tariff of India, the goods required for setting up of any power generation or transmission project, are eligible to import at a 5% concessional rate of basic custom duty subject to fulfillment of certain conditions.

- In terms of Notification No. 20/2006-Cus dated 1.3.2006 (Serial No. 11 and 12) under Customs Tariff of India Additional Duty on import of goods under Notification No. 21/2002 dated 1.3.2002 by power generation or transmission companies is not applicable.

- In terms of notification No. 14/04-Cus.dated 08.01.2004, Water supply projects for Power Projects falling under heading 9801 of the First Schedule to the Customs Tariff Act, 1975 is exempt from the whole of Customs Duty.

- In terms of notification No. 21/2002-Cus., dated 1.3.2002 as amended from time to time under the Customs Tariff of India, the goods required for setting up of any Mega Power Projects, having a capacity of over 1000 MW and Hydel Projects having capacity of over 500 MW are eligible for waiver of Customs Duty subject to fulfillment of certain terms and conditions.

- Vide Finance Act, 2008, exemption from additional duty of customs @ 4% levied under section 3 (5) of Customs Tariff Act, 1975 has been withdrawn from power generation projects (other than mega power projects), transmission, sub-transmission and distribution projects, and goods for high voltage transmission projects.

B. Special to the Company

There are no special Tax Benefits for the Company.

C. To the Members of the Company

C1. <u>Under the Income Tax Act, 1961</u>

1. All Members

- By virtue of Section 10(38) of the Income Tax Act, 1961, income arising from transfer of long-term capital asset, being an equity share in the Company is exempt from tax, provided such transaction is chargeable to the Securities Transaction Tax. However, the long-term capital gain of a share holder being a company shall be subject to income tax computation on book profit under section 115JB of the Income Tax Act, 1961.

- By virtue of Section 111A, short term capital gain on transfer of equity share of the Company shall be chargeable to tax @ 15%, provided such transaction is chargeable to Securities Transaction Tax.

- Securities Transaction Tax paid in respect of taxable securities transactions will now be allowed as a deductible expenditure as amended by the Finance Act,2008.

2. Resident Members

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from a domestic company referred to in Section 115(O) of the IT Act, are exempt from tax in the hands of the shareholders.

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months from the date of transfer, subject to maximum limit of Rs. 50 lakhs during any financial year if investment is made from the assessment year 2007 – 08 onwards in the bonds redeemable after 3 years issued by:

    - National Highways Authority of India constituted under section 3 of National Highways Authority of India *Act*, 1988;

    - Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

  If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under Section 54F of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from capital gain tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

3. Non Resident Indians/Members (other than FIIs and Foreign Venture Capital Investors)

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115(O) of the IT Act, are exempt from tax in the hands of the recipients.

Tax on Investment Income and Long Term Capital Gain

- A non resident Indian (i.e. an individual being a citizen of India or person of Indian Origin) has an option to be governed by the provisions of Chapter XIIA of the Income Tax Act, 1961 viz. "Special Provisions Relating to certain Incomes of Non-Residents".

- Under Section 115E of the Income Tax Act, 1961, where shares in the Company are subscribed for in convertible Foreign Exchange by a Non Resident Indian, capital gains arising to the non resident on transfer of shares held for period exceeding 12 months shall be concessionally taxed at the flat rate of 10% (plus applicable surcharge and education cess) without indexation benefit but with protection against foreign exchange fluctuation. Capital gain on transfer of Foreign Exchange Assets, not to be charged in certain cases

- Under provisions of Section 115F of the Income Tax Act, 1961, long term capital gains arising to a non resident Indian from the transfer of-shares of the Company subscribed to in convertible Foreign Exchange shall be exempt from Income Tax if the net consideration is reinvested in specified assets within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

Return of Income not to be filed in certain cases

- Under provisions of Section 115G of the Income Tax Act, 1961, it shall not be necessary for a Non-Resident Indian to furnish his return of Income if his only source of income is investment income or long term capital gains or both arising out of assets acquired, purchased or subscribed in convertible foreign exchange and tax deductible has been deducted at source there from.

Other Provisions

- Under Section 115-I of the Income Tax Act, 1961, 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 under Section 139 of the Income Tax Act declaring therein that the provisions of the Chapter shall not apply to him for that assessment year and if he does so the provisions of this chapter shall not apply to him instead the other provisions of the Act shall apply.

- Under the first proviso to Section 48 of the Income Tax Act, 1961, in case of a non-resident, in computing the capital gains arising from transfer of shares of the Company acquired in convertible foreign exchange (as per exchange control regulations) protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case.

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gains are invested within a period of 6 months from the date of transfer subject to maximum limit of Rs. 50 lakhs during any financial year if investment is made from the assessment year 2007 – 08 onwards in the bonds redeemable after 3 years issued by:

    - National Highways Authority of India constituted under section 3 of National Highways Authority of India *Act*, 1988;
    - Rural Electrification Corporation Limited, a Company formed and registered under the Companies Act, 1956;

  If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

- Under Section 54F of the Income Tax Act. 1961 and subject to the condition and to the extent specified therein, long term capital gains arising to an individual or Hindu Undivided Family (HUF) on transfer of shares of the Company will be exempt from Capital gains tax subject to other conditions, if the net consideration from such shares are used for purchase of residential house property within a period of one year before and two years after the date on which the transfer took place or for construction of residential house property within a period of three years after the date of transfer.

4. Mutual Funds

In terms of Section 10(23D) of the Income Tax Act, 1961, mutual funds registered under the Securities and Exchange Board of India and such other mutual funds set up by public sector banks or public financial institutions authorized by the Reserve Bank of India subject to the conditions specified therein are eligible for exemption from income tax on their entire income, including income from investment in the shares of the company.

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

- By virtue of Section 10(34) of the IT Act, income earned by way of dividend income from another domestic company referred to in Section 115(O) of the IT Act, are exempt from tax in the hands of the institutional investor.

- The income by way of short term capital gains or long term capital gains realized by FIIs on sale of shares in the Company would be taxed at the following rates as per Section 115AD of the Income Tax Act, 1961.

  - Short term capital gains - 30% (plus applicable surcharge and Education Cess)
  - Short term capital gains covered U/S 111A – 15%.
  - Long term capital gains - 10% (without cost indexation) plus applicable surcharge and Education Cess. (Shares held in a company would be considered as a long term capital asset provided they are held for a period exceeding 12 months).

- Under Section 54EC of the Income Tax Act, 1961 and subject to the conditions and to the extent specified therein, long term capital gains arising on the transfer of shares of the Company will be exempt from capital gains tax if the capital gain are invested within a period of 6 months after the date of such transfer subject to maximum limit of Rs. 50 lakhs during any financial year if investment is made from the assessment year 2007 – 08 onwards in the bonds redeemable after 3 years issued by:

  * National Highways Authority of India constituted under section 3 of National Highways Authority of India *Act*, 1988;

  * Rural Electrification Corporation Limited, registered under the Companies Act, 1956;
  If only part of the capital gain is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted within three years from the date of their acquisition.

6. **Venture Capital Companies/Funds**

In terms of Section 10 (23FB) of the Income Tax Act, 1961, all Venture Capital Companies/Funds registered, with Securities and Exchange Board of India, subject to the conditions specified, are eligible for exemption from income tax on all their income, including income from dividend.

C2. 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 Wealth Tax Act will not be applicable.

C3. Under the Gift Tax Act, 1957

Gift of shares of the Company made on or after October 1, 1998 are not liable to Gift Tax

Notes:

All the above benefits are as per the current tax law as amended by the Finance Act, 2008 and will be available only to the sole/ first named holder in case the shares are held by joint holders.

In respect of non residents, taxability of capital gains mentioned above shall be further subject to any benefits available under the Double Taxation Avoidance Agreements, if any, between India and the Country in which the non-resident has fiscal domicile.

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.

The above statement of possible direct and indirect taxes benefits sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of equity shares.

D. Special to the Members

There are no special tax benefits to the Members of the Company.

SECTION IV: ABOUT THE COMPANY

THE INDIAN POWER INDUSTRY

Unless otherwise indicated, all financial and statistical data in the following discussion is derived from websites of and publicly available documents from, various sources, including the websites of the Ministry of Power and Central Electricity Authority ("CEA"). The data may have been re-classified by us for the purpose of presentation. Unless otherwise indicated, the data presented excludes captive capacity and generation.

Overview of the Indian Economy

India, the world's largest democracy in terms of population (112.9 crore people) had a GDP on a purchasing power parity basis of approximately Rs. 416,400.00 crore in 2006 (Source: Bloomberg.com). This makes it the fourth largest economy in the world after the United States of America, China and Japan (Source: CIA World Factbook).

Over the past ten years, the Indian economy has grown at an average rate of 6.8% per year. The following chart presents a comparison of India's GDP real growth rate with the real growth rate of certain other countries.

	2003	2004	2005	2006	2007
Australia	3.6	2.8	3.5	2.6	2.8
Brazil	1.0	0.1	5.1	2.4	3.1
Chile	1.8	3.2	5.8	6.0	4.7
China	8.0	9.1	9.1	9.3	10.5
India	**4.3**	**7.6**	**6.2**	**7.6**	**8.5**
Japan	-0.3	2.3	2.9	2.4	2.8
Korea South	6.2	2.8	4.6	3.9	5.1
Malaysia	4.2	4.9	7.1	5.2	5.5
Russia	4.2	7.3	6.7	5.9	6.6
Thailand	5.2	6.3	6.1	4.4	4.4
UK	1.6	2.1	3.2	1.7	2.6
USA	2.5	3.1	4.4	3.5	3.4

(Source: CIA World Factbook)

The Indian economy is based in part on planning through successive five year plans ("Plans") that set out targets for economic development in various sectors. According to the Integrated Energy Policy ("IEP"), issued by the Planning Commission, GDP growth rates of 8%-9% have been projected during the 11^{th} Plan. Assuming a higher growth rate of 9% and assuming the higher elasticity projected by the IEP of around 1.0, electrical energy generation would be required to grow at 9% p.a. during the 11^{th} Plan period. *(Source: The Working Group on Power 11^{th} Plan, February 2007).* A key risk to the continued growth of the Indian economy is inadequate infrastructure. Infrastructure investment in India is on the rise, but growth may be constrained without further improvements. The Government of India (the "Government") has identified the power sector as a key sector of focus to promote sustained industrial growth.

Overview to the Indian Power Sector

Introduction

The Government's stated mission is to provide "Power for All" by 2012. Its objectives for power sector development include providing sufficient, reliable and inexpensive power. The Indian economy is based in part on planning through successive Plans that set out targets for economic development in various sectors, including the power sector. These plans are developed, executed and monitored by the Planning Commission of India. Each successive Plan has increased targets for additional power generation capacity based on different fuel sources. There was slow progress in adding new capacity during the 8^{th}, 9^{th} and 10^{th} Five Year Plans. A capacity addition of 41,110 MW was targeted for the 10^{th} Plan (2002- 2007). The sector-wise and type-wise break up under the 10^{th} Five Year Plan are as under:

Sector	Hydro	Thermal	Nuclear	Total	Achievement
Central	4495	7330	1180	13005	57%
State	2691	3553	0	6244	56%
Private	700	1231	0	1930	27%
Total	7886	12114	1180	21180	52%
Achievement	55%	48%	91%	52%	

(Sources: CEA - White Paper on Strategy for 11th Plan)

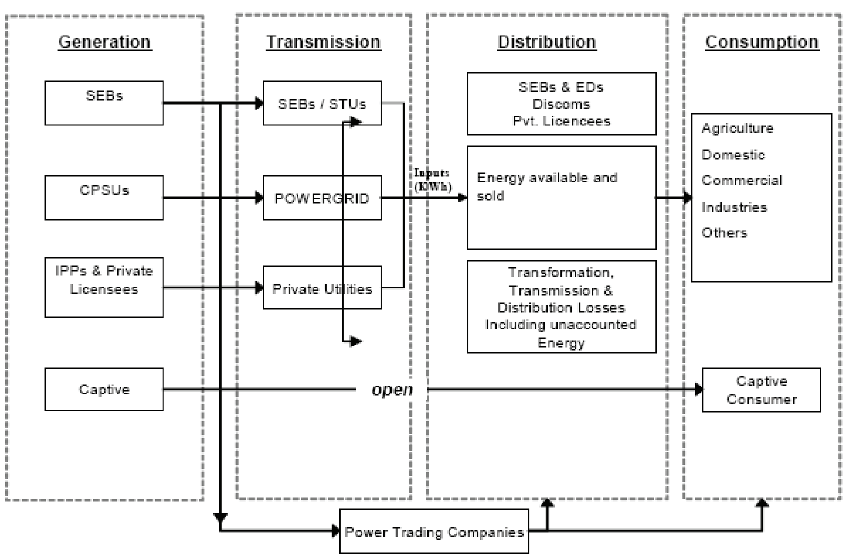
The Government, in order to broaden the supply base to stimulate growth throughout the country, passed the Electricity (Supply) Act, 1948 of India (the "Supply Act") and created the institutional framework under which the electrical power industry was to be primarily regulated. The Supply Act led to the creation of the State Electricity Boards ("SEB"), which are the state government agencies with the sole responsibility for generation, transmission and distribution of electricity within each state. However, due to systemic deficiencies and the need to overcome the failures of the existing regime, which focused primarily on generation and not on transmission and distribution ("T&D"), the Electricity Act was passed in 2003.

The Electricity Act, 2003 (the "Electricity Act") is a comprehensive legislation which replaced the Indian Electricity Act, 1910, the Supply Act and the Electricity Regulatory Commission Act, 1998 (the "ERC Act"). The aim of the Electricity Act was to place the sector on a trajectory of sound commercial growth and to enable the states and the central agencies to progress in harmony. To date, 13 states including Delhi and Orissa have unbundled/corporatized their SEBs under the Accelerated Power Development and Reforms Programme ("APDRP"). *(Source: Ministry of Power Performance Report 2005-06).*

The Electricity Act has liberalized and de-licensed the power generation sector. This resulted in an increase in the captive capacity additions by industrial units, thereby reducing the dependence on external providers. The requirement of techno-economic clearance has also been eliminated (except for hydro-electric projects). Captive plants have been freed from controls. Open access has been allowed to transmission lines, both by distribution licensees as well as generating companies. Distribution licensees will be free to take up generation and generation companies will be free to take up distribution. Trading has been permitted as a distinct activity. The Electricity Act also provides for multiple distribution licensees in a single area.

Organization of the Power Industry

The following diagram depicts the current structure of the Indian power industry:



Key to the diagram:

CPSUs	Central Public Sector Undertakings
Discoms	Distribution Companies
ED	Electricity Department
IPP	Independent Power Producer
SEB	State Electricity Board
STU	State Transmission Units

Power Shortage in India

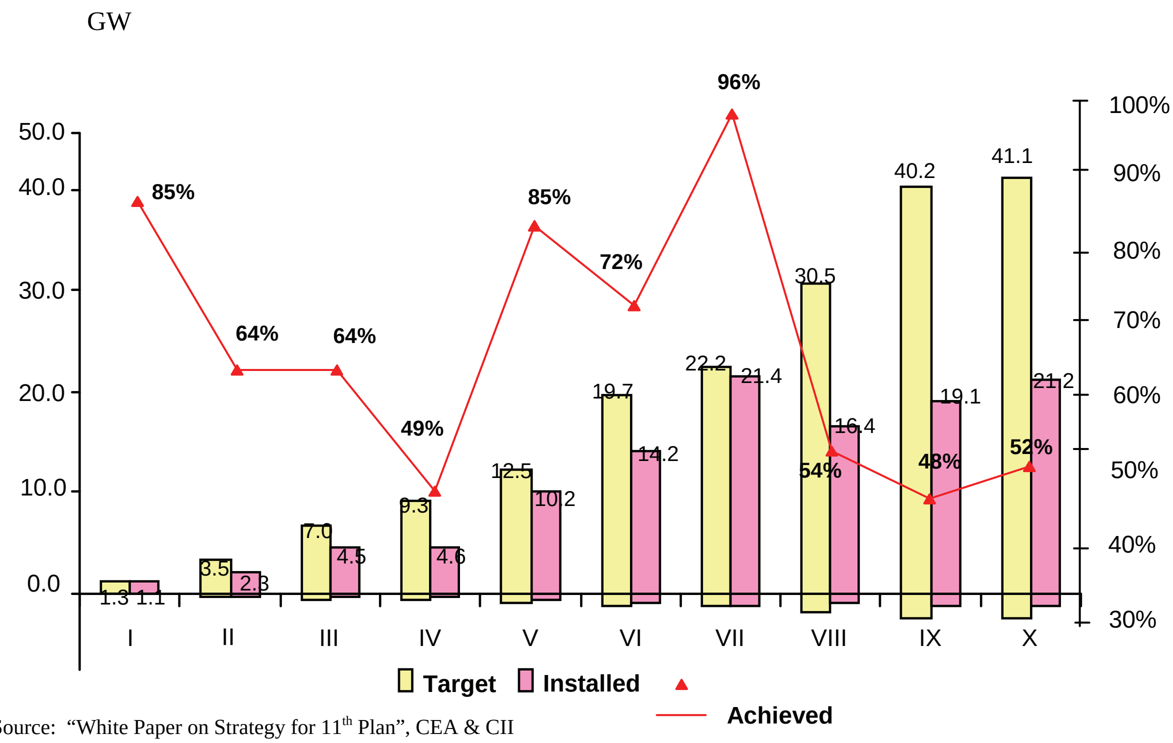
The Indian power sector has historically been characterized by energy shortages which have been increasing over the years. The peak demand of energy in India is currently around 106,624 MW, whereas the actual peak energy met is 90,793 MW, which is 85% of the peak demand. The situation is far worse in some parts of the country, with states such as Maharashtra facing a peak energy shortage as high as 22.6%. *(Source: CEA, Executive Summary, December 2007).*

There are multiple reasons for the critical state of the power sector in the country. T&D losses were as high as 33% in 2003-2004, indicating that almost one-third of the energy generated is lost which is far higher than T&D losses in countries such as the United States, United Kingdom, Germany, Japan and China, which were 6%, 8%, 4%, 4% and 7%, respectively, in 2001 *(Source: Press Information Bureau, Government of India Press Release, November 30, 2005)*. The higher losses and inefficiencies in the system have resulted into huge accumulated financial losses for the state sector. The concurrent nature of the industry governance has partly been the cause for the slowdown in progress in the sector. In India, power is a state subject, while a few entities (such as National Thermal Power Corporation Limited ("NTPC"), National Hydroelectric Power Corporation Limited, Power Grid Corporation of India Limited ("PGCIL")) are governed by the central government. Hence, it is difficult to ensure a uniform pace of regulation in each state, as each of them faces a different set of issues. Though some southern states have made significant progress, others have a long way to go. According to the 17th EPS report, the Government is trying to reduce their T&D losses through efficient management and best operations and maintenance practices and estimates to bring down T&D losses to about 22% by the end of 2011- 2012 and gradually reduce it to 16% by 2021- 2022.

According to the "White Paper on Strategy for 11th Plan", another important reason for the deficit scenario is inadequacy of capacity additions that have taken place during the various plans. During the 10th Plan, the total capacity addition was around 21,180 MW, which was only 52% of the target set for the 10th Plan. The average rate of achievement during the last few Plans has been a little over 50%, indicating that in spite of Government efforts for pushing for higher capacity addition through various means (including the setting up of the Inter Institutional Group ("IIG")) little progress has been made. According to the "White Paper on Strategy for 11th Plan", apart from the estimated 41,110 MW original 10th Plan projects, there were 8,320 MW additional projects identified as back-up projects, out of which actual capacity addition was only 21,180 MW. Thus, there was a shortfall of projects aggregating 28,250 MW from the 10th Plan. Some of the main reasons for this shortfall were the delay in finding supplies and the erection of plants by the suppliers/ contractors, non-availability of gas, delays in environmental clearance and other legal issues, geological surprises and projects not taken up or financial closure not achieved.

Capacity Additions

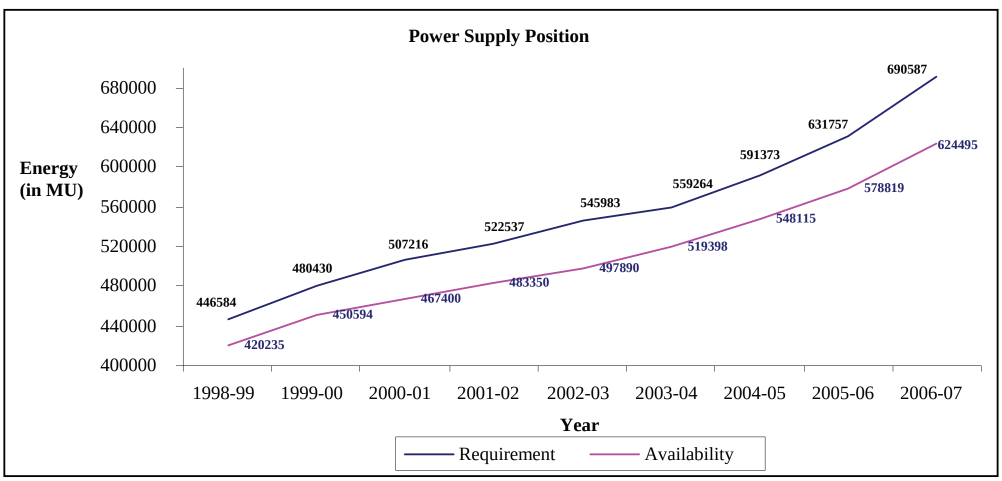
The graph below, shows that the actual capacity additions have lagged from the targeted additions since the 7th Plan. The failure to meet capacity addition targets has aggravated the demand and supply gap.



Source: "White Paper on Strategy for 11th Plan", CEA & CII

Gap between Demand and Supply

The following graph presents the gap between requirement and supply of electricity in India from fiscal year 1999 to fiscal year 2007:



(Source: CEA)

The gap between requirement and supply of electricity varies across India, with states in the Western Region facing the largest shortages. The following table displays the scenario between power demand and supply for the period from April – December 2007 across different states and regions in India:

State/Region	Power Requirement	Power Availability	Power Surplus/Deficit	
	(in MU)	(in MU)	(in MU)	(%)
Chandigarh	1,127	1,127	0	0
Delhi	17,597	17,548	-49	-0.3
Haryana	21,903	19,882	-2,021	-9.2
Himachal Pradesh	4,373	4,280	-93	-2.1
Jammu & Kashmir	8,510	6,139	-2,371	-27.9
Punjab	33,007	31,083	-1,924	-5.8
Rajasthan	25,802	25,544	-258	-1
Uttar Pradesh	45,928	38,918	-7,010	-15.3
Uttarakhand	5,093	5,008	-85	-1.7
Northern Region	**163,340**	**149,529**	**-13,811**	**-8.5**
Chhattisgarh	10,300	9,774	-526	-5.1
Gujarat	49,704	42,595	-7,109	-14.3
Madhya Pradesh	28,938	25,614	-3,324	-11.5
Maharashtra	83,712	70,015	-13,697	-16.4
Daman & Diu	1,314	1,176	-138	-10.5
Dadara and Nagar Haveli	2,512	2,510	-2	-0.1
Goa	2,045	2,023	-22	-1.1
Western Region	**178,525**	**153,707**	**-24,818**	**-13.9**
Andhra Pradesh	46,813	45,074	-1,739	-3.7
Karnataka	28,848	28,270	-578	-2
Kerala	11,537	11,312	-225	-2
Tamil Nadu	49,390	48,157	-1,233	-2.5
Puducherry	1,588	1,588	0	0
Lakshadweep	18	18	0	0
Southern Region	**138,176**	**134,401**	**-3,775**	**-2.7**
Bihar	6,865	6,079	-786	-11.4
DVC	10,110	9,899	-211	-2.1
Jharkhand	3,733	3,332	-401	-10.7
Orissa	13,909	13,677	-232	-1.7
West Bengal	21,824	21,038	-786	-3.6
Sikkim	203	197	-6	-3
Andaman-Nicobar	180	135	-45	-25
Eastern Region	**56,644**	**54,222**	**-2,422**	**-4.3**
Arunachal Pradesh	272	232	-40	-14.7
Assam	3,663	3,385	-278	-7.6
Manipur	416	390	-26	-6.3
Meghalaya	1,275	979	-296	-23.2
Mizoram	213	177	-36	-16.9
Nagaland	283	251	-32	-11.3
Tripura	587	520	-67	-11.4
N. Eastern Region	**6,709**	**5,934**	**-775**	**-11.6**
All India	**543,394**	**497,793**	**-45,601**	**-8.4**

(Source: CEA (www.cea.nic.in))

The gap between demand and supply has been increasing, leading to increased power shortages. The following table highlights the peak deficit over the years:

Fiscal Year	Peak Deficit (MW)
2001- 02	10,293
2002-03	9,945
2003-04	9,508
2004-05	10,254
2005-06	11,463
2006-07	13,897
April – November 2007	13,869

(Source: CEA, "Power Scenario at a Glance", December 2007)

The peak deficit for the period between April – November 2007 was 13,869 MW. The peak deficit varies across India, with the Western Region facing a shortage equal to 23% of its peak demand requirements. The following table depicts the peak deficit scenario for the period between April – November 2007 across different regions in India.

Fiscal Year	Peak Demand (MW)	Peak Supply	Deficit	Deficit %
North	32,462	29,495	2,967	9
West	37,955	29,360	8,595	23
South	26,054	24,194	1,860	7
East	11,385	10,699	686	6
North-East	1,657	1,347	310	19
All India	109,513	95,095	14,418	13

(Source: CEA, "Power Scenario at a Glance", December 2007)

Installed Generation Capacity

According to the CEA Executive Summary, as on December 30, 2007, India has an installed generation capacity of 140,301 MW. This total capacity consisted of 90,645 MW of thermal-based power, 34,680 MW of hydro- power, 4,120 MW of nuclear power and 10,855 MW of renewable energy. The installed capacity increased at a rate of 4.46% from 2003 to 2004, 5.10% from 2004 to 2005, 4.95% from 2005 to 2006, 6.47% from 2006 to 2007, which translated into a CAGR of 5.2% between 2003 and 2007. The economy still faces an acute shortage of power. The following table depicts installed capacity levels over the years:

As of March 31,	Thermal (% of total)	Installed Capacity (in MW)	Hydro (% of total)	Installed Capacity (in MW)	Nuclear (% of total)	Installed Capacity (in MW)	Renewable Energy Sources (% of total)	Installed Capacity (in MW)	Total Installed Capacity Across All Sources (in MW)
2003	71%	76,762	24%	26,766	2%	2,720	1%	1,628	107,876
2004	69%	77,968	26%	29,506	2%	2,720	2%	2,488	112,682
2005	68%	80,902	26%	30,942	2%	2,770	3%	3,811	118,425
2006	66%	82,410	26%	32,325	2%	3,360	5%	6,190	124,285
2007	65%	86,014	26%	34,653	3%	3,900	6%	7,760	132,327
December 2007	64%	90,645	25%	34,680	3%	4,120	7%	10,855	140,300

Source: CEA Executive Summary, December 2007

Installed Generation Capacity by Sector

Public entities such as the NTPC and the state generation companies have been prominent players in capacity addition in the power sector. The participation of private sector, however, has increased over time owing to power sector reform.

As of December 30, 2007, the state government sector led installed capacity levels with 73,680 MW, or 52.5% of the total installed capacity in India, followed by the central sector at 47,351 MW, or 33.7% of the total installed capacity in India, and 19,270 MW by the private sector, contributing to 13.7% of the India's installed capacity. *(Source: CEA Executive Summary, December 2007)*

	Thermal (MW)	Hydro (MW)	Nuclear (MW)	Renewable Energy Sources (MW)	Total (MW)
State	46,225	25,369	-	2,086	73,680
Centre	35,149	8,082	4,120	-	47,351
Private	9,271	1,230	-	8,769	19,270
Total	90,645	34,680	4,120	10,854	140,301

(Source: CEA Executive Summary, December 2007)

Future Capacity Additions

The Government has set an ambitious target of providing "Power for All" during the 10th and 11th Plans. Based on the 17th Electricity Power Survey prepared by the CEA, India would require additional capacity creation of nearly 78,000 MW by 2012 to achieve this goal.

11th and 12th Five Year Plan projections

A GDP growth rate of 8-9% has been projected during the 11th Plan. According to the Ministry of Power, electricity generation is estimated to grow at 9% per annum during the 11th Five Year Plan. The sector wise break-up of feasible capacity addition during the 11th Five Year Plan is set forth in the table below.

11th Five Year Plan capacity addition targets

	Thermal (Coal, lignite, gas) (MW)	Hydro (MW)	Nuclear (MW)	Total (MW)
Central Sector	26800	9685	3380	39865
State Sector	24347	3605	-	27952
Private Sector	7497	3263	-	10760
ALL INDIA	58644	16553	3380	78577

(Sources: CEA - White Paper on Strategy for 11th Plan)

Under various growth scenarios, the capacity addition required during 12th Plan would be in the range of 70,800 – 107,500 MW, based on normative parameters. The 11th Plan working group recommended a capacity addition of 82,200 MW for the 12th Plan based on the scenario of 9% GDP growth rate and an elasticity of 0.8%. During the 12th Plan about 30,000 MW capacity additions are likely to be based on hydro-electricity and about 11,000 – 13,000 MW will be nuclear based power. The balance capacity addition of about 50,000 MW will be from thermal projects. *(Source: The Working Group on Power 11th Plan, February 2007)*

Capacity addition required during 12th Plan (2012 - 2017) and the relation with estimated GDP growth are as below:

GDP Growth	GDP / Electricity Elasticity	Electricity Generation Required (BU)	Peak Demand (MW)	Installed Capacity (MW)	Capacity Addition Required During 12th PLAN (MW)
8%	0.8	1,415	215,700	280,300	70,800
	0.9	1,470	224,600	291,700	82,200
9%	0.8	1,470	224,600	291,700	82,200
	0.9	1,532	233,300	303,800	94,300
10%	0.8	1,525	232,300	302,300	92,800
	0.9	1,597	244,000	317,000	107,500

(Source: Working Group on Power-11th Plan (2007 - 2017)

Captive Power Generation in India

Captive power refers to power generation from a project set up for industrial consumption. There has been an increase in the requirement for captive power projects due to the continuing shortage of power and India’s economic growth.

The Electricity Act provided additional incentives to captive power generators by exempting them from license requirements. This resulted in an increase in captive power capacity additions by industrial units. However, the growth of captive power plants has been affected by issues such as lower plant load factor (“PLF”) (due to idle capacities and fuel-related concerns). Diesel prices have increased due to rising crude oil prices; as most captive units are based on diesel generator sets, the cost of generation has also increased. Some states are exploring the possibility of bringing captive capacity into the grid. This is expected to increase the PLF of plants. Industries such as metals and chemicals account for 50% of the total captive power capacity, while they account for 66% of the power generation by captive units. This discrepancy is because they require reliable and continuous power supplies on account of the processes used by them. Group captive power production enables these industries to meet their demand by pooling resources together.

Fuel Resources

In order to meet the growing demand for power, India is expected to continue to exploit all available energy sources. There is a priority for developing cleaner sources of energy like hydro-electric power and other renewable and non-conventional sources, but coal based thermal generation is likely to continue to dominate power generation in India.

Thermal

Thermal plants can be based on coal, lignite, gas, liquefied natural gas ("LNG") or fuel oil. Based on the installed power generation capacity as of December 30, 2007, coal based thermal plants comprised 82.4% of the total available thermal capacity *(Source: CEA Executive Summary, December 2007)*.

India ranks third among the coal producing countries worldwide *(Source: www.cslforum.org/india)*. Coal is the key contributor to India's energy scenario with 55% of the current total commercial energy needs being met by coal. Despite efforts to use alternate sources of fuel, coal is expected to continue to be the dominant energy source and will likely continue to play the major role in sustaining India's growth.

The Geological Survey of India estimates that coal reserves stood at 257 billion tonnes as of April 1, 2007, with more than 87% of these being of non-coking grade, which is primarily used for power generation. The coal sector in the country has come under pressure over its inability to meet demand (both planned and unplanned) of the user industries. Recent government reforms have allowed independent private companies the right to exploit these resources by granting blocks for development and providing fuel linkage.

In addition to the coal reserves of 257 billon tonnes, the geological reserves of lignite are approximately 39 billion tonnes, according to the 17^{th} EPS.

Natural gas is increasingly used in combined cycle gas turbine power stations in view of the very high efficiencies resulting from the use of advanced technology gas turbines. CEA expects natural gas to gain significance in power generation also because it is more environmentally friendly and is easier to use than oil.

Under its New Exploration Licensing Policy, the Government of India allocated blocks for the exploration of gas which resulted in the discovery of large gas reserves.

Hydro

Hydro-power is a renewable, economical, non-polluting and environmentally benign source of energy. The share of hydropower currently constitutes only about 25% of the overall installed capacity of the country. However, according to CEA, it is estimated that the total economic power potential from hydropower is about 150,000 MW.

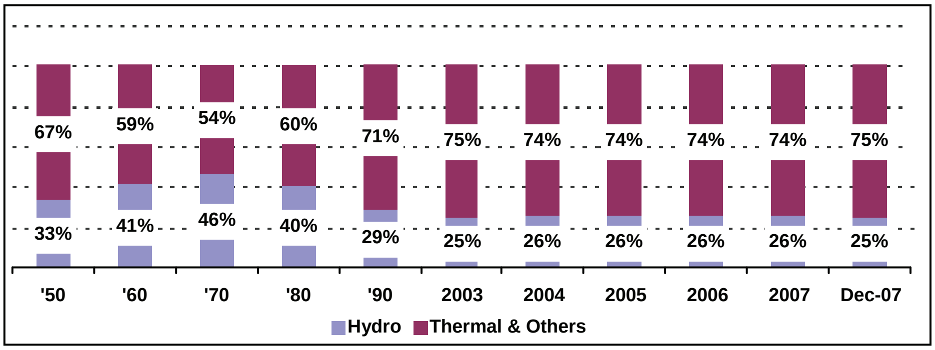
Nuclear

Nuclear power is a clean, environmentally friendly and an economically viable source of power generation. It will have an increasingly important role in power generation and providing energy security given the finite resources of fossil fuel. In India, nuclear power accounts for approximately 3% of the total electricity generated. Future programs have been laid out in the 17th EPS report for the development of 20,000 MW of nuclear energy.

Renewable Sources

According to the annual report (2006- 2007) of the Ministry of New and Renewable Energy, the total power generation capacity addition in the country from different sources, conventional as well as renewable, targeted for the 10^{th} and 11^{th} Plans is around 100,000 MW, out of which 10,000 MW is expected to be the share of renewable sources, such as wind, biomass and small hydro.

Composition of Power Generating Capacity in India:



(Source: CEA Executive Summary, December 2007)

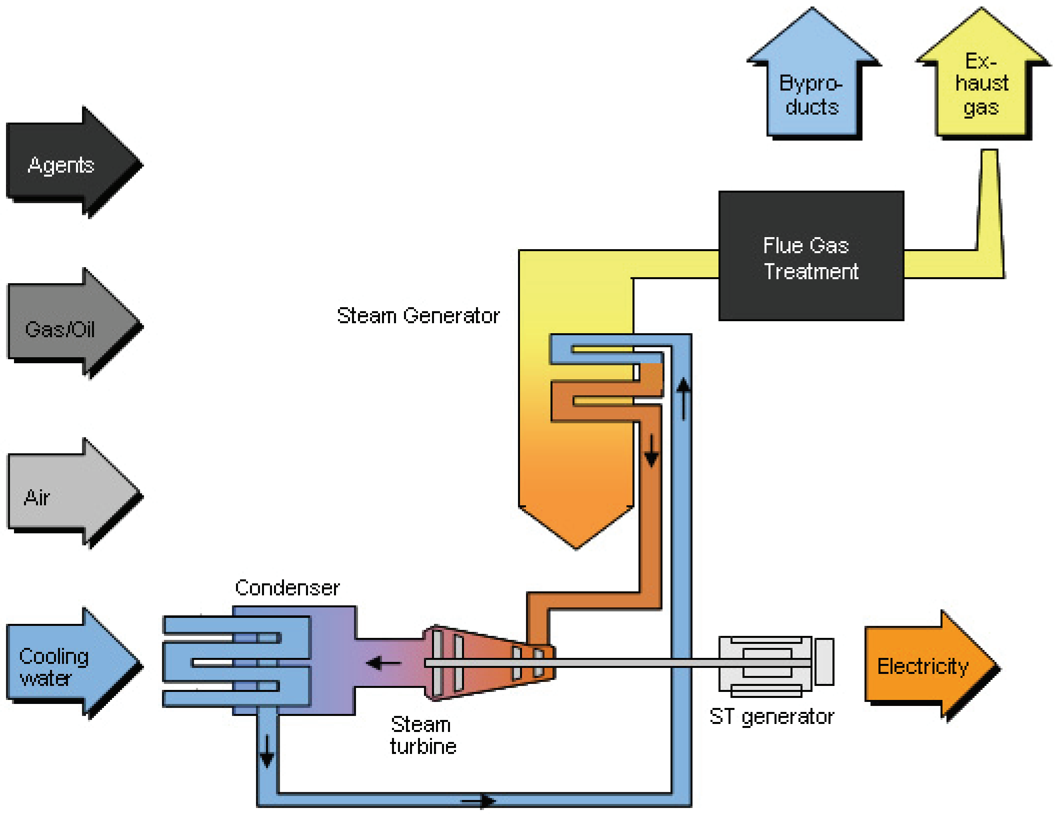
Technology

Steam Power Plants

The process of generation of power from steam power plants, utilizing coal or lignite fuel, essentially entails two stages. In the first stage, the chemical energy stored in the coal is converted into heat energy in coal-fired boilers. In the second stage, high-pressure, high-temperature steam, which is generated in the boilers, is passed through turbines (through conversion of heat energy into mechanical energy), which in turn is coupled to generators (through conversion of mechanical energy into electrical energy), thereby generating electricity.

The water steam cycle essentially contains a coal-fired steam generator, a steam turbine with condenser, a feed-water tank, low-pressure (LP) heaters and high-pressure (HP) heaters and connecting pipelines. The superheated steam produced in the steam generator is supplied to the steam turbine, which drives the three-phase AC generator. After leaving the HP turbine, the steam is reheated in the steam generator and fed to the intermediate pressure (IP) turbine. In the LP turbine, the steam coming directly from the IP turbine expands to condenser pressure and is condensed in the condenser.

Closed cycle water system is used for cooling of the condenser. The condensation collected in the condenser hot well is discharged by the condensate pumps and supplied via the LP condensate heaters into the feedwater tank. The feedwater is further heated by bled steam from turbine and dissolved gases from the feedwater are liberated. The boiler feed pumps discharge feed water from the feedwater tank via the HP heaters to the economizer. Steaming starts from this point onwards. The high temperature steam water mix is further converted into steam in water walls and finally passed through the superheaters sections for converting the saturated steam into superheated steam.



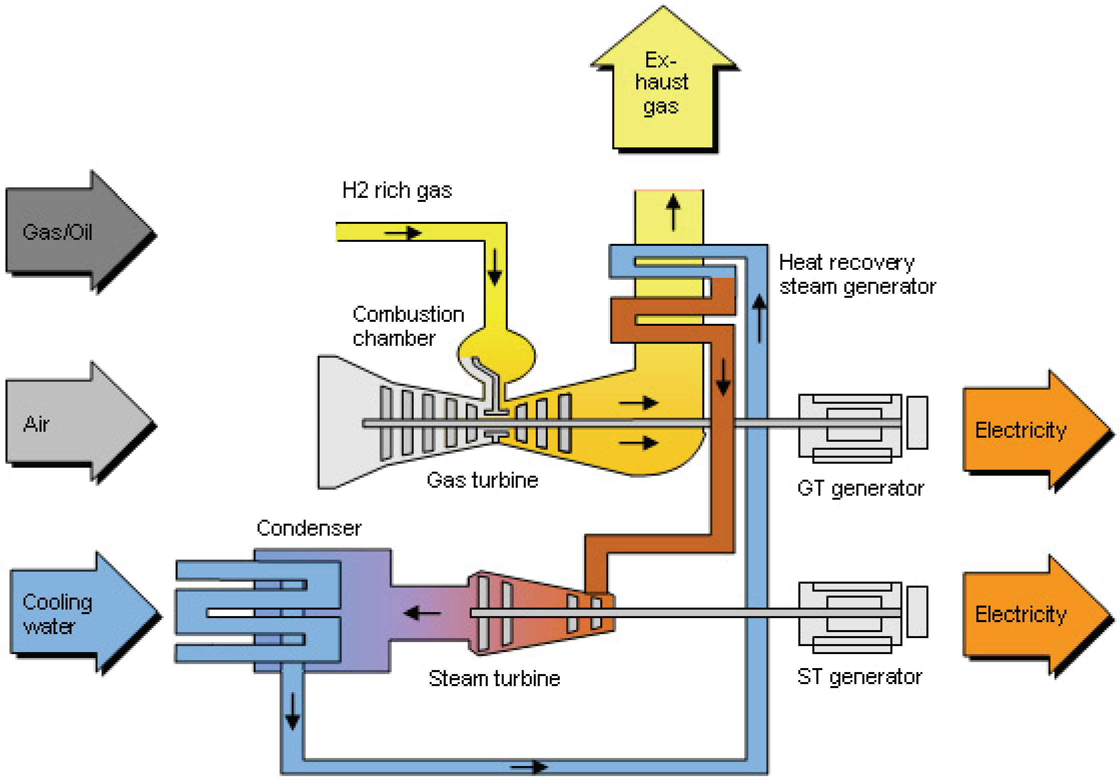
Steam power plant cycles are characterized by the pressure level at which they operate. Subcritical cycles use pressures below the critical pressure of water. Typical popular unit sizes of large plants are multiples of 125 /135 MW, 250/300 MW, 500 MW or 600 MW. On the other hand, supercritical cycles operate above the critical pressure providing higher efficiency. These cycles have varying unit sizes and varying parameters.

Boiler types can be alternatives of various capacity parameters, namely:

- Atmospheric Fluidized Bed Combustion type (AFBC)
- Circulating Fluidized Bed Combustion type (CFBC)
- Pulverized Fuel type (PF)
- Stoking Boilers

Gas Power Plants – Combined Cycle

The process of generation of power from gas or oil essentially entails power generation potential in two cycles. In the primary cycle, fuel is fired at appropriate temperature and pressure is generated either in an engine or a gas turbine to produce energy for power generation. In the closing cycle, the hot exhaust gas of a gas- or oil-fired gas turbine is utilized to generate steam in a separate water/steam cycle. The hot steam is expanded in a steam turbine, providing power to drive a generator, thereby generating electricity. The combination of gas and steam turbine cycles allows electric power generation with highest efficiency.



Variants of plant technology - In a multi shaft arrangement (as shown in the picture), both the gas and steam turbines are connected to a generator. In a single shaft arrangement, the gas and steam turbines drive the same generator to produce electricity.

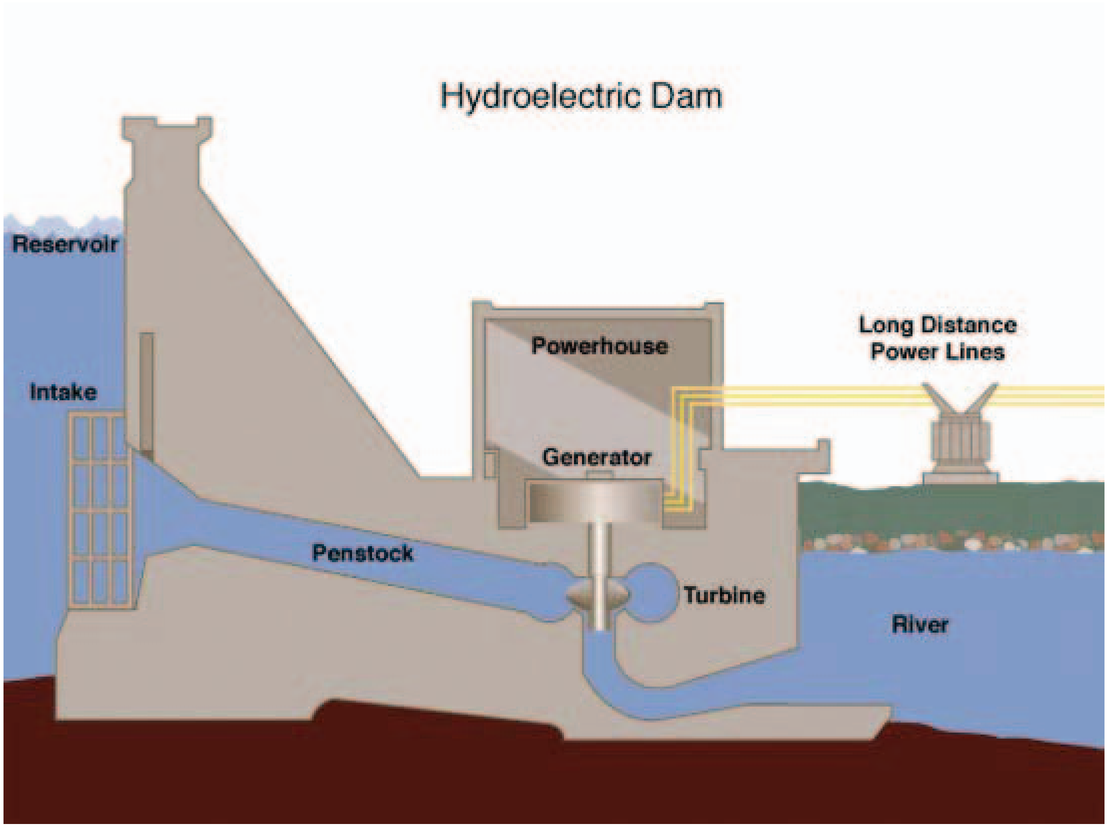
Gas Power Plants – Integrated Gasification Combined Cycle

Integrated gasification combined cycle is a power generation technology that uses proven gasification technology to transform coal and other fuels into a synthetic gas, which is then used in a combined cycle to produce power.

Hydro-Electric Power Plants

Hydro-electric power is generated by using electricity generators to extract energy from moving water. Historically, people have used the power of rivers for agriculture, navigation and other purposes. Today, rivers and streams are re-directed through hydro-electric generators to produce energy.

Run-of-the-river projects occur when river water passing through the generator is directed back into the river with relatively little impact on the surrounding ecology.



Transmission and Distribution

In India, the transmission and distribution system is a three-tier structure comprising regional grids, state grids and distribution networks. Most interstate transmission links are owned and operated by the PGCIL though some are jointly owned by the SEBs. In addition, PGCIL owns and operates many inter-regional transmission lines (which are a part of the national grid) to facilitate transfer of power from a region of surplus to one with deficit. State grids and distribution networks are primarily owned and operated by the respective SEBs or state governments (through state electricity departments).

Because peak demand does not occur simultaneously in all states, situations may arise in which there is surplus of power in one state while another state faces a deficit. The regional grids facilitate transfers of power from a power surplus state to a power deficit state. The grids also facilitate the optimal scheduling of maintenance outages and better co-ordination between the power plants. The regional grids are to be gradually integrated to form a national grid, whereby surplus power from a region could be transferred to a region facing power deficits, thereby facilitating a more optimal utilization of the national generating capacity.

In addition, the Electricity Act provides for open access, whereby any generator has non-discriminatory access to transmission lines or distribution systems, and permits the creation of alternative or parallel distribution networks. Private sector investments have been allowed in the transmission sector and foreign direct investment in this sector is being encouraged by the Government.

Power Trading

The Electricity Act recognized power trading as a distinct activity from generation, transmission and distribution. Power trading involves the exchange of power from suppliers with surpluses to suppliers with deficits. Seasonal diversity in generation and demand, as well as the concentration of power generation facilities in the fuel-rich eastern region of India, has created ample opportunities for the trading of power. Recent regulatory developments include the announcement of rules and provisions for open access and licensing related to interstate trading in electricity. Under the rules notified, the regulatory intention is the promotion of competition. Several entities have started trading operations or have applied for trading licenses.

Tariffs

Tariffs for IPPs are governed by agreements between power generation companies and processors known as power purchase agreements ("PPAs"). Tariffs for state sector generators are regulated by the State Electricity Regulatory Commissions ("SERCs"). The Electricity Act empowers the Central Electricity Regulatory Commission ("CERC") to set the tariff of generating companies owned or controlled by the Government and other entities with interstate generation or transmission operations.

The Government has notified the National Tariff Policy ("NTP") on January 6, 2006. NTP has aided the power reforms by outlining guidelines for multi-year tariffs, rate of returns for generation and transmission projects, tariff modalities for utilities, subsidy to consumers and cross subsidy calculations. These guidelines are not applicable however, if the tariff is fixed through a transparent bidding process.

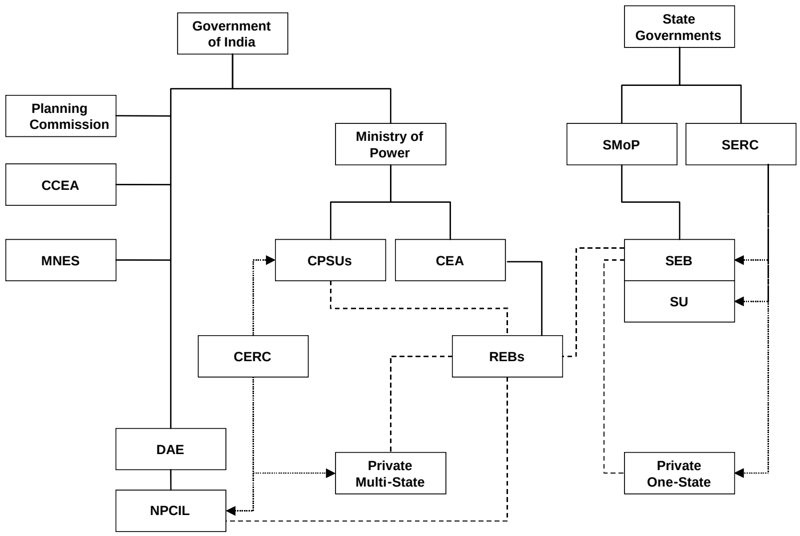
Regulatory Control

In India, control over the development of the power industry is shared between the central and the state governments. The Ministry of Power is the highest authority governing the power industry in India. The CEA, a statutory organization constituted under the Supply Act, is the technical branch of the Ministry of Power assisting in technical, financial and economic matters relating to the electricity industry. The CEA is responsible for giving concurrence to schemes involving capital expenditure beyond a certain limit as fixed by the Government from time to time, and it is also responsible for the development of a sound, adequate and uniform power policy in relation to the control and utilization of national power resources. The Central Electricity Regulatory Commission constituted under the Electricity Regulatory Commissions Act 1998 is an independent statutory body with quasi-judicial powers. Its main functions include the formulation of policy and the framing of guidelines with regard to electricity tariffs.

Several states have set up SERCs and others are in the process of setting them up. The SERCs are engaged in regulating the purchase, distribution, supply and utilization of electricity, tariff and charges payable, as well as the quality of service. State governments have set up SEBs at the state level, which are responsible for ensuring that the supply, transmission and distribution of electricity in such states is carried out in the most economical and efficient manner. These SEBs are required to coordinate with power generating companies, as well as the government entities that control the relevant power grids. Some states have amalgamated their respective SEBs to form Regional Electricity Boards, to ensure that the electricity supply, transmission and distribution policies are consistently applied.

Private sector companies operating in the electricity supply, transmission and distribution industry report to the Ministry of Power, as well as their respective SEBs and their SERCs.

Regulatory Structure



Key to the diagram:

CCEA	Cabinet Committee on Economic Affairs
MNES	Ministry of Non-Conventional Energy Sources
CPSUs	Central Public Sector Undertakings
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
REBs	Regional Electricity Boards
SMoP	State Ministry of Power
SU	State Undertaking
SEB	State Electricity Board
SERC	State Electricity Regulatory Commission
DAE	Department of Atomic Energy
NPCIL	Nuclear Power Corporation of India Limited

Regulations

For details of the applicable regulations, see the section "Regulations and Policies" beginning on page 165 of this Red Herring Prospectus.

Conclusion

The power sector in India is poised for growth. With large population growth, rapid industrialization, urbanization and increasing per capita income, there will be a large demand for energy in India.

To help remedy the large power demand and supply gap in India, the Ministry of Power has set a goal - Mission 2012: Power for All. A comprehensive blueprint for power sector development has been prepared encompassing an integrated strategy with the objective of having reliable, quality power at optimum cost that is commercially viable to achieve a GDP growth rate of 8%. This mission would require that India's installed generation capacity should be at least 200,000 MW by 2012 from the present level of 143,000 MW.

The strategies to achieve the objectives would include focusing on power generation, transmission and distribution, regulation, financing, conservation and communication, as follows:

- power generation strategy with a focus on low cost generation, optimization of capacity utilization, controlling the input cost, optimization of fuel mix, technology upgradation and utilization of non conventional energy sources;

- transmission Strategy with a focus on development of national grid including interstate connections, technology upgradation and optimization of transmission cost;

- distribution strategy to achieve distribution reforms with focus on System upgradation, loss reduction, theft control, consumer service orientation, quality power supply commercialization, decentralized distributed generation and supply for rural areas;

- regulation strategy aimed at protecting consumer interests and making the sector commercially viable.

- financing strategy to generate resources for required growth of the power sector;

- conservation strategy to optimize the utilization of electricity with focus on demand side management, load management and technology upgradation to provide energy efficient equipment and gadgets; and

- communication strategy for political consensus with media support to enhance the general public awareness.

OUR BUSINESS

Overview

We are a power project development company in India, with experience in developing and operating power plants. We are well positioned with long-term fuel access to all our operational power plants and many of our power projects are in the development or planning phase. We were established in 2001 to capitalize on the emerging opportunities in the Indian power sector and focus on developing, operating and maintaining power projects. We supply power to a combination of industrial and state-owned consumers in India.

Our Promoter company, KSK Energy Limited, is incorporated and registered in Mauritius, and is a wholly-owned subsidiary of KSK Power Ventur plc, an Isle of Man incorporated entity listed on the London Stock Exchange's Alternative Investment Market. Our individual Promoters, Mr. S. Kishore and Mr. K.A. Sastry have been involved in the development of power projects for over a decade in various advisory and consultant roles. For further details on our Promoters, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

We have operational power plants capable of generating 144 MW of power, and are currently constructing, developing or planning power projects capable of generating an aggregate of 8,993 MW of power, which we sell or intend to sell under a combination of long-term, medium-term and short-term power purchase agreements ("PPAs") to industrial and state-owned consumers. We currently have three power plants (aggregating 144 MW) that are fully operational, two power projects (aggregating 675 MW) that are under construction and expected to commission in December 2008 and December 2009, three power projects (aggregating 1,973 MW) under development for which we have either secured, or received term sheets for, debt financing and intend to commence construction in the near future and five power projects (including the Kameng Basin project which will comprise seven power stations) (aggregating 6,345 MW) that are planned. Our power projects are as follows:

Our Operational Power Plants

- Arasmeta, a 43 MW coal based power plant in Chhattisgarh;
- Sai Regency, a 58 MW natural gas based power plant in Tamil Nadu; and
- Sitapuram, a 43 MW coal based power plant in Andhra Pradesh.

Our Power Projects under Construction

- VS Lignite, a 135 MW lignite based power project in Rajasthan which is scheduled to be commissioned in December 2008; and
- Wardha Warora, a 540 MW coal based power project in Maharashtra which is scheduled to be commissioned in December 2009.

Our Power Projects under Development

- Arasmeta Expansion, a 43 MW expansion of the existing Arasmeta power plant, which we currently estimate to be commissioned in the first quarter of the fiscal year 2011;
- Wardha Chhattisgarh, a 1,800 MW coal based power project in Chhattisgarh, which we currently estimate to be commissioned in the second quarter of the fiscal year 2012; and
- KSK Dibbin, a 130 MW, a run-of-the-river hydro-electric power project in Arunachal Pradesh, which we currently estimate to be commissioned in the fourth quarter of the fiscal year 2011.

Our Planned Power Projects

- KSK Narmada, a 1,800 MW coal based power project in Chhattisgarh, which we currently estimate to be commissioned in the second quarter of the fiscal year 2013;

- JR Power, a 1,800 MW coal based power project in Orissa, which we currently estimate to be commissioned in the fourth quarter of the fiscal year 2012;

- Wardha Naini, a 1,800 MW coal based power project in Orissa, which we currently estimate to be commissioned in the first quarter of the fiscal year 2013;

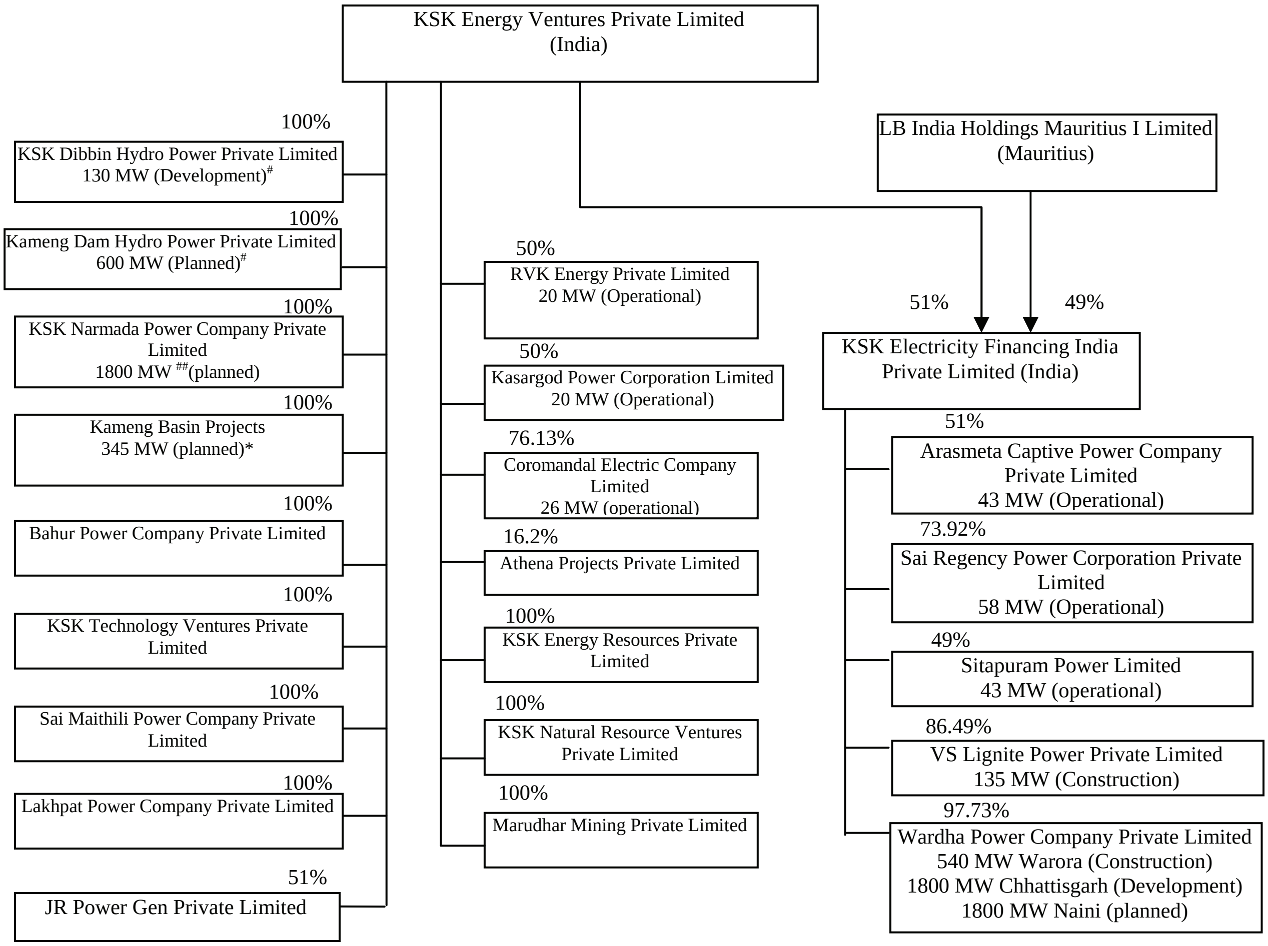
- Kameng Dam, a 600 MW run-of-the-river hydro-electric power project in Arunachal Pradesh, which we currently estimate to be commissioned in the fourth quarter of the fiscal year 2012; and

- Kameng Basin projects, a group of seven run-of-the-river hydro-electric power stations aggregating 345 MW in Arunachal Pradesh, which we currently estimate to be commissioned in the second quarter of the fiscal year 2013.

For the fiscal year 2008, our consolidated restated total income was Rs. 357.95 crore and our consolidated restated net profit was Rs. 108.65 crore. For the fiscal year 2007, our consolidated restated total income was Rs. 92.81 crore and our consolidated restated net profit was Rs. 18.86 crore. For the fiscal year 2008, our standalone restated total income was Rs. 169.68 crore and our standalone restated net profit was Rs. 101.31 crore. For the fiscal year 2007, our Company's standalone restated total income was Rs. 31.33 crore and our Company's standalone restated net profit was Rs. 10.54 crore.

Our Recent Restructuring

We have completed a restructuring with LB India and our Promoter Group on January 20, 2008 (the "Restructuring"). The following chart outlines our corporate structure prior to the completion of the Restructuring on January 20, 2008. For further details about our Restructuring, see the sections "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "History and Corporate Matters – Material Agreements" beginning on page 294 and page 187, respectively, of this Red Herring Prospectus.

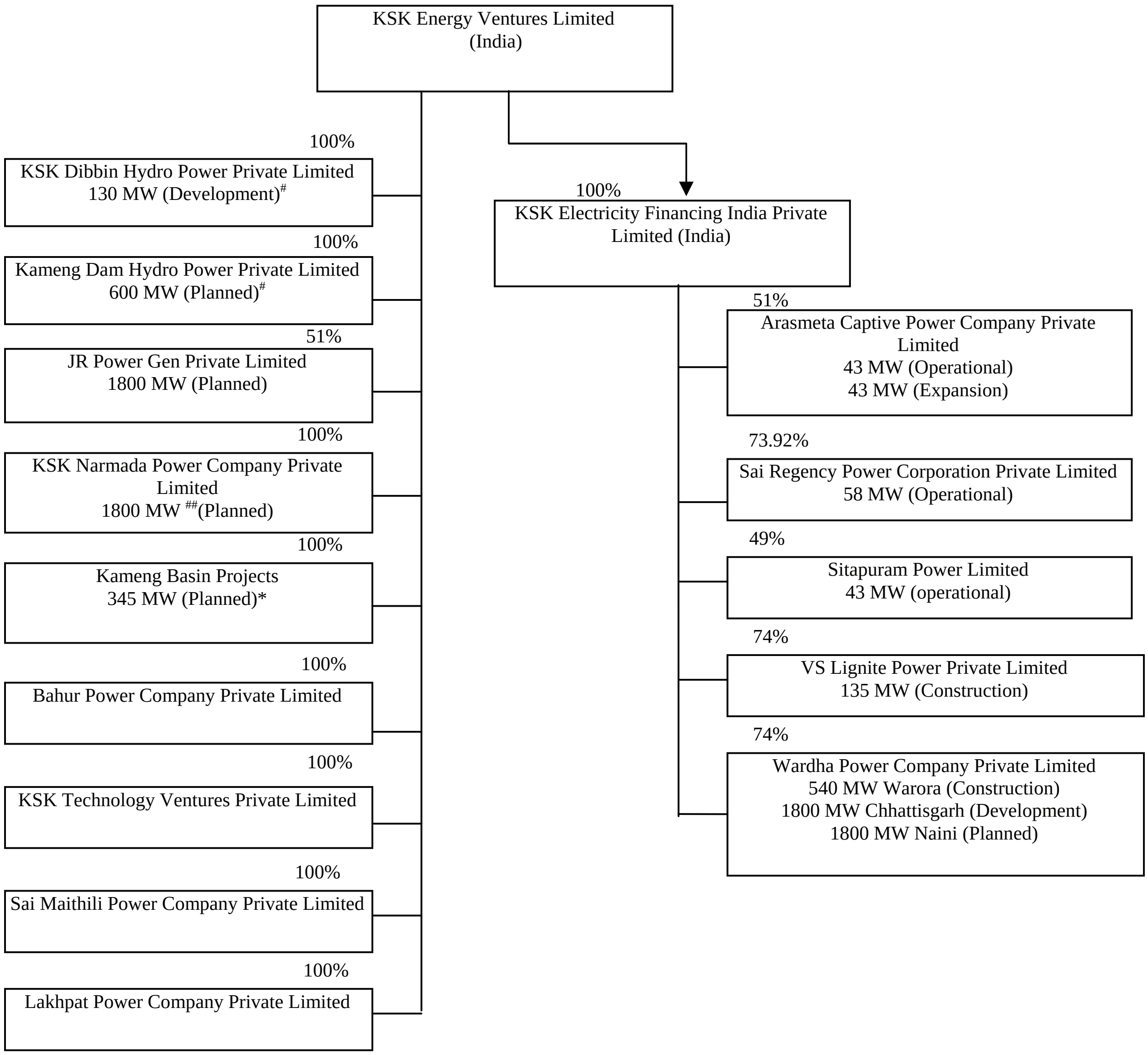


* A group of seven hydroelectric power stations. The special purpose vehicle for this group of projects is yet to be incorporated.

\# The Government of Arunachal Pradesh has retained an option to subscribe up to 11%

\## Infrastructure Development and Finance Company Limited has an option to invest in the equity shareholding of the SPV.
All percentages in the chart represent the voting interest in those entities.

As a part of the Restructuring, we purchased from LB India Holdings Mauritius I Limited ("LB India"), all of LB India's equity interest in KSK Electricity Financing India Private Limited. Further, LB India has subscribed for Equity Shares aggregating 31.57% of our Equity Shares. The following chart outlines our current corporate structure after completion of the Restructuring. For further details about our Restructuring, see the sections "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "History and Corporate Matters – Material Agreements" beginning on page 294 and page 187, respectively, of this Red Herring Prospectus.



* A group of seven hydroelectric power stations. The special purpose vehicle for this group of projects is yet to be incorporated.

The Government of Arunachal Pradesh has retained an option to subscribe up to 11%

Infrastructure Development and Finance Company Limited has an option to invest in the equity shareholding of the SPV.
All percentages in the chart represent the voting interest in those entities.

Our Strengths

1. Fuel Access Security

One of the key factors in the power generation sector is the availability of adequate amounts of quality and cost-efficient fuel through the lifetime of a power plant. We have entered into private-public partnerships in collaboration with government enterprises for accessing fuel for our power plants that are operational and our power projects that are currently under construction, development or being planned. Towards this end, we have secured fuel linkages from government-owned companies for all our operational projects. We have secured two lignite blocks for our VS Lignite power project. We have also entered into long-term fuel supply agreements or memoranda of understanding with multiple state mineral development corporations that own coal blocks for our under-development and planned power projects. We believe that this model not only translates into confirmed access to adequate quantities of fuel reserves but also enables the host states of such mineral development corporations to access part of the power generated at attractive prices. We believe that our access to these fuel reserves on a collective basis is sufficient to cater to our coal and lignite-based operational power plants and planned power projects.

2. Sustainable Business Model

We conduct our business solely through special purpose vehicles incorporated specifically for holding and operating our power projects. Our dedicated and group captive power plants are often developed to align with our consumers' requirements and hence we share equity shareholding in these SPVs with a select group of plant-specific consumers and strategic partners. For example, we own a 51% equity share in the Arasmeta SPV, and the remaining equity shareholding is held by Lafarge India Private Limited, the captive consumer for the Arasmeta power plant. Our consumers or strategic partners who hold equity interests in our SPVs typically hold preference shares or equity shares with restrictive dividend rights. This ownership structure results in lower than anticipated capital outlay for us, while simultaneously allowing us to retain all or a majority of the economic interest in the underlying power plant. We continue to explore other feasible capital structuring options for our power projects.

Currently, we have entered into primary off-take arrangements with our industrial consumers, while providing state-owned utility companies or electricity boards with surplus power. We intend to utilize an optimal mix of off-take arrangements with state-owned and industrial consumers for our planned power projects. We believe that this mix will enable us to tap into the unregulated as well as the regulated space of the Indian power generation market. Tapping into the regulated space will ensure revenues by implementation of take-or-pay structures into long-term PPAs, while catering to industrial consumers on short to medium-term PPAs, whether on a dedicated captive basis or on a group captive basis, will open our tariff structures to market demand and supply dynamics, resulting in opportunities to shift to a superior mix of consumers and to capitalize on increases in tariffs.

3. Diversified Power Plant Mix

We have operational power plants that are capable of generating an aggregate of 144 MW of power, power projects under construction (and which are expected to commission on or prior to December 2009) that are capable of generating an aggregate of 675 MW of power, power projects under development and which we intend to commence constructing in the near future that are capable of generating an aggregate of 1,973 MW of power and planned power projects capable of generating an aggregate of 6,345 MW of power. We believe this diversified mix of power plants in operation and power projects under various stages of development provide us with stable revenues and robust revenue growth opportunities. Once all our power projects are operational, we shall have power plants diverse in geographic locations, fuel types and fuel sources. Our power plants will be spread across seven states and will include eight coal based power plants (aggregating 7,869 MW of power), one lignite based power plant (135 MW of power), one natural gas based power plant (58 MW of power) and three run-of-the river hydro-electric power plants (including the Kameng Basin project which will comprise seven power stations) (aggregating 1,075 MW of power). This geographic and fuel diversification is intended to mitigate any dependence on a particular region or fuel type or source. In addition, a number of our power projects are located in or linked through grid access to areas with limited power generation capacity, such as the North-East of India, and in locations with demand and supply imbalances.

4. *Committed Power Off-Take and Established Relationships with our Consumers*

We generally enter into long-term, medium-term and short-term PPAs with our consumers, depending on their requirements. Typically, our long-term agreements provide that consumers purchase power generated in pre-determined quantities at fixed rates and surplus power, if any, may then be sold to other third party consumers in the unregulated market. This arrangement allows us to ensure our consumers are locked-in for a particular period while enabling us to take advantage of market rates for surplus power. In the case of our medium and short-term PPAs, our relationships with our consumers facilitate renewal of our PPAs along with permitting us to increase tariffs according to prevailing market conditions.

In addition, our strategy of sharing equity participation with our consumers in the SPVs that operate the power plants catering to their respective needs has resulted in strong and long-term relationships with our consumers. As a result of this business model, we believe we demonstrate our commitment to our consumers and to their industries during the lifetime of their industrial unit. We currently have 11 industrial consumers for our operating power plants, 19 consumers for our power projects that are under construction and a number of prospective consumers for our power projects under development for which we have secured or obtained term sheets for debt financing and are negotiating debt financing agreements. Some of our key consumers include Lafarge India Private Limited, Zuari Cement Limited and Viraj Profiles Limited.

Given the shortage of power, our mix of short-term, medium-term and long-term PPAs along with our strong relationships with our consumers gives us assured revenues for the duration of the PPAs along with taking advantage of tariff increases.

5. *Strong Investor and Financing Relationships*

In addition to our relationships with our consumers, we also had a joint-venture relationship with an affiliate of Lehman Brothers Inc. USA, which has resulted in Lehman Brothers becoming a 31.57% shareholder in our Company. For further details on our relationship with Lehman Brothers, see the sections "History and Certain Corporate Matters" and "Management's Discussion and Analysis on Financial Condition and Results of Operations" beginning on pages 171 and 294, respectively, of this Red Herring Prospectus. In addition, we have been successful in obtaining financing from a number of domestic institutional lenders, such as Infrastructure Development Finance Company Limited, Bank of India, State Bank of India, UCO Bank, Indian Bank and Indian Overseas Bank, who have provided our SPVs with debt financing as per our projects' requirements.

6. *Experience and Proven Management and Execution Skills*

We have experience in operating small dedicated captive power plants in India. We have, along with our operational power plants, experience in commissioning six power plants with a total capacity of 210 MW of power to date. In addition to our three operational power plants that generate an aggregate of 144 MW of power, we had in the past commissioned three power plants generating a combined capacity of approximately 66 MW of power, which we have since divested to KSK Energy Company Private Limited, a Promoter Group company. In addition, our individual Promoters, Mr. S. Kishore and Mr. K.A. Sastry have been involved in power project development for over a decade in various advisory and consultant roles.

As a result, we believe that we have demonstrated the skills necessary in developing and operating power projects and have also established a qualified and experienced team to undertake the development and operation of power projects in India. We believe that our experience, together with the experience of our Promoters and other companies in the KSK Group, in project implementation provides us with a competitive advantage in an industry where substantial expansion is expected in the foreseeable future. Details of our management team are provided under the section "Our Management" beginning on page 194 of this Red Herring Prospectus.

Our Strategies

1. Capitalize on the Growth of the Indian Power Generation Sector

The power sector in India has historically been characterized by power shortages that have worsened over time. According to Central Electricity Authority, the total peak shortage was 13,869 MW as of November 2007. In the 11th Plan (2007-2012), the Government of India recommended a capacity addition of 78,577 MW, and the 11th Plan working group recommended a capacity addition of 82,200 MW for the 12th Plan (2012-2017), assuming a 9% GDP growth rate. We believe that our power projects will play a role in the growth of the Indian power sector and contribute in achieving the Government of India's vision of "Power for All by 2012." In addition to our power projects capable of generating 8,993 MW of power that we are currently either developing or planning, we intend to develop or acquire additional power projects in the future.

2. Continue to Focus on our Sustainable Business Model

Opening the power generation sector in India to the private sector has increased the involvement of market dynamics in the operation and maintenance of power projects across the country. In order to remain competitive we will continue to undertake the following steps:

- continue to evaluate and gauge competitive opportunities in the power sector that we can enter into;
- consolidate our position in the power sector by increasing our portfolio of power projects;
- focus on fuel security, through the use of various types of fuel from separate sources; and
- continue to enter into strategic relationships with our consumers in establishing SPVs to operate the power projects.

3. Developer Driven Business Model

We intend to continue to focus on a developer driven business model. We intend to establish power projects with cost-efficient, sustainable, long-term sources of fuel. In addition, we intend to continue to invest in the captive power projects of our consumers by setting up dedicated power projects matching, as much as possible, their power requirements. We intend to continue to partner with our key large consumers, procuring joint equity participation in SPVs operating the specific power projects set up for meeting such consumers' power requirements. We believe this will continue to enable us to enter into long-term bilateral relationships with captive industrial consumers, and hence enter into non-traditional off-take arrangements where the consumers invest significant amounts of capital to establish the power plant in exchange for guaranteed power supply entitlements. In addition, we will continue to focus on entering into short-term to medium-term PPAs with respect to our balance power availability to actualize potential revenue increases.

4. Secure Fuel Access

Having a dedicated, cost-efficient and established fuel supply line for a power plant is fundamental to its success. Our strategy has been to establish dedicated fuel lines prior to setting up a power plant. We try to ensure that we have adequate supplies of cost-efficient fuel through captive fuel sources, long-term contracts with private parties or with state mineral development corporations to fuel our power project's needs. While we believe that we have adequate quantities of fuel to sustain our operational power plants and planned power projects, we will continue to explore other options and sources for procuring and strengthening our fuel supplies.

5. Engage in an Optimal Mix of Off-Take Arrangements with State-Owned and Industrial Consumers

We currently have operational power plants that are capable of generating an aggregate 144 MW of power and power projects under construction that are capable of generating an aggregate of 675 MW of power, and have entered into multiple PPAs with captive consumers. We have three power projects under development and five planned projects that are capable of generating an aggregate 8,318 MW of power. We believe that state-run utility companies will require substantial amounts of power in order to meet their power demands and to cope adequately with power shortages in their respective states. While our focus will remain on being a developer driven power company, we intend to utilize our power capacities at optimum levels by diversifying our off-take arrangements between state-run utility companies and our industrial consumers. Once our power projects under development are fully commissioned, we believe that we will be in a position to take advantage of the current power deficit in India and supply power to the state-run utility companies at competitive rates.

Summary of our Power Projects:

The table below provides an overview of our power plants which are currently either operational or under construction:

Project Name	Name of Project SPV	Location	Existing/ Proposed Installed Capacity	Status	Fuel Supply	Off-Take Arrangements	Scheduled Commissioning Date	Estimated/ Actual Project Cost (Rs. in Crore)	Our Equity Shareholding
Operational Power Plants									
Arasmeta	Arasmeta Captive Power Company Private Limited	Chhattisgarh	43 MW coal based	Commissioned	Agreement with South Eastern Coalfields Limited	Long-term PPA with Lafarge India Private Limited and short-term PPA with Chhattisgarh State Electricity Board for surplus power	Commissioned	160.00	51%
Sai Regency	Sai Regency Power Corporation Private Limited	Tamil Nadu	58 MW natural gas based	Commissioned	Agreement with GAIL India Limited	Long-term PPA with multiple captive industrial consumers	Commissioned	220.00	73.92%
Sitapuram	Sitapuram Power Limited	Andhra Pradesh	43 MW coal based	Commissioned	Agreement with the Singareni Collieries Company Limited	Long-term PPA with Zuari Cement Limited	Commissioned	159.00	49%
Power Projects under Construction									
VS Lignite	VS Lignite Power Private Limited	Rajasthan	135 MW lignite based	EPC Status: Agreement with SEPCOIII Electric Power Construction Corporation	Allotted the Gurha (East) and Lunsara Lignite Blocks by the Government of India	Long-term PPAs with multiple captive industrial consumers	December 2008	694.00	74%
Wardha Warora	Wardha Power Company Private Limited	Maharashtra	540 MW coal based	EPC Status: Agreement with Sichuan Electric Power Design & Consultancy Company Limited	Negotiating an agreement with Coal India Limited for coal from Western Coalfields Limited	Long-term PPA with Viraj Profiles Limited for 270 MW and remaining to be shared with multiple captive industrial consumers	December 2009	2,416.00	74%

The table below provides an overview of our three power projects under development:

Project Name	Name of Project SPV	Location	Proposed Installed Capacity	Fuel Supply Status	Off-Take Arrangements Status	Scheduled Commissioning	Estimated Project Cost (Rs. in Crore)
Arasmeta Expansion	Arasmeta Captive Power Company Limited	Chhattisgarh	43 MW coal based	Negotiating increasing the existing linkage agreement with South Eastern Coalfields Limited	Long-term PPA with Lafarge India Private Limited; negotiating documents with Chhattisgarh State Electricity Board and multiple captive industrial consumers for surplus power	First quarter fiscal year 2011	220.20
Wardha Chhattisgarh	Wardha Power Company Private Limited	Chhattisgarh	1,800 MW coal based	Agreement with Gujarat Mineral Development Corporation Limited	Memorandum of understanding and fuel supply agreement with Gujarat Mineral Development Corporation Limited; and Memorandum of understanding with Government of Chhattisgarh and Chhattisgarh State Electricity Board	Second quarter fiscal year 2012	6,874.00
KSK Dibbin	KSK Dibbin Hydro Power Private Limited	Arunachal Pradesh	130 MW hydro-electric	Run-of-the-river	Memorandum of understanding with the Government of Arunachal Pradesh for 14% of the capacity generated from the project.*	Fourth quarter fiscal year 2011	692.00

* The Government of Arunachal Pradesh is entitled to such capacity free of charge.

The table below provides an overview of our planned power projects:

Project Name	Name of Project SPV	Location	Proposed Installed Capacity	Fuel Supply Status	Estimated Commissioning	Estimated Project Cost (Rs. in Crore)
KSK Narmada	KSK Narmada Power Company Private Limited	Chhattisgarh	1,800 MW coal based	Memorandum of understanding with Madhya Pradesh State Mining Corporation Limited	Second quarter fiscal year 2013	7,455.00

Project Name	Name of Project SPV	Location	Proposed Installed Capacity	Fuel Supply Status	Estimated Commissioning	Estimated Project Cost (Rs. in Crore)
JR Power	JR Power Gen Private Limited	Orissa	1,800 MW coal based	Memorandum of understanding and fuel supply agreement with Pondicherry Industrial Promotion Development and Investment Corporation Limited	Fourth quarter fiscal year 2012	7,380.00
Wardha Naini	Wardha Power Company Private Limited	Orissa	1,800 MW coal based	Memorandum of understanding with Gujarat Mineral Development Corporation Limited	First quarter fiscal year 2013	7,430.00
Kameng Dam	Kameng Dam Hydro Power Private Limited	Arunachal Pradesh	600 MW hydro-electric	Run-of-the-river	Fourth quarter fiscal year 2012	3,014.00
Kameng Basin projects	Kameng Basin Hydro Power Private Limited	Arunachal Pradesh	345 MW hydro-electric	Run-of-the-river	Second quarter fiscal year 2013	1,807.00

We, from time to time, explore establishing new power projects and power supply opportunities. Recently, we participated, in a consortium with two companies, in a bid for establishing a 1,320 MW power project for the state utility in Punjab based on fuel blocks made available by the utility to the successful bidder. Additionally, we bid, in a consortium along with an international mining contractor, for establishing two separate 1,000 MW power projects in Karnataka. We cannot assure you that we will be successful in procuring any of these bids on terms acceptable to us or at all.

Description of Our Power Projects

Details of our power projects are set forth below. For further details of the agreements with respect to these projects, see the section "Certain Business Agreements" beginning on page 135 of this Red Herring Prospectus.

43 MW Arasmeta Power Plant – Arasmeta, Chhattisgarh

Introduction

This power plant is a coal-based power plant with the capability of generating 43 MW of power. The power plant is situated in Arasmeta, Janjgir-Champa District, Chhattisgarh, India and was commissioned in November 2006. This project was executed at a total capital cost of Rs. 160.00 crore and was funded through a SPV, Arasmeta Captive Power Company Private Limited. We currently hold a 51% equity shareholding in the Arasmeta SPV. The remaining 49% equity shareholding is held by Lafarge India Private Limited. Lafarge holds equity shares that have preferential dividend rights of 0.1% of the face value of such equity shares. We are entitled to the balance of the distributable dividend payable by the SPV. Lafarge has two cement manufacturing facilities at Arasmeta and Sonadih in Chhattisgarh, which are the primary users of power generated by the Arasmeta power plant, with available surplus, if any, supplied to the Chhattisgarh State Electricity Board ("CSEB").

Financing

We, Lafarge and the Arasmeta SPV entered into a shareholders agreement dated February 10, 2005. Pursuant to such agreement, we invested Rs. 25.50 crore and Lafarge contributed Rs. 24.50 crore as equity contribution to the Arasmeta SPV.

Further, Rs. 105.00 crore of project cost was financed through secured debt from Infrastructure Development Finance Company Limited ("IDFC") and the State Bank of India ("SBI"), pursuant to a common loan agreement dated February 10, 2005. The interest rate for the loan from IDFC is 0.12% plus the IDFC benchmark rate on the date of each disbursement and from SBI is the SBI advance rate. The repayment schedules for the loans specify 28 quarterly installments commencing on March 31, 2007 and ending on December 30, 2013. As of March 31, 2008, Rs. 73.93 crore and 12.86 crore remained outstanding on the IDFC and SBI loans, respectively. For further details on the Arasmeta SPV's indebtedness, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Power Generation

The Arasmeta power plant utilizes coal as its primary fuel and contains a power generating unit of 43 MW capacity, configured as two atmospheric fluidized bed control type boilers and one steam turbine generator of the condensing type, coupled to an alternator for the production of power. The plant commenced commercial operations in November 2006. The plant load factor ("PLF") for Arasmeta power plant was 75.0% for the year ended March 31. 2008.

Off-Take Arrangements

The Arasmeta SPV entered into a long-term PPA with Lafarge dated February 10, 2005, which is valid until December 31, 2013, unless renewed for a subsequent seven year term at the sole discretion of Lafarge. The PPA provides that the Arasmeta power plant must meet a maximum combined total demand in the range of 34.5 to 39.5 MW of power to Lafarge's two manufacturing facilities. We have provided Lafarge with a performance guarantee for the Arasmeta SPV. Lafarge is obligated to purchase 233 MU of energy in 2009 and 249 MU annually thereafter until 2013. We provide power to Lafarge at an average tariff of Rs. 2.65 per kwh. The Arasmeta SPV has agreed to sell any surplus energy generated by the Arasmeta power plant to the CSEB under a short-term PPA dated May 11, 2006 for a period of one year from the date of the PPA. The PPA was renewed until December 31, 2007. The Arasmeta SPV has consented to supplying power to CSEB until June 15, 2008 on the same terms and conditions as provided in the PPA. We provide power to CSEB at an average tariff of Rs. 2.80 per kwh.

Fuel Supply

The Arasmeta SPV entered into a coal supply contract dated August 23, 2006 with South Eastern Coalfields Limited, which is valid until August 22, 2011. The total allocated coal supply under the contract was 225,000 tons per year, based on E/F grade of coal, which was subsequently changed to F grade of coal supply of 242,000 tons per year. The average purchase price of coal for the Arasmeta SPV is Rs. 900 per ton. The current consumption of coal for the Arasmeta power plant is 2.57 lakh tonnes per annum at 85.0% PLF.

Operations and Maintenance

The Arasmeta SPV entered into operation and maintenance agreements with Operational Energy Group India Private Limited ("OEG") on December 29, 2005. These O&M agreements appointed OEG as the O&M contractor for a period of seven years, which appointment can be extended on terms mutually agreed upon by the parties thereto. The agreements provide for OEG to serve as the O&M services provider in exchange for a one-time mobilization fee and annual fees.

Power Evacuation

The power generated at the power plant is stepped up to 132 KV at the power station switchyard. The power is then delivered to Lafarge's Arasmeta cement plant through a direct feeder and to its Sonadih cement plant through the CSEB grid system. The power wheeling arrangement between the Arasmeta SPV and CSEB is governed by a short-term open access agreement dated May 15, 2008, which is valid until November 3, 2008.

Property

Lafarge entered into a 15 year lease with the Arasmeta SPV on February 11, 2005, for 24.08 acres of land owned by Lafarge and required for the project. This lease can be renewed for a subsequent five year term. The Arasmeta SPV has also entered into a lease for 99 years with the Chhattisgarh State Industrial Development Corporation for 6.79 acres of land utilized by the Arasmeta power plant. Additionally, the Arasmeta SPV has purchased freehold land of 3.84 acres.

Water Supply

The water requirements for the Arasmeta power plant are met through water drawn from the Lilagarh River. The Arasmeta SPV has entered into an agreement dated February 20, 2006, with the Government of Chhattisgarh, for a 30 year license to draw 175,000 cubic meters of water per month for use by the power plant, with a monthly "take or pay" obligation of 90% of such quantity.

Insurance

The Arasmeta SPV maintains industrial all risk, loss of profit and transit insurance for the Arasmeta power plant. The Arasmeta SPV also maintains marine (inland) transit insurance.

58 MW Sai Regency Power Plant – Kalugurani, Tamil Nadu

Introduction

This power plant is a natural gas-based combined cycle power plant with the capability of generating 58 MW of power. The power plant is situated in the Kalugurani village, in the district of Ramanathapuram in Tamil Nadu, India and was commissioned under the "open cycle" mode in March 2007 and the "combined cycle" mode in September 2007. This project was executed at a total capital cost of Rs. 219.97 crore and was funded through an SPV, Sai Regency Power Corporation Private Limited (the "Sai Regency SPV"). We currently hold a 73.92% equity stake in the Sai Regency SPV through our wholly-owned subsidiary, KSK Electricity Financing India Private Limited. The remaining 26.08% equity shareholding is held by several industrial consumers who are entitled to the power generated by the Sai Regency power plant. These industrial consumers hold equity shares that have restricted dividend rights of 0.01% of the face value of such equity shares. We are entitled to the balance of the distributable dividend payable by the SPV. These industrial consumers operate in several industries, including textiles, chemicals and pharmaceuticals.

Financing

Rs. 145.00 crore for the project was financed through secured term loans and subordinated debt. The term loans totaled Rs. 130.00 crore, and were from the SBI and six other state banks, with SBI acting as the security agent for the other banks, pursuant to a common loan agreement dated August 3, 2005. The interest rates on these loans range from 1.25% to 3.00% below the applicable bank benchmark rate. The repayment schedules for the loans specify 28 quarterly installments, commencing on June 30, 2007 and ending on March 31, 2014. As of March 31, 2008, a total of Rs. 119.18 crore remains outstanding under these term loans.

The other funding means used for financing the Sai Regency power plant is subordinate debt, in which the lenders have a second charge on the Sai Regency SPV's assets. This subordinate debt financing has been arranged with Indian Overseas Bank Limited ("IOB") and Andhra Bank Limited, for Rs. 7.50 crore each. As of March 31, 2008, Rs. 6.98 crore remains outstanding on the IOB loan and Rs. 6.99 crore remains outstanding on the Andhra Bank Limited loan. For further details on the Sai Regency SPV's indebtedness, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Power Generation

The Sai Regency power plant utilizes natural gas as its primary fuel and comprises of one gas turbine generator set with gross power output of 39.20 MW and one steam turbine generator set with gross power output of 18.75 MW with associated heat recovery steam generator boiler. The Sai Regency power plant commenced commercial operations under the "open cycle" mode in March 2007 and under the "combined cycle" mode in September 2007. The PLF for this plant was 62.82% for the year ended March 31, 2008.

Off-Take Arrangements

The Sai Regency SPV has current off-take agreements with the following consumers:

Power Consumer	Date of Agreement	Power Entitlement[1]
Chemplast Sanmar Limited	May 23, 2006	22 MW
Precot Meridian Limited	July 31, 2007	3 MW
Brakes India Limited	April 12, 2005	10 MW
Orchid Chemicals & Pharmaceuticals Limited	May 23, 2006 and August 16, 2007	6 MW
The Lakshmi Mills Company Limited	July 4, 2005, as amended on July 18, 2005	7 MW
Jagannath Textile Company Limited	December 12, 2005	6 MW
El Forge Limited	August 25, 2005	2 MW
Harshini Textiles Limited	February 18, 2005	1 MW
Light Alloy Products Limited	February 18, 2008	1 MW
Total		**58 MW**

[1] 1 MW power entitlement vests with Regency Ceramics Limited, whose delivery of power is subject to inter-state open access approval.

These off-take agreements are generally valid for a term of ten years from the date of such agreements. However, all the agreements terminate upon the expiry of the fuel supply agreement, which is currently valid until December 31, 2010. The average tariff for the power sold by the Sai Regency SPV is Rs. 2.88 per kwh. As per the off-take agreements, the consumers are obliged to pay for deficient monthly energy. The Sai Regency SPV is obligated to pay for the shortfall in energy, subject to an annual reconciliation.

Fuel Supply

Regency Ceramics Limited entered into a natural gas supply contract dated February 21, 2002, with GAIL India Limited, which is valid until December 31, 2010, unless renewed by mutual consent. This agreement including all rights and obligations thereunder, was subsequently assigned by Regency Ceramics Limited to the Sai Regency

SPV. The total allocated gas supply under the contract is 268,000 standard cubic meters ("SCM") per day at Rs. 3,600 per 1,000 SCM. The estimated consumption of gas for the Sai Regency power plant is approximately 259,000 SCM per day at 85.0% PLF.

Operations and Maintenance

The Sai Regency SPV and OEG have entered into O&M agreements on February 26, 2007, appointing OEG as the O&M contractor for a period of 12 years, with a renewal option at the end of the term upon mutual agreement of the parties. The agreements provide for OEG to serve as the O&M services provider for a one-time mobilization fee and annual fees.

Power Evacuation

The Sai Regency SPV has entered into an agreement dated July 5, 2006 with the Tamil Nadu Electricity Board for wheeling power from the Sai Regency power plant. The power generated at the Sai Regency power plant is evacuated to the Tamil Nadu Electricity Board's substation for delivery to the consumers.

Property

The Sai Regency SPV acquired freehold land measuring 21.5 acres at Kalugurani village, Ramanthapuram, Tamil Nadu.

Water Supply

The water requirements for the Sai Regency power plant is met through water provided by South Ganga Water Technologies Private Limited. The Sai Regency SPV entered into an agreement with South Ganga Water Technologies Private Limited to draw 250,000 liters of potable water per day for the power plant.

Insurance

The Sai Regency SPV maintains industrial all risk, loss of profit and transit insurance for the power plant.

43 MW Sitapuram Power Plant – Dondapadu, Andhra Pradesh

Introduction

This power plant is coal-based with the capability of generating 43 MW of power. The power plant is situated in Dondapadu, Andhra Pradesh, India and was commissioned in March 2008. This project was executed at a total capital cost of Rs. 159.00 crore and has been funded through an SPV, Sitapuram Power Limited (the "Sitapuram SPV"). We currently hold a 49% equity stake in the Sitapuram SPV. The remaining equity shareholding is currently held by Zuari Cement Limited ("ZCL"). ZCL is in the business of manufacturing cement and is the exclusive consumer of the power generated by the Sitapuram power plant. The Sitapuram power plant also acts as a load manager for ZCL and arranges alternate supplies of power.

Financing

Pursuant to a share subscription agreement dated July 21, 2005, among us, Shri Vishnu Cements Limited ("SVCL", since merged with ZCL) and the Sitapuram SPV, we invested Rs. 20.00 crore, and ZCL and SVCL jointly contributed Rs. 28.00 crore as capital contribution in the Sitapuram SPV. The share subscription agreement provides for a buyout option for ZCL and SVCL, specifying that at any time after three years from the date of commercial operation of the power plant, both parties can require us to sell all of our equity shares in the Sitapuram SPV to them and concurrently terminate the share subscription agreement and the PPAs.

Further, Rs. 111.00 crore of project cost has been financed through secured term loans from IDFC, IOB and Industrial Development Bank of India Limited ("IDBI"). The interest rate for the loan from IDFC is 2.02% plus the IDFC benchmark rate, from IDBI is 2.32% above the five year GoI securities rate and from IOB is 1.50% below the

IOB benchmark rate. We have provided a guarantee to IDFC to secure the Sitapuram SPV's obligations under the IDFC loan. The repayment schedules for each of the loans specify 36 quarterly installments. As of March 31, 2008, Rs. 51.00 crore, Rs. 28.34 crore and Rs. 24.81 crore remained outstanding on the IDFC, IDBI and IOB loans, respectively. For further details on the Sitapuram SPV's indebtedness, see "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Power Generation

The Sitapuram power plant utilizes coal as its primary fuel and contains a power generating unit of 43 MW capacity, configured as two atmospheric fluidized bed control type boilers and one steam turbine generator of condensing type. The station cooling system is of the closed loop type consisting of a cooling tower with associated basin and pumps.

Off-Take Arrangements

The Sitapuram SPV entered into a long-term PPA dated July 21, 2005, with ZCL and SVCL, which is valid for ten years from the date of commercial operation of the power plant, unless renewed for an additional five years at the discretion of ZCL and SVCL. The average tariff for the power sold by the Sitapuram SPV is Rs. 3.03 per kwh. However, the Sitapuram SPV is entitled to sell unconsumed power to third parties in the event of non-consumption by ZCL and SVCL.

The PPA also provides that the Sitapuram SPV is obligated to generate and supply an aggregate of 250 MU of energy to ZCL and SVCL annually, and 20 MW and 31 MW to SVCL and ZCL, respectively, at any point in time. ZCL and SVCL have the obligation to consume 250 MU annually and between 19 to 23 MU per month.

Fuel Supply

The Sitapuram SPV entered into a coal supply agreement with the Singareni Collieries Company Limited on October 1, 2007, which is valid until March 31, 2010 and renewable by mutual agreement of the parties thereto. The total allocated coal supply under the contract is 271,000 tons per year at an average price of Rs. 1,335 per ton. The estimated consumption of coal for the Sitapuram power plant is 0.35 MTPA at 85.0% PLF.

Operations and Maintenance

The Sitapuram SPV and Enmas O&M Services Private Limited entered into an operations agreement and a maintenance agreement, each dated April 13, 2007, appointing Enmas O&M Services Private Limited as the O&M contractor, and valid for a period of 15 years and seven years, respectively, with a renewal option at the end of each term upon mutual agreement of the parties. The agreements provide for Enmas O&M Services Private Limited to serve as the O&M services provider in exchange for a one-time mobilization fee and annual fees.

Power Evacuation

The power generated at the power plant is delivered through the nearest Transmission Corporation of Andhra Pradesh Limited sub-station for wheeling power to the ZCL cement plant.

Property

Pursuant to a lease deed dated December 21, 2005, ZCL has provided the Sitapuram SPV with 26.665 acres of land for usage by the power plant for a period of 30 years, for an annual consideration of Rs. 100 per acre.

Water Supply

The Sitapuram SPV entered into a license agreement dated September 20, 2006, with the Government of Andhra Pradesh, and has obtained a license to draw and use water for consumptive use by the power plant. The license is for a term of five years and allows the Sitapuram SPV to lay a pipeline for a distance of four kilometers from the River

Krishna. The water use may not exceed a flow of 80 trillion cubic meters per year out of surplus water from the River Krishna.

Insurance

The Sitapuram SPV maintains material damage, business interruption and loss of profit insurance for the Sitapuram power plant.

135 MW VS Lignite Power Project – Gurha, Bikaner, Rajasthan

Introduction

This power project is a lignite-based power project with the capability of generating 135 MW of power. The power project is situated in Gurha Village, Bikaner District in the State of Rajasthan, India and is currently under construction, and is expected to be commissioned in December 2008. This project has an initial capital cost of Rs. 694.00 crore and is funded through a SPV, VS Lignite Power Private Limited (formerly Marudhar Power Private Limited) (the "VS Lignite SPV"). We currently hold a 74% equity interest in the VS Lignite SPV. The remaining 26% equity interest is held by several industrial consumers who are entitled to purchase power from the VS Lignite SPV. These consumers operate in several industries, including textiles, cement, tyres and automobiles. The VS Lignite SPV is currently in discussion with a number of O&M providers for the provision of O&M services.

Financing

Pursuant to a share subscription agreement with the VS Lignite SPV, each captive consumer of the VS Lignite power project has agreed to invest in voting equity and preference shares of the VS Lignite SPV in proportion to their entitlement to the power generated from the power project. The equity and preference shares to be held by the captive consumers have preferential dividend rights of 0.01% of the face value of such shares. We are entitled to the balance of the distributable dividend payable by the SPV. We expect a total of Rs. 172.00 crore as equity investment in the VS Lignite SPV by us and our various captive consumers, although we cannot assure you that our captive consumers will pay their portion of the capital commitment.

Rs. 485.80 crore of the project cost has been obtained through secured debt financing from IDFC, Rural Electrification Corporation Limited ("REC"), Housing and Urban Development Corporation Limited ("HUDCO"), UCO Bank Limited ("UCO Bank"), L&T Infrastructure Finance Company Limited ("L&T Finance") and Bank of Baroda Limited ("Bank of Baroda"), pursuant to a senior Rupee agreement dated March 22, 2007 between IDFC and the VS Lignite SPV, a senior Rupee agreement dated September 22, 2007 between UCO Bank and the VS Lignite SPV and a common term loan agreement dated November 21, 2007. The annual interest rate on the loan from IDFC is 1.75% plus the IDFC benchmark rate, from REC is 11.0% per annum prior to the commercial operation date of the power project and 10.75% thereafter, from UCO Bank is 2.62% less than the bank prime lending rate, from L&T Finance is 1.75% less than the SBI prime lending rate, from Bank of Baroda is 2.25% less than the bank prime lending rate and from HUDCO is the highest common interest rate of the consortium partners. The repayment schedules for the loans specify 40 equal quarterly installments commencing on the earlier of 12 months from the date of commercial operation of the VS Lignite power project or 42 months from the date of securing financing arrangements for the power project. As of March 31, 2008 Rs. 90.27 crore, Rs. 60.00 crore, Rs. 59.23 crore, Rs. 25.23 crore, Rs. 70.45 crore and Rs. 25.00 crore remained outstanding on the IDFC, REC, UCO Bank , Bank of Baroda, HUDCO and L&T Finance loans, respectively. For further details on the VS Lignite SPV's indebtedness, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Off-Take Agreements

The VS Lignite SPV has current power off-take agreements with the following consumers:

Party	Term of Power Delivery (In Number of Years from the Date of Commercial Operation)	Power Entitlement
Reliance Chemotex Industries Limited	20	6 MW

Party	Term of Power Delivery (In Number of Years from the Date of Commercial Operation)	Power Entitlement
JK Tyre and Industries Limited	20	6 MW
JK Cement Limited	15	15 MW
JK Lakshmi Cement Limited	20	21 MW
Suzuki Textiles Limited	20	20 MW
Nahar Industrial Enterprise Limited	25	20 MW
Nahar Industrial Enterprise Limited	20	12 MW
Oswal Woolen Limited	25	10 MW
Nahar Spinning Mills Limited[1]	-	13 MW
Balkrishna Industries Limited	20	6 MW
APM Industries Limited	10	6 MW
Total		**135 MW**

[1] Nahar Spinning Mills Limited has been allotted shares in the VS Lignite SPV in proportion to its power entitlement. The VS Lignite SPV and Nahar Spinning Mills Limited have not executed a power delivery agreement and a share subscription agreement.

The VS Lignite SPV has guaranteed the entitled amount of power per year to each consumer, and each consumer has the obligation to pay for such amount of power, irrespective of such consumer's requirement, i.e., a take-or-pay obligation. The average tariff for the power to be sold by the VS Lignite SPV is expected to be Rs. 2.85 per kwh.

Power Generation

The VS Lignite power project will utilize one 135 MW steam turbine-generator with one lignite-fired circulating fluidized bed type boiler for generation of power.

Fuel Supply

The VS Lignite SPV was allotted the Gurha (East) Lignite Block by the Ministry of Coal, Government of India in July 2005. The VS Lignite SPV has provided a bank guarantee of Rs. 6.65 crore to the Government of India. The VS Lignite SPV has obtained this bank guarantee from UCO Bank, which is valid up to September 29, 2008. Additionally, the VS Lignite SPV obtained an allocation of the Lunsara lignite block in Rajasthan on February 7, 2007. The expected consumption of lignite for the plant is one MTPA at 80.0% PLF.

Construction of Facility

The VS Lignite SPV selected SEPCOIII Electric Power Construction Corporation ("SEPCO"), a People's Republic of China company, as the contractor to construct the VS Lignite power project. The VS Lignite SPV and SEPCO have entered into four agreements, each dated September 13, 2006, and five agreements, each dated November 27, 2006, pursuant to which SEPCO contracted to undertake design, engineering and construction services for the power project. For these services, the VS Lignite SPV has agreed to pay SEPCO a lump sum amounting to Rs. 481.54 crore.

Power Evacuation

The power generated at the power project will be delivered to the nearby industrial plants through 132 kV / 33kV feeders. To service those consumers whose plants are located remotely from the VS Lignite power project, the VS Lignite SPV has applied to the Rajasthan Rajya Vidyut Prasaran Nigam Limited for long-term open access to the state and national electricity grid.

Property

The VS Lignite SPV acquired freehold land aggregating to 208.05 hectares at Gurha and Raneri villages, in the district of Bikaner, Rajasthan. In addition, the Government of Rajasthan has commenced acquiring land of 12.32 acres which it intends to provide to the VS Lignite SPV.

Additionally, with respect to mining coal from the Gurha (East) lignite block, we estimate that we will need approximately 1,228 hectares of land. The VS Lignite SPV is currently in the process of acquiring such land through the Government of Rajasthan.

The acquisition of certain land acquired or proposed to be acquired by the Government of Rajasthan for the VS Lignite SPV has been challenged in the High Court of Rajasthan. For further details, please see "Outstanding Litigation and Material Developments" beginning on page 336 of this Red Herring Prospectus.

Water Supply

The VS Lignite SPV has entered into an agreement dated August 8, 2007 with the Government of Rajasthan for a license to draw and use water by the power project. The license is for a term of 30 years and allows the VS Lignite SPV to draw water from the Indira Gandhi Nahar Canal at the rate of Rs. 20 per thousand cubic feet of water.

Insurance

The VS Lignite SPV maintains erection all risk insurance for construction of the power project, as well as loss of profit, marine inland (transit), marine import, delay-in-start and transit insurance for the plant's operation.

540 MW Wardha Warora Power Project – Warora, Chandrapur, Maharashtra

Introduction

This power project is coal-based with the capacity of generating 540 MW of power, comprising four generator units of 135 MW each. The power project is situated in Warora Growth Centre, District Chandrapur, Maharashtra, India. The power project will be constructed in two phases and is expected to be commissioned in December 2009. This power project has an expected capital cost of Rs. 2,416.00 crore and will be funded by the Wardha Power Company Private Limited.

We expect captive consumers to hold 26% equity interest in the Wardha SPV, while we intend to hold the remaining 74% equity interest. Viraj Profiles Limited ("Viraj"), a steel manufacturer, is currently expected to be the most significant consumer of the power generated by the Wardha Warora power project and is entitled to 270 MW of power. The Wardha SPV has entered into agreements with eight additional captive consumers for an aggregate of 136 MW of power. In addition, as of May 10, 2008, the Wardha SPV has received expressions of interest from 11 industrial consumers for equity financing in exchange for entitlement for an aggregate of 143 MW of power.

Financing

We expect to fund the Wardha Warora power project with Rs. 484.00 crore of equity financing and Rs. 1,932.00 crore of project debt, with Rs. 887.50 crore of such debt necessary for the first phase of the project and Rs. 1,045.00 crore needed for the second phase. In addition to Rs. 335.40 crore of equity financing provided by us, the Wardha SPV has entered into share subscription agreements for an aggregate contribution of Rs. 171.23 crore from nine captive consumers, including Viraj which has subscribed for Rs. 86.58 crore of equity and preference shares. We cannot assure you that these captive consumers will pay their portion of the capital commitment.

The remaining project financing is expected to be debt financing from a consortium of project lenders. Rs. 887.50 crore of aggregate financing with respect to the first phase has been obtained through secured loans from REC, HUDCO and IOB, pursuant to a common term loan agreement dated January 24, 2008. The interest rate on the IOB loan is 2.50% per annum less than the bank prime lending rate. The interest rates on the REC loan is 10.75% per annum, and on the HUDCO loan is 2.5% per annum less the HUDCO benchmark rate. The repayment schedule for the loan specifies 40 quarterly installments, commencing six months from the commercial operation date of the first phase of the Wardha Warora power project.

We expect Rs. 1,045.00 crore of debt financing for the second phase of the Wardha Warora power project from a consortium of lenders, including REC, HUDCO, SBI and UCO Bank. We are currently negotiating financing agreements with such lenders. For further details on the Wardha SPV's indebtedness, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Power Generation

The Wardha Warora power project will utilize coal in pulverized form as its primary fuel and will contain four power generating units of 135 MW capacity each, which will use regenerative, single reheat rankine cycles for power generation.

Off-Take Arrangements

The Wardha SPV has entered into a long-term power off-take agreement dated January 12, 2007 with Viraj for a term equal to the earlier of 25 years from the date of commercial operation of the power project or up to June 30, 2034. Viraj is entitled to 270 MW of gross capacity of power from the Wardha Warora power project and a minimum guaranteed power withdrawal of 1,038 MU.

Under the power off-take agreement, the Wardha SPV is obliged to sell and deliver, and Viraj is obliged to purchase, 77.85 million kWh of energy per month. If the Wardha Warora power project is able to meet Viraj's peak capacity requirement of 270 MW, then Viraj is obliged to pay for the deficient monthly energy. If the Wardha Warora power project is unable to achieve the peak level of gross capacity of 270 MW, it is obliged to pay for the shortfall in active energy, subject to annual reconciliation and subject to Viraj sourcing the deficient energy from the Maharashtra State Electricity Transmission Company Limited, the Maharashtra State Electricity Distribution Company Limited or other sources.

Fuel Supply

The expected consumption of coal for the 540 MW Wardha Warora power project is 2.7 MTPA with a calorific value of 3,300 kcal per kg at 80.0% PLF.

The Wardha SPV is currently negotiating an agreement with Coal India Limited for coal supply for the Wardha Warora power project. The Government of India, Ministry of Coal had issued a letter to Coal India Limited, dated September 24, 2007, approving a five year tapering linkage for coal supply to the Wardha Warora power project. The source of this coal is from Western Coalfields Limited.

Construction of Facility

The Wardha SPV has selected Sichuan Electric Power Design & Consultancy Company Limited ("Sichuan Electric"), a People's Republic of China company, as the contractor to undertake design, supply, engineering and construction services for the Wardha Warora power project. Sichuan Electric has entered into several agreements with the Wardha SPV, each dated May 15, 2007, for such services for both phases of the project. Under these agreements, Sichuan Electric will supply the Wardha Warora power project with necessary equipment and materials that are required for the plant to generate aggregate power of 540 MW. The Wardha SPV has agreed to pay Sichuan Electric aggregate sums of USD 251.07 million and Rs. 539.17 crore for these services, excluding applicable taxes and duties.

Power Evacuation

Power generated by the Wardha Warora power project is expected to be evacuated from a 220 kV Warora sub-station. The Wardha SPV has obtained approval from the Maharashtra State Electricity Development Company Limited to evacuate the 540 MW of power.

Property

The Wardha SPV has entered into a lease with the Maharashtra Industrial Development Corporation ("MIDC") dated August 17, 2007 for a plot measuring 94.46 hectare in the Warora Growth Centre, District Chandrapur, Maharashtra. The lease is for a term of 95 years from April 1, 2007. The Wardha SPV has paid MIDC a sum of Rs.

2.36 crore for such land. An additional 2.00 hectare of land has been allotted by the MIDC to the Wardha SPV pursuant to an order dated December 3, 2007. The Wardha SPV has also acquired freehold land of 5.41 hectares. The Wardha SPV has also requested for allotment of an additional 45.07 hectares. There can be no assurance that the Wardha SPV will be successful in being allotted such land on terms acceptable to it or at all.

Water Supply

The Wardha SPV has entered into an agreement with MIDC for a license to draw and use water for the power project. The license allows the Wardha SPV to draw 43 million liters per day of water from the Wardha River. MIDC is currently planning details of a pipeline scheme which would transport water ten kilometers from the Wardha river to the Wardha power project.

Insurance

The Wardha SPV has not yet procured any insurance for the construction or operation of the power project but is negotiating certain insurance coverage.

43 MW Arasmeta Expansion Power Project – Arasmeta, Chhattisgarh

Introduction

We are planning to develop another captive coal based power project with the capability of generating 43 MW of power adjacent to the existing 43 MW Arasmeta power plant. We are developing this plant in order to meet the additional energy requirements of Lafarge for its expansion of its cement plant in Sonadih and for its planned cement manufacturing facility in Chhattisgarh, which is expected to be completed in the next five to seven years. This project will be funded through the Arasmeta SPV and is expected to be commissioned in April 2010.

We propose to design, engineer and construct the Arasmeta Expansion power project on a package basis and are currently negotiating with potential suppliers and contractors for such services.

Financing

The total project cost for the Arasmeta Expansion is estimated to be Rs. 220.20 crore. Lafarge intends to contribute Rs. 12.49 crore towards equity shareholding in the Arasmeta SPV, with us contributing Rs. 31.50 crore towards equity shareholding.

We have entered into a term sheet for debt financing from General Electric Capital Services India for Rs. 168.00 crore in term loans and Rs. 12.00 crore in working capital facilities. We cannot assure you that we will be successful in entering into definitive financing agreements for such debt on terms acceptable to us or at all.

Power Generation

Similar to the Arasmeta power plant, the Arasmeta expansion power project is expected to utilize coal as the primary fuel and provide a power generating unit of 43 MW capacity. The steam turbine generator will be of the condensing type and coupled to an alternator for the production of stable and balanced alternating current power at 50 Hz. However, unlike the existing Arasmeta power plant, the single boiler for the Arasmeta Expansion will involve a circulating fluidized bed combustion design.

Off-Take Arrangements

We have entered into an agreement with Lafarge and the Arasmeta SPV, dated November 1, 2007, in which Lafarge will off-take 96 MU per annum with net capacity entitlement of 17 MW of power. We intend to contract with industrial consumers and CSEB for the balance of the power generated by the Arasmeta expansion power project on a medium-term basis.

Fuel Supply

We intend to augment the Arasmeta SPV's existing fuel access from South Eastern Coalfields Limited for coal supply for the Arasmeta expansion power project. The estimated consumption of coal for the Arasmeta expansion is 0.257 MTPA at 85.0% PLF.

1,800 MW Wardha Chhattisgarh Power Project – Morga, Chhattisgarh

Introduction

We are planning to develop a 1,800 MW coal based power project approximately 125 kilometers from the Morga-II coal block in Chhattisgarh. This power project is scheduled to be commissioned in August 2011 and will be funded through the Wardha SPV. We estimate that the cost to develop this power project is Rs. 6,874.00 crore.

Financing

We estimate that Rs. 1,718.00 crore of the total project cost will be raised through equity financing, including Rs. 215.34 crore from the aggregate subscription amount of Rs.415.34 crore received in the Pre-IPO Placing. For further details on the use of proceeds of this Issue, see the section "Objects of the Issue" beginning on page 74 of this Red Herring Prospectus.

The remaining project financing of Rs. 5,156.00 crore is expected to be debt financing from project lenders. The Bank of Baroda has sanctioned a term loan of Rs. 300.00 crore, the interest rate for which is 1.25% below the prime lending rate or the highest interest rate charged by any member of the lenders consortium, whichever is higher; the IDFC has sanctioned a term loan of Rs. 1,000.00 crore, the interest rate for which is 2.75% per annum above the three year IDFC benchmark rate prevailing on the date of disbursement; Axis Bank has sanctioned a term loan of Rs. 1,000.00 crore, the interest rate for which is the bank prime lending rate; UCO Bank has sanctioned a term loan of Rs. 500.00 crore, the interest rate for which is 2.00% less than the bank prime lending rate during the construction period and 2.25% less than the bank prime lending rate after construction; the Bank of India has sanctioned term loans of Rs. 500.00 crore and Rs. 250 crore, the interest rate for which is 1.00% per annum below the bank prime lending rate with the minimum rate being 11.75% per annum; the Union Bank of India has sanctioned a term loan of Rs. 200.00 crore, the interest rate for which is 1.25% per annum below the bank prime lending rate; the Life Insurance Corporation of India has sanctioned a term loan for Rs. 250.00 crore, the interest rate for which is 11.75% per annum; the Indian Bank has sanctioned a term loan of Rs. 100.00 crore, the interest rate for which is 1.50% below the bank prime lending rate; and the Central Bank of India has sanctioned a term loan of Rs. 300.00 crore, the interest rate for which is 1.00% below the bank prime lending rate. In addition, we have received an in-principle approval for a rupee term loan of Rs.1000.00 crore. For further details on the term loans and the sanction letters please see "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

Power Generation

The Wardha Chhattisgarh power project will utilize coal as its primary fuel, and will consist of steam turbine generator units, along with its boilers and plant.

Fuel Supply

GMDC has been allotted the Morga-II coal block in Chhattisgarh from the Government of India. The Company has entered into a memorandum of understanding with Gujarat Mineral Development Corporation Limited ("GMDC"), dated April 3, 2006, and the Company and the Wardha SPV have entered into a coal supply and investment agreement with GMDC dated November 16, 2006. Under terms of the coal supply and investment agreement read with the first amendment to the the coal supply and investment agreement dated April 21, 2007, and the second amendment to the the coal supply and investment agreement dated August 31, 2007, the Wardha SPV is entitled to seven million tons of coal per year from the Morga-II coal block.

The coal supply and investment agreement is valid for 30 years from the commencement of supply of coal subject to certain conditions contained therein. The Wardha SPV is entitled to seven MTPA of coal from the Morga-II coal block at mutually agreed upon prices, starting three years from the beginning of commercial mining of the block. The estimated consumption of coal for the Wardha Chhattisgarh power project is seven MTPA at 85.0% PLF.

Under the terms of the coal supply and investment agreement, GMDC has the right to invest in the Wardha SPV to the extent of 26% of its total paid-up share capital at par value. Pursuant to a letter from GMDC to the Company dated May 30, 2008, GMDC has (i) sought further clarity on its proposed equity participation in the Wardha SPV, and (ii) informed the Company that the coal supply and investment agreement is subject to government approval and that the relevant documents have been submitted to the government for its approval.

Off-Take Arrangements

Under its coal supply and investment agreement with GMDC, the Wardha SPV has agreed to offer 1,010 MW of its annual power generation output to GMDC or, at the option of GMDC, to Gujarat Urja Vikas Nigum Limited ("GUVNL") at a price determined in accordance with the agreement.

The Company and the Wardha SPV have entered into a memorandum of understanding with the Government of Chhattisgarh ("GOC") and CSEB, dated February 15, 2008, to facilitate the project development activities relating to the Wardha Chhattisgarh power project. Under this memorandum of understanding, we are required to provide 7.50% of the net power generated to GOC or its nominated agency, on an annualized basis, at variable energy prices determined by the relevant electricity regulatory commission. Over and above this power, GOC or its nominated agency shall have the first right to purchase 30% of the aggregate generating capacity of the power plant at a price determined by the relevant electricity regulatory commission for a period of 20 years.

We plan to use the power generated by the Wardha Chhattisgarh power project to meet the requirements. We intend to sell the remaining power to merchant consumers.

130 MW KSK Dibbin Power Project – Kameng Basin, Arunachal Pradesh

Introduction

We are planning to develop the KSK Dibbin power project, a 130 MW run-of-the-river hydro-electric power project on the Kameng Basin, Arunachal Pradesh. The Dibbin power project is scheduled to be commissioned in January 2011. This power project has an expected capital cost of Rs. 692.00 crore and will be funded by KSK Dibbin Hydro Power Private Limited (the "Dibbin SPV"). We currently hold all of the equity shareholding in the Dibbin SPV.

Memorandum of Agreement with the Government of Arunachal Pradesh

We have entered into a memorandum of agreement on January 25, 2007 with the Government of Arunachal Pradesh ("GOAP"). GOAP has granted us permission to implement and operate the Dibbin power project on a build, own, operate and transfer basis for a period of 40 years from the commercial operation date of the power project. After 40 years, the project will revert to GOAP. GOAP has an option to purchase 11% of the equity interest in the Dibbin SPV.

Pursuant to the memorandum of agreement, GOAP has granted us permission to undertake the investigation for a detailed project report ("DPR") for the power project, the cost of which will be borne by us. We are required to submit the DPR to GOAP prior to commencement of the project. The DPR has since been prepared by Poyry Energy Limited and submitted to the Central Electricity Authority for techno-economic clearance for the power project.

Under our memorandum of agreement with GOAP, 50% of the jobs at various levels in the Dibbin SPV must be reserved for local tribal people. In addition, the Dibbin SPV is required to earmark certain amounts for social work in accordance with the National Policy on Rehabilitation and Settlement, 2003, adhere to local state laws and make a deposit per unit of power generated to the welfare funds of the state governments for the benefit of local people.

Financing

We are in the process of obtaining equity and debt financing to fund the project. Based on term sheets and sanction letters, we estimate that Rs. 173 crore will be funded through equity financing and Rs. 519 crore through debt. We cannot assure you that we will be successful in procuring equity and debt financing on terms acceptable to us or at all or within our contemplated schedule.

Off-Take Arrangements

Pursuant to the memorandum of agreement, GOAP is entitled to free power from the Dibbin power project equal to 14% of the total capacity of the power project. The remaining off-take arrangements will be determined by the Dibbin SPV.

1,800 MW KSK Narmada Power Project – Morga-I, Chhattisgarh

Introduction

We, together with IDFC, are planning to develop the KSK Narmada power project, a 1,800 MW coal based power project near the Morga-I coal block in Chhattisgarh. This power project is scheduled to be commissioned in the second quarter of the fiscal year 2013 and will be funded by the KSK Narmada Power Company Private Limited (the "Narmada SPV"). We currently hold all of the equity shareholding in the Narmada SPV. We estimate that the cost to develop this power project is Rs. 7,455.00 crore.

Financing

We intend to procure debt financing by the third quarter of the fiscal year 2009, with an intended debt to equity ratio of 75:25. We cannot assure you that we will be successful in procuring equity and debt financing on terms acceptable to us or at all or within our contemplated schedule.

Power Generation

The KSK Narmada power project will utilize coal as its primary fuel, and is expected to consist of steam turbine generator units.

Fuel Supply

The Company and IDFC have entered into a memorandum of understanding with the Madhya Pradesh State Mining Corporation Limited ("MPSMC") on June 15, 2006, pursuant to which MPSMC has agreed to apply to the Government of India for allocation of coal blocks and we have agreed to facilitate and bear the cost of mining such coal blocks, as well as pay a facilitation fee to MPSMC for every ton of coal utilized for power production. MPSMC has since been allotted the Morga-I coal block in Chhattisgarh by the Government of India. Provided that we can reach a fuel supply agreement with MPSMC, we intend to use the majority of this allotment to fuel the KSK Narmada power project. We cannot assure you that we will be successful in entering into a fuel supply agreement with MPSMC on terms acceptable to us or at all. The expected consumption of coal for the power project is 6.96 MTPA at 85.0% PLF.

1,800 MW JR Power Project – Naini, Orissa

Introduction

We are planning to develop the JR power project, a 1,800 MW coal based power project near the Naini coal block in Orissa. This power project is scheduled to be commissioned in the fourth quarter of the fiscal year 2012 and will be funded by JR Power Gen Private Limited (the "JRP SPV"). We currently hold a 51% equity shareholding in the JRP SPV, and the balance 49% is held by JRP Industries and its promoters. The Pondicherry Industrial Promotion Development and Investment Corporation Limited ("PIPDIC") has an option to purchase 26% of the equity shareholding in the JRP SPV. We estimate that the cost to develop the JR power project is Rs. 7,380.00 crore.

Financing

We and the JRP SPV entered into a shareholders agreement dated November 20, 2007, which specifies that PIPDIC is entitled to 26% of the equity in the JRP SPV. In addition, the JRP SPV must offer 26% of the annual power generated by the power project (net of host Government's requirements) to PIPDIC for PIPDIC's own use or sale to third-party consumers.

We intend to procure debt financing by the third quarter of the fiscal year 2009, with an intended debt to equity ratio of 75:25. We cannot assure you that we will be successful in procuring equity and debt financing on terms acceptable to us or at all or within our contemplated schedule.

Power Generation

The JR power project will utilize coal as its primary fuel, and is expected to consist of steam turbine generators, along with its boilers and balance of plant.

Fuel Supply

The JRP SPV and PIPDIC signed a memorandum of understanding on January 17, 2007, which specifies that PIPDIC shall procure a coal block from the Government of India jointly with GMDC. PIPDIC has agreed that it will obtain a prospecting license upon allotment of the coal block and that the JRP SPV will have the exclusive responsibility for setting up one or more power projects for utilization of the coal available to PIPDIC from the coal blocks.

On July 25, 2007, the Ministry of Coal, Government of India granted working of the Naini coal block in Orissa to GMDC and PIPDIC, jointly, which grants each a coal allotment of 250 million tons. GMDC and PIPDIC have since filed a joint application for a prospecting license with the Government of Orissa.

The expected consumption of coal for the power project is 8.75 MTPA at 85.0% PLF. The JRP SPV entered into a coal supply agreement with PIPDIC on October 21, 2007. The agreement specifies that the JRP SPV is to receive nine MTPA of coal, allowing for a variation of 10%, for a period of 30 years from the commercial operation date of the JR power project. The JRP SPV will use this coal to fuel the JR power project.

1,800 MW Wardha Naini Power Project – Naini, Orissa

Introduction

We are planning to develop the Wardha Naini power project, a 1,800 MW coal based power project near the Naini coal block in Orissa. This power project is scheduled to be commissioned in the first quarter of the fiscal year 2013 and will be funded by the Wardha SPV. We estimate that the cost to develop this power project is Rs. 7,430.00 crore.

Financing

We intend to procure debt financing by the third quarter of the fiscal year 2009, with an intended debt to equity ratio of 75:25. We cannot assure you that we will be successful in procuring equity and debt financing on terms acceptable to us or at all or within our contemplated schedule.

Power Generation

The Wardha Naini power project will utilize coal as its primary fuel, and will consist of steam turbine generators, along with its boilers and plant.

Fuel Supply

We entered into a memorandum of understanding with GMDC for the exploitation of coal reserves in coal blocks to be allocated by the Government of India to GMDC. GMDC received, jointly with PIPDIC, a 250 million tons coal allotment from the Naini coal block in Orissa in substitution of another block. For additional details on the Naini allotment, see "– 1,800 MW JR Power – Naini, Orissa – Fuel Supply" on page 129 of this Red Herring Prospectus. We are currently negotiating a fuel supply agreement with GMDC for the Wardha SPV to receive 8.75 million tons of coal per year from GMDC's share of Naini coal block allotment, to be used to power the Wardha Naini power project. The expected consumption of coal for the 1,800 MW Wardha Naini power project is 8.75 MTPA at 85.0% PLF.

600 MW Kameng Dam Power Project – Kameng Basin, Arunachal Pradesh

Introduction

We are planning to develop the Kameng Dam power project, a 600 MW run-of-the-river hydro-electric power project in the Kameng Basin, Arunachal Pradesh. The Kameng Dam power project is scheduled to be commissioned in the fourth quarter of the fiscal year 2012. This power project has an expected capital cost of Rs. 3,014.00 crore and will be funded by Kameng Dam Hydro Power Private Limited. We currently hold all of the equity shareholding in the Kameng Dam SPV.

We have entered into a memorandum of agreement on January 25, 2007 with GOAP. GOAP has granted us permission to implement and operate the Kameng Dam power project on a build, own, operate and transfer basis for a period of 40 years from the date of commercial operation of the power project. After 40 years, the project will revert to GOAP.

Pursuant to the memorandum of agreement, GOAP has granted us permission to undertake the investigation for a DPR for the power project, the cost of which will be borne by us. We are required to submit the DPR to GOAP prior to commencement of the project. The survey and investigation for the preparation of the DPR is currently being performed by Poyry Energy Limited.

Under our memorandum of agreement with GOAP, 50% of the jobs at various levels in the Kameng Dam SPV must be reserved for local tribal people. In addition, the Kameng Dam SPV is required to earmark certain amounts for social work in accordance with the National Policy on Rehabilitation and Settlement, 2003, adhere to local state laws and make a deposit per unit of power generated to the welfare funds of the state governments for the benefit of local people.

Financing

We intend to procure debt financing by the second quarter of the fiscal year 2010, with an intended debt to equity ratio of 75:25. We cannot assure you that we will be successful in procuring equity and debt financing on terms acceptable to us or at all or within our contemplated schedule. Pursuant to the memorandum of agreement, GOAP has an option to purchase 11% of the equity interest in the Kameng Dam SPV.

Off-Take Arrangements

Pursuant to the memorandum of agreement, GOAP is entitled to free power from the Kameng Dam power project equal to 14% of the total capacity of the power project. The remaining off-take arrangements will be determined by the Kameng Dam SPV.

345 MW Kameng Basin Power Projects – Kameng Basin, Arunachal Pradesh

Introduction

We are planning to develop the Kameng Basin power projects, a collection of seven run-of-the-river hydro-electric power projects totaling 345 MW, all located in the West Kameng District, Arunachal Pradesh. The Kameng Basin power projects are scheduled to be commissioned in the second quarter of the fiscal year 2013. These power projects have a total expected capital cost of Rs. 1,807.00 crore and will be funded by a new SPV, which will be incorporated for this purpose (the "Kameng Basin SPV").

Memorandum of Understanding with the Government of Arunachal Pradesh

We have entered into six similar memoranda of understanding on September 11, 2007, and one on December 27, 2007, with GOAP for each of the Kameng Basin power projects. GOAP has granted us permission to implement and operate the Kameng Basin power projects on a build, own, operate and transfer basis for a period of 40 years from the date of commercial operation of the power project. After 40 years, the projects will revert to GOAP.

Pursuant to the memoranda of understanding, GOAP has granted us permission to undertake investigation for a DPR for each of the power projects, the cost of which will be borne by us. We are required submit the DPRs to GOAP prior to commencement of the projects. Feasibility studies for each of the seven power projects are currently underway.

Under our memorandum of agreement with GOAP, certain specified percentages of the jobs at various levels in the Kameng Basin SPV must be reserved for local tribal people. In addition, the Kameng Basin SPV is required to earmark certain amounts for social work in accordance with the National Policy on Rehabilitation and Settlement, 2003.

Financing

We intend to procure debt financing by the third quarter of the fiscal year 2009, with an intended debt to equity ratio of 75:25. We cannot assure you that we will be successful in procuring equity and debt financing on terms acceptable to us or at all or within our contemplated schedule.

Off-Take Arrangements

Pursuant to the memoranda of understanding, GOAP is entitled to free power from the Kameng Basin power projects equal to 12% of the total capacity of each of the seven power projects. The remaining off-take arrangements for the power projects will be determined by the Kameng Basin SPV.

Plant and Machinery

We carry out our business through special purpose vehicles (SPVs) and as on March 31, 2008, the Issuer Company does not own any plant and machinery. .

Marketing

We directly market power supply to industrial captive consumers. Consumers with a significant requirement of power in a single location or several in nearby locations are offered the opportunity to utilize our power projects on a dedicated captive basis. These power projects allow the consumers to obtain significant voting equity interests, but with limited dividend rights, in the SPVs operating the power projects along with catering to the consumers' load and energy requirements. These rights assure the consumers of secured access to cost-effective power.

We also offer group captive solutions to industrial consumers whose power requirements are not large enough to warrant dedicated captive plants, but where a group of consumers could utilize a power project and collectively off-take power generated from the plant, in proportion to their respective equity interest in the SPV operating the power project. In both the captive and group captive scenarios, we act as an outsourced developer in facilitating the setup of such power projects.

Additionally, we offer dispersed group captive solutions to consumers who have industrial units across multiple states and who could benefit from a single large source of supply. Many of our large capacity projects could serve the power requirements of such industrial conglomerates.

In addition to targeting industrial consumers, we constantly seek the opportunity to supply power to state-owned entities or local utilities under medium or long term PPAs. These opportunities could be through the bidding process across multiple states in India.

The following table shows our marketing focus:

Segments	
Dedicated Captive	Captive plants set up to meet the demand of a single consumer, with significant load. Plant location either near the fence or remote.
Group Captive	End users individual demand is not adequate for a economically efficient plant. The demand of a group of such end users is aggregated and the plant is set up, typically near the source of the resource.
Dispersed Group Captive	Catering to the power requirements of large industrial groups spread over multiple states.
Utility Projects	Bulk power sale to state utilities which have committed coal for a related project, with surplus power to be sold to merchants. Bidding for developing utility dedicated power projects.

Environmental Matters

We believe that the heightened level of environmental and quality concerns among insurance underwriters, regulators and environment protection groups is leading to greater inspection and safety requirements of power projects. Increasing environmental concerns have created a demand for power projects that conform to stricter environmental standards. We maintain operating standards at all of our power projects that emphasize operational safety, quality maintenance, continuous training of our employees and compliance with laws and regulations. While we outsource our power plant operations to O&M contractors, we believe that the operation of our power projects are in substantial compliance with applicable environmental laws and regulations. However, such laws and regulations are frequently changed and may impose stricter requirements in the future. In addition, the interpretation or application of any existing laws and regulations may change, and such change may also have the effect of imposing stricter requirements and more costs on us.

Social Responsibility

We are a conscious and active corporate citizen. At our various power project locations, we have contributed to the welfare of the local communities by taking up the following social causes:

- As a part of our developmental activity, we have installed a 1,000 liter water tank in Gurha Village market area near our VS Lignite power project in Rajasthan and made arrangements to fill the tank on a daily basis. We also conducted a medical camp at the Gurha Village in August 2007.

- Near our Sitapuram power plant, we developed cement roads within the Dondapadu Village along with our joint venture partner, Zuari Cement Limited.

- As a part of our awareness towards the environment, we planted trees at our Arasmeta power plant site in Chhattisgarh on World Environment Day.

- We constructed two temples in villages near our Sai Regency power plant in Tamil Nadu.

- We sponsored a television campaign depicting the social work carried out by three personalities, Sri Satya Sai Baba, Late Baba Amte and Late Nanaji Deshmukh, in their respective areas of work.

Employees

As of March 31, 2008, we had 309 employees, as compared to 198 employees as of March 31, 2007. The following table shows the function and the number of our employees as of March 31, 2008:

Function	No of Employees
Administration, Human Resources and Legal	83
Accounting and Finance	54
Information Technology	26
Operations/ Technical	133
Business Development	8
Mining	5
Total	**309**

In line with growth in our business, we expect to recruit people for various functions and in particular people with technical expertise over the next few years both from the industry and from reputed engineering colleges across India.

Competition

We compete with Indian and foreign companies operating in the power business. Some of our competitors may have more experience than us in the development and operation of power project. In addition, a number of these companies may have more resources than us. We face competition both with respect to setting up new projects and selling excess power that we produce from our existing power plants that are not subject to long-term PPAs. We face competition from companies such as NTPC Limited, Reliance Energy Limited, GMR Infrastructure Limited, Tata Power Limited and CESC, among others. For further details, see the section “The Indian Power Industry” beginning on page 90 of this Red Herring Prospectus.

Intellectual Property

We have filed a trademark application with the Registrar of Trademarks in Chennai on September 22, 2006, for registering the trademark associated with the name and logo appearing on the front cover of this Red Herring Prospectus. This trademark application is currently pending. This trademark has been in use by us since February 2001.

Properties

The Company has a leasehold right or a license or right to use the properties described below:

Type of Property/Location	Primary Use
23B, Vivekananda Enclave, Road No.3, Banjara Hills, Hyderabad – 500 034	Extension of corporate office
First floor, 1123, Road No.54, Jubilee Hills, Hyderabad – 500 033	Extension of corporate office
Ground floor, 1123, Road No.54, Jubilee Hills, Hyderabad – 500 033	Extension of corporate office
Ground Floor, Plot No. 431, Road No.22, Jubilee Hills, Hyderabad – 500 033	Extension of corporate office
First floor in KMJ Arena, No.89 Outer ring Road, Anand Nagar, Marathahalli, Bangalore – 560 037	Branch office
701, Seventh floor, Louella, 14th Road, Bandra (West), Mumbai 400 050	Guest house
Door No.12/20, Ground floor and First floor, West End Road, Gopalapuram, Chennai – 600 086	Branch office
Plot No.163, Road No.13A, Jubilee Hills, Hyderabad – 500 033	Guest house

Type of Property/Location	Primary Use
Plot No.431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033	Registered Office*

* The Registered Office premises has been leased to K&S Consulting Group Private Limited, a Promoter Group Company. Pursuant to a letter dated January 5, 2008, the Company has been granted a right to use the premises in consideration for sharing the rent.

The terms of the leases executed by us are varied. In most of the lease agreements executed by us, there is an option to renew the lease for a further period, usually at an increased rate of rent. We do not own any property in our own name.

Our Company has secured a right to obtain a lease of 50 acres of land in the Fab City SEZ, Hyderabad, for a period of 20 years by Fab City SPV (India) Private Limited, pursuant to their letter dated January 20, 2008. Such right is with respect to setup of a solar photo voltaic panels unit and we have not yet entered into any lease deed. We have transferred such right to lease to KSK Surya Photovoltaic Venture Private Limited, a Promoter Group company.

CERTAIN BUSINESS AGREEMENTS

The following is a summary of certain business agreements, the detailed terms of which are described below:

Power Project	Agreement	Parties	Date of Execution
43 MW Arasmeta Power Plant – Arasmeta, Chhattisgarh	Shareholders Agreement	The Company (for itself and on behalf of K&S Consulting Group Private Limited); the Arasmeta SPV; and Lafarge India Private Limited	February 10, 2005
	Power Purchase Agreement	The Arasmeta SPV; and Lafarge India Private Limited	February 10, 2005
	Infrastructure Facilities Agreement	The Arasmeta SPV; and Lafarge India Private Limited	February 10, 2005
	DG Sets Agreement	The Arasmeta SPV; and Lafarge India Private Limited	February 10, 2005
	Operations Agreement	The Arasmeta SPV; and Operational Energy Group India Private Limited	December 29, 2005
	Maintenance Agreement	The Arasmeta SPV; and Operational Energy Group India Private Limited	December 29, 2005
	Coal Supply Agreement	The Arasmeta SPV; and South Eastern Coal Fields Limited	August 23, 2006
	Lease Deeds	The Arasmeta SPV; and Lafarge India Private Limited Chhattisgarh State Industrial Development Corporation	February 10, 2005 December 26, 2005
	Water Supply Agreement	The Arasmeta SPV; and Government of Chhattisgarh	February 20, 2006
58 MW Sai Regency Power Plant - Kalugurani, Tamil Nadu	Share Subscription / Shareholders Agreements	The Sai Regency SPV; and • Lakshmi Mills Company Limited • El Forge Limited • Brakes India Limited • Jagannath Textile Company Limited • Harshni Textiles Limited • Chemplast Sanmar Limited • Orchid Chemicals and Pharmaceuticals Limited • Precot Meridian Limited • Light Alloy Products Limited	August 10, 2005 August 25, 2005 October 21, 2005 December 12, 2005 February 18, 2006 May 23, 2006 May 23, 2006 and May 23, 2006 July 31, 2007 February 18, 2008
	Power Delivery Agreements	The Sai Regency SPV; and • Brakes India Limited • Lakshmi Mills Company Limited • El Forge Limited • Jagannath Textile Company Limited • Harshni Textiles Limited • Chemplast Sanmar Limited • Orchid Chemicals and Pharmaceuticals Limited • Precot Meridian Limited • Light Alloy Products Limited	April 12, 2005 July 4, 2005 August 25, 2005 December 12, 2005 February 18, 2006 May 23, 2006 August 16, 2007 and May 23, 2006 July 31, 2007 February 18, 2008
	Operations Agreement	The Sai Regency SPV; and Operational Energy Group India Private Limited	February 26, 2007
	Maintenance Agreement	The Sai Regency SPV; and Operational Energy Group India Private Limited	February 26, 2007
	Fuel Supply Agreement	• Gas Purchase Agreement: Regency Ceramics Limited and GAIL India Limited • Tripartite Agreement: The Sai Regency SPV, Regency Ceramics	February 21, 2002 August 4, 2004 September 21, 2004

Power Project	Agreement	Parties	Date of Execution
		Limited and GAIL India Limited • Amendment to the Tripartite Agreement: The Sai Regency SPV, Regency Ceramics Limited and GAIL India Limited	
	Water Supply Agreement	The Sai Regency SPV; and South Ganga Waters Technologies Private Limited	October 24, 2005
43 MW Sitapuram Power Plant - Dondapado, Andhra Pradesh	Share Subscription and Shareholders Agreement	The Company; Zuari Cements Limited; Shri Vishnu Cements Limited; and The Sitapuram SPV	July 21, 2005
	Power Purchase Agreement	Zuari Cements Limited; Sri Vishnu Cements Limited; and The Sitapuram SPV	July 21, 2005
	Operations Agreement	The Sitapuram SPV; and Enmas O&M Service Private Limited	April 13, 2007
	Maintenance Agreement	The Sitapuram SPV; and Enmas O&M Service Private Limited	April 13, 2007
	Fuel Supply Agreement	The Sitapuram SPV; and Singareni Collieries Company Limited	April 1, 2008
	Lease Deed	The Sitapuram SPV; and Sri Vishnu Cements Limited	December 21, 2005
	Water Supply Agreement	The Sitapuram SPV; and Government of Andhra Pradesh	September 20, 2006
540 MW Wardha Power Project – Warora, Chandrapur, Maharashtra	Share Subscription Agreements	The Wardha Power SPV; and • Viraj Profiles Limited • Spentex Industries Limited • Sona Alloys Private Limited • R.L. Steels Limited • Mahindra Forgings Limited • Mahindra Ugine Steel Company Limited • Graphite India Limited • Air Liquide India Holding Private Limited • Facor Steels Limited	January 12, 2007 January 17, 2008 January 21, 2008 January 22, 2008 February 29, 2008 February 29, 2008 March 20, 2008 March 21, 2008 March 28, 2008
	Power Delivery Agreements	The Wardha Power SPV; and • Viraj Profiles Limited • Spentex Industries Limited • Sona Alloys Private Limited • R.L. Steels Limited • Mahindra Forgings Limited • Mahindra Ugine Steel Company Limited • Graphite India Limited • Air Liquide India Holding Private Limited • Facor Steels Limited	January 12, 2007 January 17, 2008 January 21, 2008 January 22, 2008 February 29, 2008 February 29, 2008 March 20, 2008 March 21, 2008 March 28, 2008
	EPC Agreements	• Construction Agreements: The Wardha Power SPV and Sichuan Electric Power Design & Consultancy Company Limited • Offshore Services Agreements: The Wardha Power SPV and Sichuan Electric Power Design & Consultancy Company Limited • Onshore Services Agreements: The Wardha Power SPV and Sichuan Electric Power Design & Consultancy Company Limited • Offshore Supply Agreements: The Wardha Power SPV and Sichuan Electric Power Design & Consultancy	May 15, 2007 May 15, 2007 May 15, 2007 May 15, 2007 May 15, 2007

Power Project	Agreement	Parties	Date of Execution
		Company Limited • Offshore Supply Agreements: The Wardha Power SPV and Sichuan Electric Power Design & Consultancy Company Limited	
	Lease Deed	The Wardha Power SPV; and Maharashtra Industrial Development Corporation	August 17, 2007
135 MW VS Lignite Power Project – Gurha, Bikaner, Rajasthan	Share Subscription Agreements	The VS Lignite SPV; and • Suzuki Textiles Limited • Balkrishna Industries Limited • Reliance Chemotex Industries Limited • APM Industries Limited • JK Cement Limited • Nahar Industrial Enterprises Limited • JK Lakshmi Cement Limited • JK Tyre and Industries Limited • Oswal Woollen Mills	 February 2, 2007 February 9, 2007 February 22, 2007 February 24, 2007 March 7, 2007 12 MW: December 21, 2006 15 MW: April 10, 2007 July 10, 2007 July 10, 2007 December 18, 2007
	Power Delivery Agreements	The VS Lignite SPV; and • Suzuki Textiles Limited • Reliance Chemotex Industries Limited • APM Industries Limited • Balkrishna Industries Limited • JK Cement Limited • Nahar Industrial Enterprises Limited • JK Lakshmi Cement Limited • JK Tyre and Industries Limited • Oswal Woollen Mills	 February 2, 2007 February 22, 2007 February 24, 2007 February 9, 2007 March 7, 2007 12 MW: December 21, 2006 15 MW: April 10, 2007 July 10, 2007 July 10, 2007 December 18, 2007
	EPC Agreements	• Construction Agreement: The VS Lignite SPV and SEPCO III Electric Power Construction Corporation • Offshore Services Agreement: The VS Lignite SPV and SEPCO III Electric Power Construction Corporation • Onshore Services Agreement: The VS Lignite SPV and SEPCO III Electric Power Construction Corporation • Offshore Supply Agreement: The VS Lignite SPV and SEPCO III Electric Power Construction Corporation • Offshore Supply Agreement: The VS Lignite SPV and SEPCO III Electric Power Construction Corporation	September 13, 2006 September 13, 2006 September 13, 2006 September 13, 2006 September 13, 2006
	Water Supply Agreement	The VS Lignite SPV; and the Government of Rajasthan	August 8, 2007

Brief Summary of Certain Differences in our abovementioned Business Agreements

Share Subscription Agreements

Capital Structure

Under the shareholders agreements for the Arasmeta SPV, the Sai Regency SPV, the VS Lignite SPV and the Wardha Power SPV, the equity share capital of the relevant SPV is divided into two classes of equity shares. Under the shareholders agreement for the Sitapuram SPV, the equity share capital of the Sitapuram SPV comprises a single class of equity shares.

Under the shareholders agreements for the Sai Regency SPV, the VS Lignite SPV and the Sitapuram SPV, the preference share capital of the relevant SPV is divided into two classes of preference shares. Under certain shareholders agreements for the Wardha Power SPV, the preference share capital comprises three classes of preference shares.

Affirmative Voting Rights

Under the shareholders agreement for the Arasmeta SPV, certain decisions of the Arasmeta SPV require the approval of the director nominated by the captive consumer at board meetings and the representative of the captive consumer at the shareholder meetings. Similarly, under the shareholders agreement for the Sitapuram SPV, certain corporate matters such as an alteration of the memorandum of association and the articles of association, issue of shares, change in capital structure or winding up shall require the assent of a director appointed by the captive consumer.

The shareholders agreements for the Sai Regency SPV, the VS Lignite SPV and the Wardha Power SPV do not provide such affirmative voting rights to the captive consumers.

Deadlock Events

Under the shareholders agreement for the Arasmeta SPV, if the captive consumer withholds its consent on any reserved matter and such matter is not withdrawn by the Company, the senior executives of the captive consumer and the Company shall meet to resolve the dispute. In the event that such executives are unable to resolve the dispute, the captive consumer has the option to require the Company to purchase all of the shares held by the captive consumer in the Arasmeta SPV.

Under the shareholders agreement for the Sitapuram SPV, upon the occurrence of a specified event of deadlock, any party may terminate the agreement with a notice of 30 days.

The shareholders agreements for the Sai Regency SPV, the VS Lignite SPV and the Wardha Power SPV do not contain similar provisions for resolution of deadlock clauses.

Buyout Clause

Under the shareholders agreement for the Sitapuram SPV, any time after the third anniversary of the commercial operations date, the captive consumer may by notice require the Company to sell all its shares in the Sitapuram SPV to the captive consumer or its nominees.

The shareholders agreements for the Arasmeta SPV, the Sai Regency SPV, the VS Lignite SPV and the Wardha Power SPV do not contain similar buyout provisions.

Terminal Payment

Under the shareholders agreement for the Sitapuram SPV, upon the expiry of the initial term of the agreement, the captive consumers shall pay the Company, and not its affiliates, a specified amount for the development of the power plant.

The shareholders agreements for the Arasmeta SPV, the Sai Regency SPV, the VS Lignite SPV and the Wardha Power SPV do not contain similar terminal payment obligations.

Others

We have executed a lease deed and an infrastructure facilities sharing agreement with the captive consumer of the Arasmeta SPV. Similarly, we have executed a lease deed with the captive consumer of the Sitapuram SPV.

We do not have similar arrangements for leasing of land or sharing of infrastructure facilities with our other captive consumers.

Further details on the terms of our business agreements are set forth below:

43 MW Arasmeta Power Plant – Arasmeta, Chhattisgarh

Shareholders Agreement

The Company (for itself and on behalf of K&S Consulting Group Private Limited), the Arasmeta SPV and Lafarge entered into a shareholders agreement dated February 10, 2005. The rights and obligations of the shareholders with respect to the organization, operation and management of the Arasmeta SPV are governed by the terms and conditions of this Agreement.

Status of the Arasmeta SPV

The Arasmeta SPV shall be a private limited company under the Companies Act. The Company and Lafarge shall ensure that the Arasmeta SPV is not a subsidiary of a public company under the Companies Act. As specified in the section "History and Certain Corporate Matters" beginning on page 171 of this Red Herring Prospectus, in connection with the Issue, the Company became a public limited company and therefore this condition cannot be complied with. We are in discussions with Lafarge with respect to a waiver of this condition.

Capital Structure

The Company shall nominate a co-purchaser to hold shares in the Arasmeta SPV. The Company shall hold 49.5%, Lafarge shall hold 49% and the co-purchaser shall hold 1.5% of the shares of the Arasmeta SPV. However, the co-purchaser provision has since been waived by Lafarge and the Company. The equity shares shall be divided into two classes: Class A shares (entitled to a non-participatory preferential right of dividend equal to 0.1% of its face value), which shall be issued to Lafarge and Class B Shares (entitled to such dividend as may be declared by the Arasmeta SPV), which shall be issued to the Company.

Management

The board of the Arasmeta SPV shall consist of seven directors: (i) two appointed by Lafarge, (ii) three appointed by the Company, and (iii) two independent directors appointed by the other directors after the financial closure date.

Certain decisions of the Arasmeta SPV require the approval of the Lafarge nominated director at board meetings and the Lafarge representative at the shareholder meetings. These include the following:

- further issue of shares;
- modification or reduction of capital;
- alteration of the memorandum of association and articles of association;
- business restructuring, re-organization or diversification, mergers or consolidations, change in the scope of the project, creation of charge over the assets of the Arasmeta SPV and sale, lease or other transfer of assets in excess of certain specified values;
- capital expenditure in excess of certain amounts;
- borrowings, loans or guarantees in excess of certain amounts in a financial year; and
- voluntary liquidation.

Restrictions on Transfer

As long as Lafarge continues to purchase power from the Arasmeta SPV, neither the Company nor Lafarge may transfer any shares of the Arasmeta SPV. No shares may be transferred to any competitor of Lafarge without its prior written permission.

Right of First Refusal

If Lafarge or the Company seeks to transfer any shares to a third party, it shall first offer such shares to the other party at the price offered by the third party.

Lafarge may, in accordance with the terms of the Power Purchase Agreement, transfer all or some of its rights to a third party.

Deadlock Event and Put Option

If Lafarge withholds its consent on any reserved matter and such matter is not withdrawn by the Company, the senior executives of Lafarge and the Company shall meet to resolve the dispute. In the event that such executives are unable to resolve the dispute, Lafarge has the option to require the Company to purchase all of the shares held by Lafarge in the Arasmeta SPV. The price for the exercise of this option shall be determined in accordance with the procedure set forth in the agreement.

Indemnity

If the Arasmeta SPV fails to supply electricity to Lafarge in accordance with the Power Purchase Agreement, the Arasmeta SPV shall indemnify Lafarge for the difference in cost between the tariff under the Power Purchase Agreement and the tariff paid by Lafarge to an alternate power producer or supplier.

Termination

The agreement shall be terminated (i) by mutual consent, (ii) if all the beneficial ownership is held by one party, (iii) if the Arasmeta SPV goes into liquidation (except for the purpose of an amalgamation or reconstruction approved by all shareholders), or (iv) the termination of the power purchase agreement upon the occurrence of certain specified events.

The agreement may be terminated by Lafarge upon the occurrence of specified default events such as commercial service default events, operation default events and tariff default events.

Upon the occurrence of certain default events, Lafarge may purchase or cause to be transferred to a nominee, all the shares of the Arasmeta SPV held by the Company at a price determined in accordance with the agreement. Upon the occurrence of certain default events, Lafarge also has the right to sell all the shares held by it in the Arasmeta SPV to the Company or its nominee, at a price determined in accordance with the agreement.

Similarly, upon the occurrence of certain default events, the Company has the right to purchase the shares or cause Lafarge to transfer all its shares to the Company or nominee at a price determined in accordance with the Agreement.

Power Purchase Agreement

Lafarge, the Company and the Arasmeta SPV entered into a power purchase agreement dated February 10, 2005, for the supply of a minimum of 34.50 MW and a maximum of 39.50 MW of power to Lafarge.

Coal Management

The Arasmeta SPV shall enter into a coal supply agreement on terms agreed to by Lafarge. In the event of any default by a coal supplier, the Arasmeta SPV shall, with the prior approval of Lafarge, (i) attempt to secure alternative supplies of coal on the best available terms, (ii) pursue its remedies in damages against the coal supplier in respect of the default, and (iii) not settle or compromise any claim in respect thereof against the coal supplier. In the event of any default by a coal supplier, Lafarge shall, without prejudice to any of its other rights, have the right to procure, cause to be procured or specify alternative supplies of coal for the power station, which shall be binding on the Arasmeta SPV.

The Arasmeta SPV shall not exercise any right available to it under any coal supply agreement to terminate such coal supply agreement by reason of the default of the coal supplier without the prior written consent of Lafarge.

Tariff

The Arasmeta SPV shall sell to Lafarge the units of energy at the delivery points specified in the agreement at a price consisting of a fixed charge and a variable charge arrived at by a formula set forth in the agreement.

"Take or Pay" Obligation

Lafarge is under a "take or pay" obligation, whereby Lafarge shall (excepting arrangements made for planned or unplanned surpluses) be obliged to purchase the active energy generated, at the fixed charge component of the tariff and a compensation amount for the coal used by the Arasmeta SPV. Lafarge also has the obligation to pay the Arasmeta SPV for infirm power provided at the delivery points.

"Supply or Pay" Obligation

If there is any shortfall in the amount of energy delivered by the Arasmeta SPV to Lafarge, Lafarge may source the deficient energy from another supplier and the Arasmeta SPV shall be liable for the difference in cost between the energy from alternative sources and the active energy which was supposed to be supplied under the agreement.

The Company Guarantee and Claims

The Company has irrevocably guaranteed to Lafarge the due and punctual performance by the Arasmeta SPV of its obligations and responsibilities. Before proceeding under this guarantee, Lafarge is not required to (i) give any prior notice to the Company of default by the Arasmeta SPV, (ii) exhaust its remedies against the Arasmeta SPV, or (iii) specify under which clause of the agreement such failure arises.

The Company has, for the purpose of securing its obligations under the agreement, agreed to pledge its shares in the Arasmeta SPV in favor of Lafarge, subject to any pledge that may be created by the Company in favor of the lenders.

Term and Termination

The agreement is valid for the period commencing from the date of entry into commercial service of the operation and up to December 31, 2013. Upon the expiration of such period, Lafarge shall have the right to renew the agreement for subsequent terms of seven years each in accordance with the procedure specified in the agreement.

If a specified *force majeure* event continues for 180 continuous days, either party has the option to terminate the agreement.

Lafarge shall have the right to terminate the agreement upon the occurrence any of the certain specified events, including:

- a resolution for winding up of the Arasmeta SPV is adopted by its shareholders;
- appointment of a provisional liquidator in a proceeding for the winding up of the Arasmeta SPV after notice to the Arasmeta SPV and due hearing, which has not been set aside or stayed within 60 days of such appointment;
- breach of the Infrastructure Facilities Contract for more than 30 days, preventing the Arasmeta SPV from performing its obligations under the agreement;

- the Arasmeta SPV enters into a reconstruction or amalgamation which makes it unable to fulfill its commitments;
- the Arasmeta SPV fails to supply active energy for more than 180 consecutive days;
- the Arasmeta SPV fails to renew the bank guarantee mentioned, subject to notice period of 30 days;
- the Arasmeta SPV transfers certain assets except in the manner specified in the agreement, subject to notice period of 30 days;
- the Arasmeta SPV fails to maintain any clearance materially affecting its ability to supply active energy and such default continues for a period of 180 days; and
- the Arasmeta SPV, without the prior approval of Lafarge, (i) terminates the operations and maintenance agreement, or (ii) appoints another operations and maintenance provider.

Further, this agreement may be terminated upon the occurrence of the following events:

- if Lafarge permanently closes down operations at its cement plants, or transfers the plants without transferring the agreement in the manner provided in the agreement;
- if the price at which the Arasmeta SPV provides electricity, for a continuous period of 90 days, is more than the price at which energy is available from the CSEB; or
- if the Company and the Arasmeta SPV fail to find a mutually agreeable alternate structure in the event of a change in the captive power plant status of the Arasmeta SPV's power station.

Infrastructure Facilities Agreement

The Arasmeta SPV and Lafarge entered into an infrastructure facilities agreement dated February 10, 2005, under which the Arasmeta SPV is permitted to use certain infrastructure facilities at the cement plants owned by Lafarge. The agreement covers the sharing of coal unloading and handling systems, the rail siding at the Arasmeta Cement Plant, the rail link between Akaltara and Arasmeta, right of access and right to lay a water intake system including pipelines, pumps, transformers, electric cables/overhead lines, effluent discharge pipelines and water drainage pipes and the use of non plant buildings, labor colony, staff quarters, guest house and other miscellaneous facilities.

Approvals

The Arasmeta SPV is required to obtain, at is own cost, all permissions, licenses and sanctions that may be required to lay the water intake system and shall also pay Lafarge, or directly to the concerned authorities, any water charges, taxes or levies, which may be payable for the use of any water by it, or for draining of any water by it, on a *pro rata* basis.

Consideration

As consideration, the Arasmeta SPV is required to pay Lafarge charges at the rate of Re. 0.10 per Kilo watt hour, subject to escalation. However, these charges are not payable until the expiry of the Power Purchase Agreement.

Term and Termination

The agreement is valid for a term of 15 years. In case the Arasmeta SPV commits a breach of the terms of the agreement or fails to perform its obligations, Lafarge may at any time issue a written notice to the Arasmeta SPV and require the Arasmeta SPV to rectify the breach or shortcoming within 30 days, failing which the agreement will be terminated. If the Arasmeta SPV rectifies the breach during the cure period, it will be liable to compensate

Lafarge for the breach or non-performance. This agreement may also be terminated at any time by mutual agreement between the parties.

<u>DG Sets Agreement</u>

The Arasmeta SPV and Lafarge entered into a DG sets agreement dated February 10, 2005, under which the Arasmeta SPV is permitted to operate, at its own expense, diesel generating sets with a total capacity of 34 MW at the cement plants owned by Lafarge as a source of back-up power. This agreement is co-terminus with the power purchase agreement.

<u>Operations Agreement</u>

The Arasmeta SPV and OEG entered into an operations agreement dated December 29, 2005. The term of the agreement is seven years from the commercial operations date, and can be extended for a further period on mutually agreed terms.

Charges

The Arasmeta SPV is required to pay a one-time mobilization charge and an annual fee which escalates on an annual basis. In addition to the fixed charges, OEG is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that OEG is unable to achieve certain performance parameters specified in the operations agreement, it shall be liable to pay liquidated damages to the Arasmeta SPV.

Aggregate Liability

The total aggregate liability of OEG is limited to 12.5% of the annual operations fee of the respective year.

Assignment

The operations agreement will not be assigned by OEG without the prior written consent of the Arasmeta SPV. The Arasmeta SPV reserves the right to assign the agreement without the prior written consent of OEG.

Termination

If a *force majeure* condition lasts for a period of 180 consecutive days or longer, either party may terminate the agreement by notice. The Arasmeta SPV may terminate this agreement upon the bankruptcy, insolvency or dissolution of OEG, failure of OEG to cure any material default within a period of 60 days from the date of the notice of such default or failure by OEG to pay the amounts due to the Arasmeta SPV within 30 days of such amounts falling due. The Arasmeta SPV may also terminate the agreement without any notice in the case of abandonment of operations by OEG for a period of 60 consecutive days.

OEG may terminate this agreement upon the bankruptcy, insolvency or dissolution of the Arasmeta SPV, failure by the Arasmeta SPV to pay within 30 days of such amounts falling due, failure of the Arasmeta SPV to cure a material breach within 60 days from the date of the notice of such default or termination by the Arasmeta SPV of the maintenance agreement signed with OEG.

<u>Maintenance Agreement</u>

On December 29, 2005, the Arasmeta SPV entered into a maintenance agreement with OEG, for all day-to-day and periodic scheduled and unscheduled maintenance activities for the plant at Arasmeta. The agreement has a term of seven years, and can be extended for a further period on mutually agreed terms.

Charges

The Arasmeta SPV is required to pay OEG an annual maintenance fee and an annual consumable charge. In addition to the fixed charges, OEG is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that OEG is unable to achieve certain performance parameters specified in the agreement, it shall be liable to pay liquidated damages to the Arasmeta SPV.

Aggregate Liability

The aggregate liability of OEG is limited to 12.5% of the annual maintenance fee of the respective year, excluding excess consumption of spares above the annual guaranteed cap.

Termination

If a *force majeure* condition lasts for a period of 180 consecutive days or longer, either party may terminate the agreement by notice. The Arasmeta SPV may terminate the agreement upon the bankruptcy, insolvency or dissolution of OEG or its failure to rectify any material default within a period of 60 days from the date of the notice of such default. The Arasmeta SPV may also terminate the agreement without any notice in the case of abandonment of maintenance activities by OEG for a period of 60 consecutive days.

OEG may terminate the agreement upon the bankruptcy, insolvency or dissolution of the Arasmeta SPV, failure by the Arasmeta SPV to pay all amounts due to the OEG within 30 days of such amounts falling due, the failure of the Arasmeta SPV to cure a material breach within 60 days from the date of the notice of such default or termination by the Arasmeta SPV of the operations agreement signed with OEG.

Coal Supply Agreement

The Arasmeta SPV and South Eastern Coal Fields Limited ("SECL") entered into an agreement dated August 23, 2006. The agreement is valid for a period of five years commencing from August 2006. Under this agreement, SECL shall supply 2,25,000 tons per year from its mines in the Korba Coal Field to the Arasmeta SPV. The price of coal shall be based on rates notified by Coal India Limited or SECL from time to time.

In the event that SECL is unable to supply a specified amount of coal in a particular year, it is required to pay compensation based on a specified formula to the Arasmeta SPV. In the event that the Arasmeta SPV is unable to purchase a specified amount of coal in a particular year, it is required to pay compensation based on a specified formula to SECL.

The Arasmeta SPV may terminate this agreement if the level of delivery falls below 50% of the agreed amount in a particular year. Similarly, SECL may terminate this agreement if the level of lifting falls below 50% in a particular year, within 60 days of the end of the relevant year and subject to prior notice of 30 days.

Land related agreements

Lease Deed with Lafarge

Lafarge and the Arasmeta SPV entered into a lease dated February 11, 2005, pursuant to which Lafarge has leased 24.08 acres of land situated in Gondaih and Asnora, District Janjgir-Champa, Chhattisgarh to the Arasmeta SPV. The initial term of the lease is 15 years commencing from February 11, 2005, and can be extended for a further period of five years on mutually agreed terms. The Arasmeta SPV shall pay rent at the rate of Rs.100 per acre per year, after deduction of tax at source.

The Arasmeta SPV has agreed to indemnify Lafarge against any loss incurred by it due to any damage caused to the leased land or the cement plant at Arasmeta. In the event that Lafarge disposes of, encumbers or creates any interest in respect of the leased land or part thereof, it shall ensure that all the terms and conditions of this lease are accepted by such third party.

This lease may be terminated by mutual agreement or by Lafarge at any time by giving three months' notice in writing to the Arasmeta SPV for any breach of the terms of this lease deed, subject to a cure period of three months.

Lease Deed with Chhattisgarh State Industrial Development Corporation

The Arasmeta SPV and the Chhattisgarh State Industrial Development Corporation ("CSIDC") entered into a lease deed dated December 26, 2005, pursuant to which CSIDC has leased 2.75 hectares of land in Gondaih, District Janjgir-Champa, Chhattisgarh. The lease is for a term of 99 years commencing from December 26, 2005 and expiring on December 25, 2104.

The Arasmeta SPV has paid an advance rent and premium of Rs.0.11 crore and deposited a security amount of Rs.86,226. The annual ground rent payable by the Arasmeta SPV is Rs.28,742. The annual ground rent is subject to increase after three years from the date of execution of this lease deed and subsequently at periodic intervals of 30 years. However, any such period increase shall not exceed one quarter of the rent fixed for the preceding 30 years. In the event that there is a default in the payment of rent by the Arasmeta SPV, it has to pay interest at the rate of 12% per annum for the first year and 24% per annum for the remaining period of default.

Under the terms of this lease deed, the obligations of the Arasmeta SPV are, *inter alia*, as follows:

- It shall not sublet, assign or otherwise transfer the land or any part thereof.

- It shall not change the constitution of the unit without the prior permission of CSIDC in writing.

- It shall rehabilitate one person of those families which have been displaced due to acquisition of land for the Arasmeta SPV.

- During the period of the lease, it shall run the plant for which the land has been allotted. Closure of the power plant for a continuous period exceeding six months without proper reasons to the satisfaction of the allotting authority will be considered a breach of this condition.

In addition, CSIDC may terminate the lease deed on the following grounds: (a) rent is in arrears and unpaid for six months, (b) the Arasmeta SPV becomes insolvent or is under voluntary winding-up, (c) any attachment of the land leased under the lease deed, (d) breach of any covenant and condition under this lease deed, which the Arasmeta SPV fails to remedy within 21 days of the notice of breach given by CSIDC, and (e) the Arasmeta SPV enters into an agreement with its lenders for the composition of the industry.

Water Supply Agreement

The Arasmeta SPV entered into an agreement dated February 20, 2006, with the Government of Chhattisgarh ("GoC"), which permits the Arasmeta SPV to draw 1,75,000 cubic meter of water per month from the Lilagarh river for a period of 30 years commencing February 20, 2006. This approval is subject to the provisions of the Madhya Pradesh Irrigation Act, 1931 and any executive orders issued by the GoC from time to time.

The Arasmeta SPV is required to pay tariff at the rate of Rs. 0.45 per CuM. The GoC shall charge an additional tariff of 50% of the normal rates for any water drawn in excess of the allocated amount or water drawn that has not been authorized by the GoC. The Arasmeta SPV is also required to pay local cess and any other tax that may be imposed by the GoC from time to time.

The GoC has the right to revise the water rates, the local cess and other taxes payable by the Arasmeta SPV under the terms of this agreement. Except for the circumstances specified in the agreement, the Arasmeta SPV is required to pay charges for at least 90% of the total quantum of water allocated to it even though the actual quantity of water drawn by it may be less than 90% of the total quantum of water.

In the event of a shortage of water, the GoC is entitled to serve a notice on the Arasmeta SPV and the Arasmeta SPV shall reduce the consumption of water and will furnish a weekly return showing the actual quantum of water drawn by it.

If the Arasmeta SPV breaches any terms or conditions of the agreement, the GoC is entitled to terminate the agreement and discontinue the permission to draw water from the river without compensation to the Arasmeta SPV.

58 MW Sai Regency Power Plant – Kalugurani, Tamil Nadu

Share Subscription Agreements

The Sai Regency SPV has entered into multiple share subscription agreements with its captive consumers with respect to its Class A equity shares. Under the terms of these share subscription agreements, the captive consumers have subscribed for Class A equity shares of the Sai Regency SPV and are proportionately entitled to the power generated by its power plant.

In general, the terms of these agreements are set forth below:

Capital Structure

Common equity shares of the Sai Regency SPV shall comprise Class A equity shares and Class B equity shares. Class A equity shares carry an entitlement to energy from the power plant and a restrictive dividend of not more than 0.01% of the face value of the shares. Class B equity shares carry an entitlement to all the profits of the Sai Regency SPV remaining after transfer to reserves and payment of dividends to Class A equity shareholders.

Management

The Company shall conduct the operations and day-to-day management of the Sai Regency SPV. The captive consumers have the right to jointly nominate one director to the board of directors of the Sai Regency SPV.

Term and Termination

This agreement terminates upon (i) termination of the power delivery agreement between the Sai Regency SPV and the captive consumer, and (ii) the subscriber losing its status as user member of the Sai Regency SPV. Upon the expiry of a power delivery agreement, the Sai Regency SPV shall buy back the Class A equity shares and Class A preference shares of the relevant subscriber at par.

Further, in the event that the power delivery agreement is terminated due to a contractual default of the Sai Regency SPV (excluding liquidation or winding up) or non-renewal of the fuel supply agreement, it shall buy back the Class A equity shares and Class A preference shares of the relevant subscriber at par.

Power Delivery Agreements

The Sai Regency SPV has entered into multiple power delivery agreements with its captive consumers for the entire output of the power plant. Under the terms of these agreements, the general obligations of the Sai Regency SPV include construction and operation of the power plant, obtaining the fuel supply linkage, entering into wheeling agreements, arrangements for operations and maintenance of the power station and obtaining all necessary regulatory and statutory approvals. The obligations of the captive consumer include meeting all investment obligations under the applicable share subscription agreement and complying with any wheeling obligations.

Certain terms of these agreements are set forth below:

"Take or Pay" Obligation

The captive consumer is required to purchase a specified amount of electricity in each billing period from the Sai Regency SPV as set forth in the agreement. In the event that such consumer is unable to purchase the specified amount of electricity, it is required to pay an amount to the Sai Regency SPV as set forth in the agreement.

"Supply or Pay" Obligation

The Sai Regency SPV is required to supply a specified amount of electricity per annum to the captive consumer as set forth in the agreement. In the event that the Sai Regency SPV is unable to supply the specified amount of electricity, the Sai Regency SPV is required to pay the captive consumer the difference between the tariff rate under the power purchase agreement and the applicable tariff of TNEB.

Tariff

The tariff for electricity supplied under these agreements is a fixed rate as specified in the agreement. The tariff is subject to revisions due to changes in the price of fuel.

Assignment

The Sai Regency SPV shall not assign the power delivery agreement to any third party, unless such party undertakes to comply with its rights and obligations.

The captive consumer shall not assign or otherwise transfer the power delivery agreement, except with the Sai Regency SPV's consent, in which case it shall be deemed that the subscriber has transferred the entitlement to energy from the power plant and obligations along with its equity.

Term and Termination

The terms of these agreements are generally for a period of 10 years from the combined cycle operation date. In certain power delivery agreements, the terms are divided into two blocks of five years. Upon the expiration of the first block, either party may renew the term of the agreement for the next block of five years.

The captive consumer shall have the right to serve a notice of termination of this agreement on the Sai Regency SPV upon the occurrence of the following events:

- a resolution for winding up the Sai Regency SPV is adopted by its shareholders;
- appointment of a provisional liquidator in a proceeding for winding up the Sai Regency SPV after notice to the Sai Regency SPV and due hearing, which has not been set aside or stayed within 60 days of such appointment;
- an order for winding up the Sai Regency SPV is passed by a court, except for the purpose of its amalgamation or reconstruction in a manner that does not prevent it from fulfilling its obligations under this agreement;
- non-receipt of approval for the wheeling of power;
- a delay of more than 180 days for achieving the target date of commercial operation;
- the Sai Regency SPV abandons the operation of the power station or fails to supply electricity after the entry into commercial service for more than 180 consecutive days;
- the Sai Regency SPV fails to maintain any clearance materially affecting its ability to supply electricity and such default continues for a period of 180 days; and
- the Sai Regency SPV defaults on any other material obligation under these agreements.

Notwithstanding anything contained in these agreements, they will expire upon the expiry of the fuel supply agreement, i.e., December 31, 2010. However, these agreements shall continue to be effective in the event of the renewal of the fuel supply agreement.

If these agreements expire due to the expiry of the fuel supply agreement, the Sai Regency SPV is required to buy-back the equity shares held by the captive consumer in accordance with law.

Further, in the event that a agreement is terminated due to a contractual default of the Sai Regency SPV, excluding liquidation or winding up, it shall buy back equity shares held by the captive consumer in accordance with law.

Gas Purchase Agreement

Regency Ceramics Limited ("Regency Ceramics") and GAIL entered into a gas purchase agreement dated February 21, 2002, for supply of natural gas to a proposed power plant at Karaikal, Pondicherry. This agreement is valid up to December 31, 2010. Pursuant to a letter dated July 11, 2003, the Ministry of Petroleum and Natural Gas, GoI, approved the transfer of the gas allocation from Regency Ceramics to the Sai Regency SPV.

GAIL, Regency Ceramics and the Sai Regency SPV entered into a Tripartite Agreement dated August 4, 2004. Pursuant to this agreement, all contractual rights and obligations of Regency Ceramics were transferred to the Sai Regency SPV. Subsequently, on September 21, 2004, there was an amendment to the Tripartite Agreement revising the charges for gas as the Sai Regency SPV shifted the location of its plant to Kalugurani village, District Ramanathapuram, Tamil Nadu.

GAIL has the right to determine the price of gas as per the guidelines of the GoI. In addition to the price of the gas, the Sai Regency SPV is required to pay a monthly transmission charge of approximately of Rs.0.19 crore.

The Sai Regency SPV is required to pay charges for at least 80% of the monthly quantum of gas allocated to it even though the actual quantity of gas utilized by it may be less than 80% of the monthly quantum of water.

The gas supply agreement will expire on December 31, 2010

Water Supply Agreement

The Sai Regency SPV and South Ganga Waters Technologies Private Limited ("South Ganga") have entered a water supply agreement dated October 24, 2005. The term of the agreement is 12 years from the commercial operations date.

Under this agreement, South Ganga is responsible for the supply of 250,000 liters of potable water every day to the Sai Regency SPV from the combined cycle operations date. The supply of water from the combined cycle operations date shall be at the rate of 15 paise per liter. This tariff is all inclusive and fixed throughout the term of this agreement. In the event that South Ganga is unable to supply the required water, it is under an obligation to arrange an alternate source of water for the Sai Regency SPV.

Operations Agreement

The Sai Regency SPV has entered into an operations agreement with OEG dated February 26, 2007. The term of the agreement is 12 years from the commercial operations date, and can be extended for a further period on mutually agreed terms.

Charges

The Sai Regency SPV is required to pay a one-time mobilization charge and an annual fee which escalates on an annual basis. In addition to the fixed charges, OEG is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that OEG is unable to achieve certain performance parameters specified in the operations agreement, it shall be liable to pay liquidated damages to the Sai Regency SPV.

Aggregate Liability

The total aggregate liability of OEG is limited to 12.5% of the annual operations fee of the respective year.

Assignment

The operations agreement will not be assigned by OEG without the prior written consent of the Sai Regency SPV. The Sai Regency SPV reserves the right to assign the agreement without the prior written consent of OEG.

Termination

If a *force majeure* condition continues for a period of 180 consecutive days or longer, either party may terminate the agreement by notice. The Sai Regency SPV may terminate this agreement upon bankruptcy, insolvency or dissolution of OEG, failure of OEG to cure any material default within a period of 60 days of notice of such default or failure by OEG to pay the amounts due to the Sai Regency SPV within 30 days of such payment falling due. The Arasmeta SPV may also terminate the agreement without any notice in the case of abandonment of operations by OEG for a period of 60 consecutive days.

OEG may terminate this agreement upon bankruptcy, insolvency or dissolution of the Sai Regency SPV, failure by the Sai Regency SPV to pay within 30 days of such payment falling due, failure of the Sai Regency SPV to cure a material breach within 60 days of notice of such default or upon termination by the Sai Regency SPV of the maintenance agreement with OEG.

<u>Maintenance Agreement</u>

The Sai Regency SPV and OEG entered into a maintenance agreement dated February 26, 2007, for all day-to-day and periodic scheduled and unscheduled maintenance activities for the plant at Kalugurani. The agreement has a term of 12 years, and can be extended for a further period on mutually agreed terms.

Charges

The Sai Regency SPV is required to pay the operator an annual maintenance fee and an annual consumable charge. In addition to the fixed charges, OEG is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that OEG is unable to achieve certain performance parameters specified in the maintenance agreement, it shall be liable to pay liquidated damages to the Sai Regency SPV.

Aggregate Liability

The aggregate liability of OEG is limited to 12.5% of the annual maintenance fee of the respective year, not including excess consumption of spares above the annual guaranteed cap.

Termination

If a *force majeure* condition continues for a period of 180 consecutive days or longer, either party may terminate the agreement by notice. The Sai Regency SPV may terminate the agreement upon the bankruptcy, insolvency or dissolution of OEG or its failure to rectify any material default within a period of 60 days from the date of notice of such default. The Sai Regency SPV may also terminate the agreement without any notice in the case of abandonment of maintenance for a period of 60 consecutive days.

OEG may terminate the agreement upon the bankruptcy, insolvency or dissolution of the Sai Regency SPV, the failure by the Sai Regency SPV to pay all amounts due to OEG within 30 days of such payment falling due, the failure of the Sai Regency SPV to cure a material breach within 60 days from the date of notice of such default or termination by the Arasmeta SPV of the operations agreement signed with OEG.

43 MW Sitapuram Power Plant – Dondapadu, Andhra Pradesh

Share Subscription and Shareholders Agreement

The Company, ZCL, SVCL (which has since merged with ZCL) and the Sitapuram SPV entered into a share subscription and shareholders agreement dated July 21, 2005 ("SSA").

Capital Structure

The share capital of the Sitapuram SPV shall consist of 1,00,00,000 equity shares of Rs.10 each and 55,00,00,000 preference shares of Rs.100 each, amounting to a minimum subscribed capital of Rs. 56,00,00,000. The Company and its affiliates shall own 49%, ZCL shall own 30.60% and SVCL shall own 20.40% of the shares in the Sitapuram SPV. The Company shall manage the Sitapuram SPV's operations.

Board of Directors

The board of directors of the Sitapuram SPV shall consist of seven directors, four of whom shall be appointed by the Company and three by ZCL. Certain corporate matters such as an alteration of memorandum of association and articles of association, issue of shares, change in capital structure or winding up shall require the assent of a ZCL Director.

Transfer of Shares and Buyout Clause

Neither the Company nor ZCL shall transfer or attempt to transfer the shares held by them in the Sitapuram SPV to a third party. ZCL and SVCL may, with prior intimation to the Company, transfer any or all shares held by them in the Sitapuram SPV to their affiliates. Any time after the third anniversary of the commercial operations date, ZCL may by notice require the Company to sell all its shares in the Sitapuram SPV to ZCL or its nominees.

Term and Termination

The agreement shall be effective from the date of execution of the power purchase agreement and will subsist for 10 years after the commercial operations date, with a possible extension of five years at the option of SVCL and ZCL. The agreement is co-terminus with the power purchase agreement

The agreement may be terminated by ZCL, by giving notice if any of the following events occur:

- Termination of the power purchase agreement due to a specified default of the Sitapuram SPV;
- The Company or the Sitapuram SPV being in breach even after 30 days of notice of such default; or
- The Company or the Sitapuram SPV going into liquidation, winding up or entering into an arrangement or compromise with its creditors.

In the event of the expiry of the agreement, ZCL shall be obliged to purchase all the shares held by the Company in the Sitapuram SPV for a total consideration of Re.1.00 and net current assets of the Sitapuram SPV. If the agreement is terminated by the ZCL due to a breach by the Company or the Sitapuram SPV, ZCL shall be obliged to purchase all the shares held by the Company at a value equivalent to the present value of discounted cash flows attributable to the Company's investment in the Sitapuram SPV as on the date of transfer. If the Agreement is terminated by the

Company due to a breach by ZCL, ZCL shall be obliged to purchase all the shares held by the Company at a value equivalent to the present value of discounted cash flows attributable to the Company's investment in the Sitapuram SPV as on the date of transfer.

The agreement shall also terminate on the buyout of the Company's shares as envisaged above, an extended period of *force majeure* or in certain cases of deadlock. Upon such termination, ZCL shall be obliged to purchase all the shares held by the Company at a price specified in the agreement.

Transfer of Shareholding

ZCL and SVCL as the shareholders of the Sitapuram SPV have consented to the shareholding of the Company in the Sitapuram SPV being transferred to KEFIPL. A deed of adherence was executed between the Company and KEFIPL on August 30, 2006 whereby KEFIPL has agreed to purchase the Company's shares.

Terminal Payment

Notwithstanding the termination related provisions contained in the agreement and upon the expiry of the initial term of the agreement, ZCL and SVCL shall pay the Company, and not its affiliates, a sum of Rs.23.00 crore (the "Terminal Amount") for the development of the power plant. If the agreement is terminated earlier, the parties may mutually agree upon the early payment of the Terminal Amount. In the event that the parties agree to such early payment, the Terminal Amount shall be the discounted at the rate of 10% per annum.

The Terminal Amount may be partially or totally adjusted or set off against dues of any nature, if any, outstanding from the Company (excluding its affiliates) at the time of the payment of the Terminal Amount.

Power Purchase Agreement

The Sitapuram SPV, ZCL and SVCL entered into a power purchase agreement on July 21, 2005, under which ZCL and SVCL shall purchase the power generated by the Sitapuram SPV on the terms and conditions set forth therein. ZCL is entitled to 31 MW of capacity and 23 million kWh of energy per annum and SVCL is entitled to 20 MW of capacity and 19 million kWh of energy per annum. The key terms of the agreement are:

Tariff

The tariff shall consist of a fixed charge and a base variable charge as specified in the agreement. This tariff may be revised due to change in taxes, coal prices, etc.

"Take or Pay" Obligation

SCVL and ZCL are under an obligation to consume a certain amount of electricity per annum as set forth in the agreement. In case they do not fulfill that obligation, they shall pay an amount to the Sitapuram SPV as set forth in the agreement.

"Supply or Pay" Obligation

The Sitapuram SPV is required to supply a specified amount of electricity per annum to SVCL and ZCL as set forth in the agreement. In the event that the Sitapuram SPV is unable to supply the specified amount of electricity, it is required to pay the costs of obtaining the shortfall from APTRANSCO.

Term and Termination

The term of the agreement is 10 years, with an extension of five years at the option of SVCL and ZCL.

ZCL and SVCL may serve a notice of termination on the Sitapuram SPV in the case of certain specified events of default such as:

- Any dissolution of the Sitapuram SPV except as specified in the agreement.
- The Sitapuram SPV breaching any of its facilities obligations for a continuous period of 120 days.
- The Company breaching any of its obligations under the SSA.
- Failure to satisfy the conditions precedent to the agreement.
- Failure to synchronize the power plant within 24 months of the date of the agreement.
- Failure to commission the power plant within six months of the above synchronization.
- Failure to complete the tests and declaring a commercial operations date within nine months of the required commercial operations date.
- Failure to make any payment to SVCL and ZCL within 90 days of such payment falling due.
- Failure to supply power, or provide compensation for such shortfall, for more than 90 days.
- Failure to provide guaranteed quantity of power or provide compensation for such shortfall, for more than 90 days or for a cumulative period of 6 month in any consecutive period of 12 months.
- Failure by the Arasmeta SPV to maintain any consent.

Termination may take place due to extended *force majeure*, voluntary buy-out as provided in the SSA or due to a competitive tariff event. A competitive tariff event would occur, if at any time the tariff of APTRANSCO is less than the tariff of the Sitapuram SPV for a continuous period of 90 days due to a rise in the price of coal.

O&M Agreements

The Sitapuram SPV and Enmas O&M Service Private Limited ("O&M contractor") entered into two contracts on April 13, 2007, namely, (i) an operations agreement and (ii) a maintenance agreement, under which the O&M contractor shall operate and maintain the power station for the Sitapuram SPV. The Sitapuram SPV shall pay the O&M contractor an annual operating fee, annual maintenance fee, cost of consumables and a one time mobilization fee.

Obligations

The obligations of the O&M contractor are specified in the agreements and the owner is responsible for providing labor, services and materials to operate and maintain the plant within certain technical parameters. The O&M contractor shall recognize and undertake the responsibilities of the Sitapuram SPV under the agreements it has entered into. In case the net generation exceeds 290 million kWh per annum, the O&M contractor shall be entitled to a specified bonus, and in case it is less than 290 million kWh, the operator shall be liable to pay liquidated damages.

Charges

The Sitapuram SPV is required to pay the operator an annual maintenance fee and an annual consumable charge. In addition to the fixed charges, the O&M contractor is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

Under the agreements, in the event that the O&M contractor is unable to achieve certain performance parameters specified in the agreements, it shall be liable to pay liquidated damages to the Sitapuram SPV.

Aggregate Liability

Under the agreements, the total aggregate liability of the O&M contractor is limited to 10% of the annual operations fee, annual maintenance fee, administration fee and cost of consumables.

Term and Termination

The operations agreement is for a period of 15 years and the maintenance agreement is for a period of seven years and both may be extended.

The O&M contractor may terminate either agreement:

- Upon the bankruptcy, insolvency or dissolution of the Sitapuram SPV;

- Upon the failure of the Sitapuram SPV to pay all amounts due to the O&M contractor within 30 days of such payment falling due;

- In the event of a material breach continuing by the Sitapuram SPV, after 60 days notice of such breach; or

- Upon termination by the Sitapuram SPV of the other agreement of even date.

In the event of continuation of *force majeure* for a period of more than 180 days, either party may terminate these agreements.

Assignment

The Sitapuram SPV may assign its rights or duties under these agreements, but the O&M contractor may not do so without the prior permission of the Sitapuram SPV.

Coal Supply Agreement

The Sitapuram SPV entered into a coal supply agreement with the Singareni Collieries Company Limited ("SCCL") April 1, 2008, which is valid until March 31, 2010 and renewable by mutual agreement of the parties thereto.

The price of the coal shall be notified by SCCL from time to time. In the event that SCCL is unable to supply a specified amount of coal in a particular year, it is required to pay compensation based on a specified formula to the Sitapuram SPV. In the event that the Sitapuram SPV is unable to purchase a specified amount of coal in a particular year, it is required to pay compensation based on a specified formula to SCCL.

Land related agreements

Pursuant to a lease deed dated December 21, 2005, SVCL has provided the Sitapuram SPV with 26.665 acres of land for usage by the power plant for a period of 30 years. The term of the lease deed may be renewed for further terms of five years each on the terms and conditions mutually agreed by the parties.

The Sitapuram SPV is required to pay an annual rent at the rate of Rs.100 per acre.

The lease deed may be terminated by mutual agreement. In the event of a breach of any term of this lease deed by the Sitapuram SPV, SVCL may terminate the lease by giving written notice of six months subject to a cure a period of six months.

Water Supply Agreement

The Sitapuram SPV entered into a license agreement dated September 20, 2006, with the Government of Andhra Pradesh to draw surplus water from the river Krishna. The agreement is for a term of five years.

The Sitapuram SPV is required to pay tariff at the rate of Rs.5.50 per 1,000 gallons of water. The Government of Andhra Pradesh may revise the water rates from time to time.

The Sitapuram SPV is allowed to draw only 400 CuM of water per hour. Further, it can draw water only for 15 hours in a day.

135 MW VS Lignite Power Project – Gurha, Bikaner, Rajasthan

Share Subscription Agreements

The VS Lignite SPV has entered into multiple share subscription agreements with its captive consumers. Under the terms of these share subscription agreements, the captive consumers have subscribed for Class A equity shares of the VS Lignite SPV and are proportionately entitled to the power generated by its power plant.

Certain terms of these agreements are set forth below:

Capital Structure

Common equity shares of the VS Lignite SPV shall comprise Class A equity shares and Class B equity shares. Class A equity shares carry an entitlement to energy from the power plant and a restrictive dividend of not more than 0.01% of the face value of the shares. Class B equity shares carry an entitlement to all the profits of the VS Lignite SPV remaining after transfer to reserves and payment of dividends to Class A equity shareholders.

The preference capital of the Company shall comprise Class A preference shares and Class B preference shares. Class A preference shares shall carry a restrictive coupon rate of 0.01% per annum of the face value of the preference shares. The captive consumers for the Class A preference shares shall be the captive consumers.

Management

The Company shall conduct the operations and day-to-day management of the VS Lignite SPV. The captive consumers have the right to jointly nominate one director to the board of directors of the VS Lignite SPV.

Term and Termination

This agreement terminates upon (i) termination of the power delivery agreement between the VS Lignite SPV and the captive consumer, and (ii) the captive consumer losing its status as user member of the VS Lignite SPV. Upon expiry of a power delivery agreement, the VS Lignite SPV shall buy back the Class A equity shares and Class A preference shares of the relevant captive consumer at par.

Further, in the event that a power delivery agreement is terminated due to a contractual default of the VS Lignite SPV, excluding liquidation or winding up, it shall buy back the Class A equity shares and Class A preference shares of the relevant captive consumer at par.

Power Delivery Agreements

The VS Lignite SPV has entered into 10 power delivery agreements with its captive consumers. Under the terms of these agreements, the general obligations of the VS Lignite SPV include construction and operation of the power plant, obtaining the fuel supply linkage, entering into wheeling agreements, arranging for the operations and maintenance of the power station and obtaining all necessary regulatory and statutory approvals. The obligations of the captive consumer include meeting all investment obligations under the applicable share subscription agreement and complying with any wheeling obligations.

Certain terms of these agreements are set forth below:

"Take or Pay" Obligation

The captive consumer is required to purchase a specified amount of electricity in each billing period from the VS Lignite SPV as set forth in the agreement. In the event that such consumer is unable to purchase the specified amount electricity, it is required to pay an amount to the VS Lignite SPV as specified in the agreement.

"Supply or Pay" Obligation

The VS Lignite SPV is required to supply a specified amount of electricity per annum to the captive consumer as set forth in the agreement. In the event that the VS Lignite SPV is unable to supply the specified amount of electricity, the VS Lignite SPV is required to pay the captive consumer the difference between the tariff rate under the power purchase agreement and the applicable tariff of RRVPNL.

Tariff

The tariff for electricity supplied under these agreements is a fixed rate as specified in the agreement.

Assignment

The VS Lignite SPV shall not assign the power delivery agreements to any third party, unless such party undertakes to comply with its rights and obligations.

The captive consumer shall not assign or otherwise transfer the power delivery agreements, except with the VS Lignite SPV's consent, in which case it shall be deemed that the captive consumer has transferred the entitlement to energy from the power plant and its obligations under the agreement, along with its equity.

Term and Termination

The term of these agreements vary from 10 years to 25 years from the commercial operations date, unless terminated earlier.

A captive consumer shall have the right to serve a notice of termination of this agreement on the VS Lignite SPV upon the occurrence of any of the following events:

- a resolution for winding up the VS Lignite SPV is adopted by its shareholders;
- appointment of a provisional liquidator in a proceeding for the winding up of the VS Lignite SPV after notice to the VS Lignite SPV and due hearing, which has not been set aside or stayed within 60 days of such appointment;
- an order for winding up the VS Lignite SPV is passed by a court, except for the purpose of its amalgamation or reconstruction in a manner that does not prevent it from fulfilling its obligations under this agreement;
- non-receipt of approval for the wheeling of power;
- a delay of more than 180 days for achieving the target date of commercial operation;
- the VS Lignite SPV abandons the operation of the power station or fails to supply electricity after the entry into commercial service for more than 180 consecutive days;
- the VS Lignite SPV fails to maintain any clearance, materially affecting its ability to supply electricity and such default continues for a period of 180 days; or
- the VS Lignite SPV defaults on any other material obligation under these agreements.

If a captive consumer serves a termination notice, the VS Lignite SPV is required to buy-back the equity shares held by the captive consumer in accordance with law.

EPC Agreements

On September 13, 2006, the VS Lignite SPV and SEPCO entered into the following agreements (i) an Offshore Services Agreement, (ii) an Onshore Services Agreement, (iii) an Offshore Supply Agreement and (iv) an Onshore Supply Agreement.

The main terms of these agreements are set forth below:

SEPCO's Obligations

Under the supply agreements, SEPCO is required to procure, supply, assemble, and test all the equipment necessary for the VS Lignite power station. Under the services agreements, SEPCO is required to provide single-point responsibility for detailed design and engineering of the power plant and onshore services for the implementation of the project.

In addition to above, SEPCO has to train and acquaint the O&M contractor and develop a spare parts arrangement.

Compensation

SEPCO is paid a fixed dollar amount under the offshore agreements and a fixed rupee amount under the onshore agreements. In addition to the fixed charges, SEPCO is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that SEPCO is unable to achieve specific performance parameters specified in the operations agreement, it shall be liable to pay liquidated damages to the VS Lignite SPV.

Aggregate Liability

Under each agreement, the aggregate liability of SEPCO for delay in delivery and liquidated damages is limited to 10% of the equipment price.

Timeline

The supply agreements have to be completed within 23 months from the date of the release of advance payment, and the services agreements have to be completed within 25 months from the date of the release of advance payment.

Equipment and Service Warranties

If SEPCO is unable to meet the technical performance parameters specified in the agreements, the VS Lignite SPV may (i) reject the design and engineering and onshore services and (ii) recover all payments made to SEPCO.

SEPCO's equipment and services are warranted for a period of 12 months.

Termination

If either party is rendered unable to perform its obligations under any agreement due to a *force majeure* event lasting for a period of 120 consecutive days, it may by notice terminate the agreement.

A breach by SEPCO under any agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- failure to make timely payments to the VS Lignite SPV;

- breach of any material provision of this agreement;

- bankruptcy, restructuring or amalgamation;

- failure to achieve guaranteed completion date; and

- abandonment of services on an aggregate basis exceeds 60 days.

The VS Lignite SPV may at its own convenience terminate any agreement, in full or part, with 30 days' notice to SEPCO.

<u>Water Supply Agreement</u>

The VS Lignite SPV entered into an agreement dated August 8, 2007, with the Government of Rajasthan ("GoR"), which permits the VS Lignite SPV to draw 17.50 cusecs from the Indira Gandhi Nahar for a period of 30 years commencing from the date of commercial operation of the project.

Pursuant to the terms of this agreement, the VS Lignite SPV has been permitted to draw water in the following manner:

- as per the actual requirement during the construction and startup periods of the power plant; and

- 17.50 cusecs of water commencing six months prior to the synchronization of the power plant.

The VS Lignite SPV is required to pay tariff at the rate of Rs.20.00 per cubic foot. The GoR may revise the water rates from time to time on a general basis.

540 MW Wardha Power Project – Warora, Chandrapur, Maharashtra

<u>Share Subscription Agreements</u>

Viraj Profiles Limited

The Wardha Power SPV entered into a share subscription agreement on January 12, 2007, with its captive consumer Viraj Profiles Limited ("Viraj"), whereby Viraj has subscribed for 2,08,00,000 Class A equity shares of Rs.10 each and 6,57,80,000 Class A preference shares of Rs.10 each. Viraj shall remit the subscription money in installments as set out in the agreement.

Capital Structure

Common equity shares of the Wardha Power SPV shall comprise Class A equity shares and Class B equity shares. Class A equity shares carry an entitlement to energy from the power plant and a restrictive dividend of not more than 0.01% of the face value of the shares. Class B equity shares carry an entitlement to all the profits of the Wardha Power SPV remaining after transfer to reserves and payment of dividends to Class A equity shareholders.

The preference capital of the Wardha Power SPV shall comprise Class A preference shares and Class B preference shares. Class A preference shares shall carry a restrictive coupon rate of 0.01% per annum of the face value of the preference shares. For further details on the description of shares, see the section "History and Certain Corporate Matters – Subsidiaries – Wardha Power Company Private Limited ("Wardha Power")" beginning on page 185 of this Red Herring Prospectus.

Management

The Company shall conduct the operations and day-to-day management of the Wardha Power SPV. The captive consumers have the right to jointly nominate one director to the board of directors of the Wardha Power SPV.

Termination

This agreement terminates upon (i) termination of the power delivery agreement between the Wardha Power SPV and Viraj, and (ii) Viraj losing its status as user member of the Wardha Power SPV. Upon expiry of the power delivery agreement, the Wardha Power SPV shall buy back the Class A equity shares and Class A preference shares held by Viraj for a total consideration Re.1.

Further, in the event that the power delivery agreement is terminated due to a contractual default of the Wardha Power SPV, excluding liquidation or winding up, it shall buy back the Class A equity shares and Class A preference shares of the captive consumer at par.

Other Captive Consumers

In addition to the share subscription agreement with Viraj, the Wardha Power SPV has entered into multiple share subscription agreements with its other captive consumers.

Under the share subscription agreement with Sona Alloys Private Limited, the preference capital of the Wardha Power SPV shall comprise Class A preference shares and Class B preference shares. Under the share subscription agreements with other captive consumers, the preference capital of the Wardha Power SPV shall comprise Class A preference shares, Class B preference shares and Class C preference shares. Class A preference shares shall (i) carry a restrictive coupon rate of 0.01% per annum of the face value of the preference shares, and (ii) be redeemable on the expiry of a period of 20 years from the date of issue of such preference shares. Class B preference shares shall be redeemable on the expiry of a period of 10 years from the date of issue of such preference shares. Class C preference shares (i) shall carry a restrictive coupon rate of 0.01% per annum of the face value of the preference shares, and (ii) 10% of such preference shares shall be redeemable at a discount of Re.0.01 per share on every anniversary from the date of issue of such preference shares. The entire Class C preference capital shall become redeemable within 10 years from the date of issue of such preference shares.

Certain terms of these agreements are set forth below:

Capital Structure

In addition to the preference share capital described above, common equity shares of the Wardha Power SPV shall comprise Class A equity shares and Class B equity shares. Class A equity shares carry an entitlement to energy from the power plant and a restrictive dividend of not more than 0.01% of the face value of the shares. Class B equity shares carry an entitlement to all the profits of the Wardha Power SPV remaining after transfer to reserves and payment of dividend to Class A equity shareholders.

Management

The Company shall conduct the operations and day-to-day management of the Wardha Power SPV. The captive consumers have the right to jointly nominate one director to the board of directors of the Wardha Power SPV.

Termination

This agreement terminates upon (i) termination of the power delivery agreement between the Wardha Power SPV and the captive consumer, and (ii) the captive consumer losing its status as user member of the Wardha Power SPV. Upon expiry of the power delivery agreement, the Wardha Power SPV shall buy back the Class A equity shares, Class A preference shares and Class C preference shares held by the captive consumer for a total consideration of Re.1.

Further, in the event that the power delivery agreement is terminated due to a contractual default of the Wardha Power SPV, excluding liquidation or winding up, it shall buy back the Class A equity shares, Class A preference shares and Class C preference shares of the captive consumer at par.

<u>Power Delivery Agreement</u>

Viraj Profiles Limited

The Wardha Power SPV entered into a power delivery agreement on January 12, 2007, with Viraj. Under the terms of this agreement, the general obligations of the Wardha Power SPV include construction and operation of the power plant, obtaining the fuel supply linkage, entering into wheeling agreements, arranging for operations and maintenance of the power station and obtaining all necessary regulatory and statutory approvals. The obligations of Viraj include meeting all investment obligations under the share subscription agreement and complying with any wheeling obligations. Viraj is entitled to 270 MW, representing 100% of the Wardha Power SPV's gross capacity and 1,038 Million Kwh, amounting to 58.31% of peak level electrical energy generating capacity.

"Take or Pay" Obligation

Viraj is required to purchase a specified amount of electricity in each billing period from the Wardha Power SPV as set forth in the agreement. In the event that Viraj is unable to purchase the specified amount of electricity, it is required to pay an amount to the Wardha Power SPV as specified in the agreement.

"Supply or Pay" Obligation

The Wardha Power SPV is required to supply a specified amount of electricity per annum to Viraj as set forth in the agreement. In the event that the Wardha Power SPV is unable to supply the specified amount of electricity, the Wardha Power SPV is required to pay Viraj the difference between the tariff rate under the power delivery agreement and the applicable tariff of MSETCL.

Tariff

The tariff for electricity supplied under these agreements consists of a fixed charge and a variable charge, as set forth in the agreement.

Assignment

The Wardha Power SPV shall not assign the power delivery agreement to any third party, unless such party undertakes to comply with its rights and obligations. Viraj shall not assign or otherwise transfer the power delivery agreement.

Term and Termination

The term of this agreement is 25 years from the commercial operations date, unless terminated earlier. Notwithstanding such term, the agreement shall terminate on June 30, 2034.

Viraj shall have the right to serve a notice of termination of this agreement on the Wardha Power SPV upon the occurrence of any of the following events:

- a resolution for winding up the Wardha Power SPV is adopted by its shareholders;

- appointment of a provisional liquidator in a proceeding for the winding up of the Wardha Power SPV after notice to the Wardha Power SPV and due hearing, which has not been set aside or stayed within 60 days of such appointment;

- an order winding up the Wardha Power SPV is passed by a court, except for the purpose of its amalgamation or reconstruction in a manner that does not prevent it from fulfilling its obligations under this agreement;

- non-receipt of approval for the wheeling of power;
- a delay of more than 180 days for achieving the target date of commercial operation;
- the Wardha Power SPV abandons the operation of the power station or fails to supply electricity after the entry into commercial service for more than 180 consecutive days;
- the Wardha Power SPV fails to maintain any clearance, materially affecting its ability to supply electricity and such default continues for a period of 180 days; or
- the Wardha Power SPV defaults on any other material obligation under these agreements.

If Viraj serves a termination notice, the Wardha Power SPV is required to buy-back the equity shares held by it in accordance with law.

Other Captive Consumers

In addition to the power delivery agreement with Viraj, the Wardha Power SPV has entered into power delivery agreements with its other captive consumers. Under the terms of this agreement, the general obligations of the Wardha Power SPV include construction and operation of the power plant, obtaining the fuel supply linkage, entering into wheeling agreements, arranging for operations and maintenance of the power station and obtaining all necessary regulatory and statutory approvals. The obligations of the captive consumer include meeting all investment obligations under the share subscription agreement and complying with any wheeling obligations.

"Take or Pay" Obligation

The captive consumers are required to purchase a specified amount of electricity in each billing period from the Wardha Power SPV. In the event that the captive consumer is unable to purchase the specified amount of electricity, it is required to pay a specified amount to the Wardha Power SPV.

"Supply or Pay" Obligation

The Wardha Power SPV is required to supply a specified amount of electricity per annum to the captive consumer. In the event that the Wardha Power SPV is unable to supply the specified amount of electricity, the Wardha Power SPV is required to pay the captive consumer the difference between the tariff rate under the power delivery agreement and the applicable tariff of MSETCL.

Tariff

The tariff for electricity supplied under these agreements consists of a fixed charge and a variable charge, as set forth in the agreement.

Assignment

The Wardha Power SPV shall not assign the power delivery agreement to any third party, unless such party undertakes to comply with its rights and obligations. Generally, the captive consumers are not permitted assign or otherwise transfer the power delivery agreement.

Term and Termination

The term of the agreement with Sona Alloys Private Limited is 20 years from the commercial operations date, unless terminated earlier. Notwithstanding such term, the agreement shall terminate on December 29, 2029. The terms of the other agreements are 25 years from the commercial operations date, unless terminated earlier. Notwithstanding such terms, the agreements shall terminate on December 30, 2034.

The captive consumer shall have the right to serve a notice of termination of this agreement on the Wardha Power SPV upon the occurrence of any of the following events:

- a resolution for winding up the Wardha Power SPV is adopted by its shareholders;

- appointment of a provisional liquidator in a proceeding for the winding up of the Wardha Power SPV after notice to the Wardha Power SPV and due hearing, which has not been set aside or stayed within 60 days of such appointment;

- an order winding up the Wardha Power SPV is passed by a court, except for the purpose of its amalgamation or reconstruction in a manner that does not prevent it from fulfilling its obligations under this agreement;

- non-receipt of approval for the wheeling of power;

- a delay of more than 180 days for achieving the target date of commercial operation;

- the Wardha Power SPV abandons the operation of the power station or fails to supply electricity after the entry into commercial service for more than 180 consecutive days;

- the Wardha Power SPV fails to maintain any clearance, materially affecting its ability to supply electricity and such default continues for a period of 180 days; or

- the Wardha Power SPV defaults on any other material obligation under these agreements.

If the captive consumer serves a termination notice, the Wardha Power SPV is required to buy-back the equity shares held by it in accordance with law.

EPC Agreements

Phase-1 (270MW)

The Wardha Power SPV and Sichuan Electric entered into the following agreements, each dated May 15, 2007: (i) Construction Agreement, (ii) an Offshore Services Agreement, (iii) an Onshore Services Agreement, (iv) an Offshore Supply Agreement and (v) an Onshore Supply Agreement.

The main terms of these agreements are set forth below:

Sichuan Electric's obligations

Under the supply agreements, Sichuan Electric is required to procure, supply, assemble, and test all the equipment necessary for the Wardha power station. Under the services agreements, Sichuan Electric is required to provide single-point responsibility for detailed design and engineering of the power plant and onshore services for the implementation of the project.

In addition to the above, Sichuan Electric is required to train and acquaint the O&M contractor with the power station and develop a spare parts arrangement.

Compensation

Sichuan Electric is paid a fixed dollar amount under the offshore agreements and a fixed rupee amount under the onshore agreements. In addition to the fixed charges, and Sichuan Electric is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that Sichuan Electric is unable to achieve specific performance parameters specified in the operations agreement, it shall be liable to pay liquidated damages to the Wardha Power SPV.

Aggregate Liability

Under each agreement, the aggregate liability of Sichuan Electric for delay in delivery and liquidated damages is limited to 10% of the equipment price or the agreement price.

Timeline

The supply agreements and the construction agreement have to be completed by March 15, 2009 for the first unit of Phase-1 and June 15, 2009 for the second unit of Phase-1. The services contracts have to be completed by May 15, 2009 for the first unit of Phase-1 and August 15, 2009 for the second unit of Phase-1.

Equipment and Service Warranties

If Sichuan Electric is unable to meet the technical performance parameters specified in the agreements, the Wardha Power SPV may (i) reject the design and engineering and onshore services and (ii) recover all payments made to Sichuan Electric.

Sichuan Electric's equipment and services are warranted for a period of 12 months.

Termination

If either party is rendered unable to perform its obligations under any agreement due to a *force majeure* event lasting for a period of 120 consecutive days, it may by notice terminate the agreement.

A breach by Sichuan Electric under any agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- failure to make timely payments to the Wardha Power SPV;
- breach of any material provision of this agreement;
- bankruptcy, restructuring or amalgamation;
- failure to achieve the guaranteed completion date; and
- abandonment of services.

The Wardha Power SPV may at its own convenience terminate any agreement, in full or part, with a 30 days notice to Sichuan Electric.

Phase-2 (270MW)

The Wardha Power SPV and Sichuan Electric entered into the following agreements, each dated May 15, 2007: (i) Construction Agreement, (ii) an Offshore Services Agreement, (iii) an Onshore Services Agreement, (iv) an Offshore Supply Agreement and (v) an Onshore Supply Agreement.

The main terms of these agreements are set forth below:

Sichuan Electric's obligations

Under the supply agreements, Sichuan Electric is required to procure, supply, assemble, and test all the equipment necessary for the Wardha power station. Under the services agreements, Sichuan Electric is required to provide single-point responsibility for detailed design and engineering of the power plant and onshore services for the implementation of the project.

In addition to the above, Sichuan Electric is required to train and acquaint the O&M contractor with the power station and develop a spare parts arrangement.

Compensation

Sichuan Electric is paid a fixed dollar amount under the offshore agreements and a fixed rupee amount under the onshore agreements. In addition to the fixed charges, of Sichuan Electric is entitled to certain bonus payments upon achieving specific performance parameters.

Liquidated Damages

In the event that Sichuan Electric is unable to achieve specific performance parameters specified in the operations agreement, it shall be liable to pay liquidated damages to the Wardha Power SPV.

Aggregate Liability

Under each agreement, the aggregate liability of Sichuan Electric for delay in delivery and liquidated damages is limited to 10% of the equipment price or the agreement price.

Timeline

The agreements have to be completed by August 27, 2009, for the first unit of Phase-2 and November 12, 2009 for the second unit of Phase-2.

Equipment and Service Warranties

If Sichuan Electric is unable to meet the technical performance parameters specified in the agreements, the Wardha Power SPV may (i) reject the design and engineering and onshore services and (ii) recover all payments made to Sichuan Electric.

Sichuan Electric's equipment and services are warranted for a period of 12 months.

Termination

If either party is rendered unable to perform its obligations under any agreement due to a *force majeure* event lasting for a period of 120 consecutive days, it may by notice terminate the agreement.

A breach by Sichuan Electric under any agreement shall be deemed to exist upon the occurrence of any one or more of the following events:

- failure to make timely payments to the Wardha Power SPV;
- breach of any material provision of this agreement;
- bankruptcy, restructuring or amalgamation;
- failure to achieve the guaranteed completion date; and

- abandonment of services.

The Wardha Power SPV may at its own convenience terminate any agreement, in full or part, with a 30 days notice to Sichuan Electric.

<u>Land related agreements</u>

The Wardha Power SPV entered a lease agreement dated August 17, 2007 with MIDC for the lease of an area of 94.46 hectares in the Warora Growth Centre, District Chandrapur, Maharashtra. The lease is for a term of 95 years.

The Wardha Power SPV paid Rs.2.36 crore as premium for the land. It is required to pay a nominal an annual rent of Re.1.00. Under the terms of the lease deed, the Wardha Power SPV is under an obligation to give preference in employment to those whose lands have been acquired to create the industrial area.

Other Agreements

In addition to the above, we have entered into certain other agreements for our projects under construction, planned projects or power projects under development for which we have either secured debt financing or entered into term sheets and are negotiating debt financing agreements. For details of these projects, see the section “Our Business” beginning on page 105 of this Red Herring Prospectus.

REGULATIONS AND POLICIES

The following is a summary of certain relevant regulations and policies that are currently applicable to the business carried on by us. The regulations and policies set out below are not exhaustive and are only intended to give general information to investors and are neither designed nor intended to be a substitute for professional advice.

Labor Legislation

As part of our business, we are required to comply from time to time with certain laws in relation to the employment of labor. A brief description of certain labor legislations which are applicable to our operations is set forth below:

Factories Act, 1948

The Factories Act, 1948, as amended (the "Factories Act"), defines a 'factory' to be any premises on which on any day in the previous 12 months, 10 or more workers are or were working and in which a manufacturing process is being carried on or is ordinarily carried on with the aid of power; or where at least 20 workers are or were working on any day in the preceding 12 months and on which a manufacturing process is being carried on or is ordinarily carried on without the aid of power. State governments prescribe rules with respect to the prior submission of plans, their approval for the establishment of factories and the registration and licensing of factories.

The Factories Act provides that the 'occupier' of a factory (defined as the person who has ultimate control over the affairs of the factory and in the case of a company, any one of the directors) shall ensure the health, safety and welfare of all workers while they are at work in the factory, especially in respect of safety and proper maintenance of the factory such that it does not pose health risks, the safe use, handling, storage and transport of factory articles and substances, provision of adequate instruction, training and supervision to ensure workers' health and safety, cleanliness and safe working conditions. If there is a contravention of any of the provisions of the Factories Act or the rules framed thereunder, the occupier and manager of the factory may be punished with imprisonment or with a fine.

Minimum Wages Act, 1948

The Minimum Wages Act, 1948, as amended, provides a framework for State governments to stipulate the minimum wage applicable to a particular industry. The minimum wage may consist of a basic rate of wages and a special allowance; or a basic rate of wages and the cash value of the concessions in respect of supplies of essential commodities; or an all-inclusive rate allowing for the basic rate, the cost of living allowance and the cash value of the concessions, if any. Workmen are to be paid for overtime at overtime rates stipulated by the appropriate government. Contravention of the provisions of this legislation may result in imprisonment for a term up to six months or a fine up to Rs.500 or both.

Payment of Bonus Act, 1965

Pursuant to the Payment of Bonus Act, 1965, as amended (the "Bonus Act"), an employee in a factory or in any establishment where 20 or more persons are employed on any day during an accounting year, who has worked for at least 30 working days in a year is eligible to be paid a bonus. Contravention of the provisions of the Bonus Act by a company is punishable with imprisonment or a fine, against persons in charge of, and responsible to the company for the conduct of the business of the company at the time of contravention.

Employees State Insurance Act, 1948

The Employees State Insurance Act, 1948, as amended (the "ESI Act"), provides for certain benefits to employees in case of sickness, maternity and employment injury. All employees in establishments covered by the ESI Act are required to be insured, with an obligation imposed on the employer to make certain contributions in relation thereto. In addition, the employer is also required to register itself under the ESI Act and maintain prescribed records and registers.

Contract Labor (Regulation and Abolition) Act, 1970

The Contract Labor (Regulation and Abolition) Act, 1970, as amended (the "CLRA"), requires establishments that employ, or have employed on any day in the previous 12 months, 20 or more workmen as contract labor to be registered and prescribes certain obligations with respect to the welfare and health of contract labor. The CLRA requires the principal employer of an establishment to which it applies to make an application to the registering officer in the prescribed manner for registration of the establishment. In the absence of registration, contract labor cannot be employed in the establishment. Likewise, every contractor to whom the CLRA applies is required to obtain a license and not to undertake or execute any work through contract labor except under and in accordance with the license issued. To ensure the welfare and health of contract labor, the CLRA imposes certain obligations on the contractor including the establishment of canteens, rest rooms, drinking water, washing facilities, first aid facilities, other facilities and payment of wages. However, in the event the contractor fails to provide these amenities, the principal employer is under an obligation to provide these facilities within a prescribed time period. Penalties, including both fines and imprisonment, may be imposed for contravention of the provisions of the CLRA.

Employees Provident Fund and Miscellaneous Provisions Act, 1952

The Employees Provident Fund and Miscellaneous Provisions Act, 1952, as amended, provides for the institution of compulsory provident fund, pension fund and deposit linked insurance funds for the benefit of employees in factories and other establishments. Liability is placed both on the employer and the employee to make certain contributions to the funds mentioned above.

Payment of Gratuity Act, 1972

Under the Payment of Gratuity Act, 1972, as amended, an employee who has been in continuous service for a period of five years will be eligible for gratuity upon his retirement, resignation, superannuation, death or disablement due to accident or disease. The entitlement to gratuity in the event of death or disablement is not contingent upon an employee having completed five years of continuous service. The maximum amount of gratuity payable may not exceed Rs.0.035 crore.

Legislation governing the Generation and Transmission of Electricity

Electricity, being an entry in the Concurrent List (Entry 38, List III) of the Seventh Schedule to the Constitution of India, is governed by the laws of both the Government of India and the state governments. The central legislation governing the sector is the Electricity Act, 2003, as amended (the "Electricity Act"), a comprehensive legislation governing various aspects of the power sector including transmission, supply and use of electricity and central and state electricity regulatory commissions.

Authorities under the Electricity Act

The Central Electricity Authority ("CEA") is constituted under the Electricity Act and comprises members appointed by the Government of India to perform the functions and duties prescribed by the Government of India. Among other functions, the CEA is to (a) specify technical standards for construction of electrical plants, electric lines and connectivity to the grid; (b) specify grid standards for operation and maintenance of transmission lines; (c) specify the conditions for installation of meters for transmission and supply of electricity; (d) advise the Government of India on matters relating to the National Electricity Policy; and (e) advise the appropriate government and commission on all technical matters relating to the generation, transmission and distribution of electricity. The Electricity Act also provides for a Central Electricity Regulatory Commission ("CERC") and a State Electricity Regulatory Commission ("SERC") for each state. Among other functions, the CERC is responsible for: (a) regulation of inter-state transmission of electricity; (b) determination of tariff for inter-state transmission of electricity; (c) issuing of licenses to function as a transmission licensee with respect to inter-state operations; and (d) specifying and enforcing standards with respect to quality, continuity and reliability of service by licensee. SERCs perform the similar functions at the state level. The Electricity Act also provides for the establishment of a Joint Commission by an agreement between two or more state governments or by the central government in respect of a union territory and one or more state governments. The Joint Commission shall determine tariff in respect of the participating states or union territories separately and independently.

The Electricity Act also provides for the establishment of an Appellate Tribunal for Electricity that shall hear appeals against the order of the adjudicating officer or the appropriate commission under the Electricity Act.

Electricity Rules, 2005

The Electricity Rules, 2005, as amended (the "Electricity Rules") issued on June 8, 2005, under the provisions of the Electricity Act, state that no power plant shall qualify as a captive power plant unless:

- not less than 26% of the ownership is held by captive users; and

- not less than 51% of the aggregate electricity generated in such plant, determined on an annual basis, is consumed for captive use.

  In case of a generating station owned by a company formed as a special purpose vehicle for such generating station:

- the electricity required to be consumed by captive users shall be determined with reference to such unit or units identified for captive use and not with reference to the generating station as a whole; and

- the equity shares to be held by the captive users shall not be less than 26% of the proportionate equity interest of the company related to the generating unit or units identified as the captive generating plant.

Under the Electricity Rules, the National Load Dispatch Centre, the Regional Load Dispatch Centre or the State Load Dispatch Centre may give appropriate directions for maintaining the availability of the transmission system of a transmission licensee and such licensee shall comply with such directions.

Tariff Policy

The Tariff Policy (the "Tariff Policy") was notified by the Central Government on January 6, 2006 pursuant to Section 3 of the Electricity Act. The central and state commissions are guided by the Tariff Policy while determining the tariff. The key features of the Tariff Policy are as follows:

(i). adoption of a two-part tariff structure for all long term contracts;

(ii). procurement of future power requirements is required to be through competitive bidding;

(iii). procurement of electricity separately for base load requirements and peak load requirements, in order to facilitate setting up of generation capacities to meet peak load requirements;

(iv). PPAs should ensure adequate and bankable payment security arrangements to the generating companies;

(v). in case of coal based generating stations, the cost of the project will also include reasonable costs of setting up coal washeries, coal beneficiation system and dry ash handling and disposal systems; and

(vi). optimal development of the transmission network to promote efficient utilization of generation and transmission assets and to attract the required investments in the transmission sector and providing adequate returns.

National Electricity Policy

The National Electricity Policy (the "NEP") was notified by the Central Government on February 12, 2005, pursuant to Section 3 of the Electricity Act.

The main objectives that the NEP seeks to achieve are as follows:

- Access to electricity for all households in next five years;
- Demand to be fully met by 2012. Energy and peaking shortages to be overcome and adequate spinning reserve to be available;
- Reliable supply of power of specified standards in an efficient manner and at reasonable rates;
- Per capita availability of electricity to be increased to over 1,000 units by 2012;
- Minimum lifeline consumption of 1 unit/household/day by 2012;
- Financial turnaround and commercial viability of the electricity sector; and
- Protection of consumers' interests.

In respect of hydro-electric generation projects, the NEP calls for greater commitment of the Government towards ensuring debt financing of longer tenure and review of procedures for land acquisition, and other approvals/clearances for speedy implementation of such projects. Further, in respect of thermal electricity generation, the NEP recommends establishing new generating stations near fuel sources, for example, pithead locations or load centers, and medium to long term fuel supply agreements, especially with respect to imported fuels, to ensure commercial viability and security of supply.

Environmental Legislation

We are required under applicable law to ensure that our operations are compliant with environmental legislation such as the Water (Prevention and Control of Pollution) Act 1974, as amended (the "Water Act"), the Air (Prevention and Control of Pollution) Act, 1981, as amended (the "Air Act") and the Environment Protection Act, 1986, as amended (the "Environment Act"). The Water Act aims to prevent and control water pollution. It provides for the constitution of a Central Pollution Control Board ("CPCB") and State Pollution Control Boards ("SPCBs"). The functions of the CPCB include coordination of activities of the SPCBs, collecting data relating to water pollution and the stipulation of measures for the prevention and control of water pollution and prescription of standards for streams or wells. The SPCBs are responsible for the planning for programs for, among other things, the prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and to review the specifications and data relating to plants set up for treatment and purification of water; and laying down standards for treatment of trade effluents to be discharged. This legislation prohibits any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluents into a stream, well or sewer without the prior consent of the relevant SPCB.

The CPCB and the SPCBs constituted under the Water Act are to perform functions under the Air Act for the prevention and control of air pollution. The Air Act aims to prevent and control air pollution. It is mandated under the Air Act that no person may, without the prior consent of the relevant SPCB, establish or operate any industrial plant in an air pollution control area.

The Environment Act has been enacted for the protection and improvement of the environment. It empowers the Government to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants. The Government may make rules for regulating environmental pollution.

Environment Impact Assessment Notifications

The Environment Impact Assessment Notification S.O.60(E), issued on January 27, 1994 (the "1994 Notification") under the provisions of the Environment (Protection) Act, 1986, as amended (the "EPA"), prescribes that for the construction of certain power projects specified in the 1994 Notification, in the case of new projects, if the investment is more than Rs.100 crore and in the case of expansion or modernization projects, if the investment is more than Rs.50 crore, the prior environmental clearance of the MoEF is required. The environmental clearance must be obtained from the MoEF according to the procedure specified in the 1994 Notification. No construction work, preliminary or other, relating to the setting up of a project can be undertaken until such clearance is obtained.

The application to the MoEF is required to be accompanied by a project report which should include, *inter alia*, an Environmental Impact Assessment Report and an Environment Management Plan. The Impact Assessment Authority evaluates the report and plan submitted. Such assessment is required to be completed within a period of 90 days from receipt of the requisite documents from the project developer/manager. Thereafter, a public hearing has to be completed and a decision conveyed within 30 days.

The clearance granted is valid for a period of five years from the commencement of the construction or operation of the project. The project developer/manager concerned is required to submit a half yearly report to the Impact Assessment Authority to enable it to effectively monitor the implementation of the recommendations and conditions subject to which the environmental clearance has been given.

If no comments from the Impact Assessment Authority are received within the time limits specified above, the project will be deemed to have been approved by the project developer/manager.

On September 14, 2006, the Environmental Impact Assessment Notification S.O.1533 (the "2006 Notification") superseded the 1994 Notification.

Under the 2006 Notification, the environmental clearance process for new projects consists of four stages – screening, scoping, public consultation and appraisal. After completion of public consultation, the applicant is required to make appropriate changes in the draft Environment Impact Assessment Report and the Environment Management Plan. The final Environment Impact Assessment Report has to be submitted to the concerned regulatory authority for appraisal. The regulatory authority is required to give its decision within 105 days of the receipt of the final Environment Impact Assessment Report.

Hazardous Waste (Management and Handling) Rules, 1989

The Hazardous Waste (Management and Handling) Rules, 1989, as amended, impose an obligation on each occupier and operator of any facility generating hazardous waste to dispose of such hazardous wastes properly and also imposes obligations in respect of the collection, treatment and storage of hazardous wastes. Each occupier and operator of any facility generating hazardous waste is required to obtain an approval from the relevant state pollution control board for collecting, storing and treating the hazardous waste.

Public Liability Insurance Act, 1991

The Public Liability Insurance Act, 1991, as amended (the "Public Liability Act") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of 'hazardous substances' covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the Environment Relief Fund, a sum equal to the premium paid on the insurance policies. This amount is payable to the insurer.

Fiscal Regulations

Section 80-IA of the Income Tax Act, 1961 provides that, while computing the total income of an industrial undertaking or enterprise engaged in infrastructure development, including an undertaking set up for generation of power, 100% deduction of the profit and gains of such undertaking is allowed for undertakings that commence commercial operation up to March 31, 2010. This deduction is permitted during any 10 consecutive assessment years out of the first 15 years from the commencement of operation of the infrastructure facility. This benefit is not applicable when the concerned undertaking is formed by the splitting up or reconstruction of a business already in existence or by the transfer to a new business of machinery or plant previously used for any purpose.

Foreign Investment Regulation

The industrial policy was formulated in 1991 to implement the Government's liberalization program and consequently industrial policy reforms relaxed industrial licensing requirements and restrictions on foreign investment. The procedure for investment in the power sector has been simplified for facilitating foreign direct investment. Foreign direct investment is allowed up to 100% in respect of projects relating to electricity generation, transmission and distribution, other than atomic reactor power plants.

Other Regulations

Indian Boilers Act, 1923

The Indian Boilers Act, 1923, as amended and the rules made thereunder, i.e., the Indian Boiler Regulation, 1950, as amended, cover various aspects of material and equipments utilized in the manufacture of boilers for use in India and the registration, operation and repair of boilers in India.

HISTORY AND CERTAIN CORPORATE MATTERS

The Company was incorporated as KSK Energy Ventures Private Limited on February 14, 2001 under the Companies Act, 1956, as amended. It became a public company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on February 9, 2002, and the word "private" was deleted from its name. The Company became a private limited company pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on July 3, 2006, and the word "private" was added to its name. Subsequently, pursuant to a special resolution of the shareholders of the Company at an extraordinary general meeting held on January 19, 2008, the Company has become a public limited company and the word "private" has been deleted from its name. The certificate of incorporation to reflect the new name was issued on February 6, 2008 by the RoC.

The registered office of the Company was shifted from 51, 1st Main Road, CIT Colony, Chennai - 600 004, Tamil Nadu, India to 1st Floor, SDE Serene Chambers, Road No.7, Banjara Hills, Hyderabad - 500 034, Andhra Pradesh, India with effect from January 9, 2002. Subsequently, with effect from May 14, 2003, the registered office of the Company was shifted to 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India. Subsequently, with effect from September 9, 2004, the registered office of the Company was shifted to Sony Apartments, 2nd Floor, 19, Rebello Road, Bandra (West), Mumbai - 400 050, Maharashtra, India. Thereafter, with effect from January 18, 2008, the registered office of the Company was shifted to its present location at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Major Events

Date	Events
In relation to the Company:	
November 2005	Joint venture agreement executed with LB India Holdings Mauritius I Limited to set up KSK Electricity Financing India Private Limited
January 2008	Together with the Promoter Group, we completed a restructuring (the "Restructuring") under which (a) pursuant to a share purchase agreement dated January 20, 2008, among the Company, LB India, KEFIPL and KSK Energy, the Company purchased from LB India, all of LB India's equity interest in KEFIPL for an aggregate purchase price of Rs.695.74 crore, of which Rs.100.00 crore remains outstanding, along with interest; (b) pursuant to a subscription agreement, between the Company and LB India, dated January 20, 2008, LB India has subscribed for 98,332,552 Equity Shares, amounting to 31.57% of our outstanding Equity Shares prior to the Issue, for an aggregate subscription price of Rs. 339.74 crore, and the Company issued and allotted to Suyash Outsourcing Private Limited, 4,632,857 Equity Shares, amounting to 1.49% of our outstanding Equity Shares, for an aggregate subscription price of Rs. 16.01 crore; and (c) the Company entered into a shareholders agreement with LB India and KSK Energy, and LB India and KSK Energy have entered into a voting rights agreement, to provide for certain governance and voting rights with respect to the Company
June 2008	We completed a Pre-IPO Placing of 1,73,06,000 Equity Shares to certain investors for cash at a price of Rs. 240.00 per Equity Share, aggregating Rs. 415.34 crore
In relation to the Subsidiaries, the Sitapuram SPV and erstwhile group companies:	
January 2000	RVK Energy Private Limited commences commercial operation of a 20 MW gas based merchant IPP
May 2001	Kasargod Power Corporation Private Limited commences commercial operation of the 21 MW Low Sulphur High Stock based power plant as an IPP
March 2004	The "Small is Beautiful" Fund achieves financial closure
November 2004	Coromandel Electric Company Limited commences commercial operations of Phase 1 of the 17.46 MW gas engine based captive power plant
February 2005	Signed a shareholders agreement and a power purchase agreement with Lafarge India Private Limited to set up a 43 MW coal-based captive power plant in Arasmeta and achievement of financial closure
April 2005	Executed an agreement with India Cements Limited for expansion of the power plant of Coromandel Electric Company Limited by 8.73 MW

Date	Events
July 2005	Allocation of the Gurha East Lignite block in Bikaner District, Rajasthan by the Ministry of Coal to VS Lignite Power Private Limited
August 2005	Sai Regency Power Corporation Private Limited achieves financial closure for 58 MW gas based combined cycle group captive power plant
January 2006	Coromandel Electric Company Limited commences commercial operation of Phase 2 of the 8.73 MW gas engine based captive power plant
May 2006	The 43 MW coal based captive power plant of Arasmeta Captive Power Company Private Limited synchronized with the grid
November 2006	Execution of a coal supply and investment agreement between Wardha Power Company Private Limited and GMDC
November 2006	Arasmeta Captive Power Company Private Limited commences commercial operation of the 43 MW coal based captive power plant pursuant to completion of performance guarantee tests
February 2007	Sai Regency Power Corporation Private Limited synchronizes the (open cycle mode) the 58 MW gas turbine based group captive power plant with the TNEB grid
July 2007	Sitapuram Power Limited synchronizes the 43 MW coal based power plant with the grid

Main Objects

The main objects of the Company as contained in its Memorandum of Association are:

1. To generate, harness, develop, accumulate, distribute and supply electricity by setting up power plants by use of liquid, gaseous or solid fuels, including hydro, thermal, gas, diesel oil, renewable energy sources such as solar, photovoltaic, windmill, biomass and/or any other means, either through itself or through subsidiaries, joint ventures, associates or other entities, including by acquiring interest in power generation, transmission or other companies, for the purpose of light, heat, motive, power and for all other purposes for which electric energy can be employed and to transmit, distribute, supply and sell such power either directly or through transmission lines or facilities of central/state governments, other consumers of electricity including for captive consumption for any industrial projects promoted by this company or promoter companies, joint venture companies or otherwise and generally to develop, generate, accumulate power at any other place or places and to transmit, distribute, sell and supply such power.

2. To construct, establish, operate, manage power station, boiler houses, steam turbine, switch yard, transformer yard, sub-station, transmission lines, accumulators, workshops and all such works necessary for generating, accumulating, distributing and supply of electricity and to construct, lay down, establish, fix, erect equipment and maintain power generating machinery, and all other type of plant and machinery, electric equipment and cables, computer and control equipment, transmission lines, accumulators, fittings and apparatus in the capacity of principals, constructors or otherwise, either through itself or through subsidiaries, joint ventures, associates or other entities, including by acquiring interest in power generation, transmission or other companies.

3. To carry on the business of consultants and contractors in setting up all type of plants for production of electrical energy and also to undertake research and development programmes in the field of electricity, electronics and other allied fields.

Amendments to the Memorandum of Association of the Company

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

Date	Nature of Amendment
March 3, 2001	Alteration of the objects clause to insert incidental objects under the head “The Objects Incidental or Ancillary to the Attainment of the Main Objects”

Date	Nature of Amendment
August 30, 2001	Shifting of the registered office from the state of Tamil Nadu to the State of Andhra Pradesh
February 9, 2002	The word "private" was deleted from the name of the Company pursuant to conversion of the Company from a private limited to a public limited company
June 14, 2003	Authorized capital increased from Rs.10 lakh to Rs.32 crore
March 10, 2004	Alteration of the objects clause
March 15, 2004	Authorized capital increased from Rs.32 crore to Rs.48 crore
April 5, 2004	Shifting of the registered office from the state of Andhra Pradesh to the State of Maharashtra
July 3, 2006	The word "private" was added to the name of the Company pursuant to conversion of the Company from a public limited to a private limited company
October 25, 2006	Authorized capital increased from Rs.48 crore to Rs.151.5 crore
February 5, 2007	Shifting of the registered office from the state of Maharashtra to the State of Andhra Pradesh
January 18, 2008	Authorized capital increased from Rs.151.5 crore to Rs.5,031.5 crore
January 19, 2008	The word "private" was deleted from the name of the Company pursuant to conversion of the Company from a private limited to a public limited company
February 7, 2008	Alteration of the main objects clause

Subsidiaries

The Company has the following Subsidiaries:

Subsidiaries

1. KSK Electricity Financing India Private Limited;
2. Lakhpat Power Company Private Limited;
3. KSK Narmada Power Company Private Limited;
4. Bahur Power Company Private Limited;
5. KSK Technology Ventures Private Limited;
6. KSK Dibbin Hydro Power Private Limited;
7. Kameng Dam Hydro Power Private Limited;
8. Sai Maithili Power Company Private Limited;
9. JR Power Gen Private Limited;
10. Arasmeta Captive Power Company Private Limited;
11. Sai Regency Power Corporation Private Limited;
12. VS Lignite Power Private Limited; and
13. Wardha Power Company Private Limited.

In addition, the Sitapuram SPV, a joint venture of KSK Electricity Financing India Private Limited, is part of the Group.

The Company has divested its equity interest in KSK Energy Company Private Limited to KSK Energy. The Company has also divested its interest in the following entities pursuant to a share purchase agreement dated January 20, 2008 between the Company and KSK Energy Company Private Limited:

1. Athena Projects Private Limited;
2. KSK Natural Resource Ventures Private Limited;
3. KSK Energy Resource Ventures Private Limited;
4. Marudhar Mining Private Limited;

5. Kasargod Power Corporation Limited;
6. RVK Energy Private Limited; and
7. Coromandel Electric Company Limited.

The Company also incorporated two subsidiaries KSK Surya Photovoltaic Venture Private Limited and KSK Investment Advisor Private Limited on February 12, 2008 and April 29, 2008, respectively. The Company has transferred its entire shareholding in these companies to KSK Energy Company Private Limited. These companies are now a part of our Promoter Group. For details of these companies, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

Subsidiaries

KSK Electricity Financing India Private Limited ("KEFIPL")

KEFIPL was incorporated on September 26, 2005 as KSK Electricity Venture Capital India Private Limited to undertake the business of financing, acquiring and owning power generation projects, including captive power generation projects based on various sources of energy. The name of the company was changed to KSK Electricity Financing India Private Limited on December 28, 2005.

The registered office of KEFIPL is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of KEFIPL as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares
Class A Equity shares of face value Rs.10 each (Voting Shares)	
KSK Energy Ventures Limited	5,70,11,520
Mr. S. Kishore (as a nominee of KSK Energy Ventures Limited)	10
Class B Equity shares of face value Rs.10 each (Voting Shares)	
KSK Energy Ventures Limited	5,47,75,784
Class C Equity shares of face value Rs.10 each (Non-Voting Shares)	
KSK Energy Ventures Limited	45,83,27,991

Board of Directors

The board of directors of KEFIPL comprises the following:

1. Mr. S.R. Iyer – DIN 00580437;
2. Mr. Ramesh Kumar – DIN 02123450; and
3. Mr. C. Srinivas – DIN 02121676.

Financial Performance

The following table sets forth the summary financial data of KEFIPL in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	2007	2006
		(Rs. in lakhs)	
Income/Sales	215.52	Nil	Nil
Profit (Loss) after Tax	(95.31)	(90.30)	(16.34)
Equity Share Capital	57,011.53	2,000	1
Reserves and surplus (excluding revaluation reserves)(1)	(201.96)	(106.65)	(16.34)
Earnings (Loss) per share (Rs.)(2)	(0.02)	(6.35)	(306.02)
Book value per share (Rs.)	9.96	10.00	10.00

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10.

KEFIPL is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Lakhpat Power Company Private Limited ("Lakhpat")

Lakhpat was incorporated on October 7, 2005 to undertake the business of generating, harnessing, distributing and supplying electricity by setting up power plants using various energy sources; constructing, operating and managing power stations, boiler houses, steam turbines and associated works; establishing captive power plants; and purchasing, leasing or acquiring any mine or mining rights in India.

The registered office of Lakhpat is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of Lakhpat as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	10,490	99.99
Mr. K.A. Sastry (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**10,500**	**100.00**

Board of Directors

The board of directors of Lakhpat comprises the following:

1. Mr. K.B. Raju – DIN 00940849; and
2. Mr. Ramesh Kumar – DIN 02123450.

Financial Performance

The following table sets forth the summary financial data of Lakhpat in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	2007	2006
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	1.05	1.05	1.05
Reserves and surplus (excluding revaluation reserves)(1)	(0.35)	(0.35)	(0.35)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	6.68	6.68	6.68

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

Lakhpat is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

KSK Narmada Power Company Private Limited ("KSK Narmada")

KSK Narmada was incorporated on October 7, 2005 as Satna Power Company Private Limited to undertake the business of generating, harnessing, distributing and supplying electricity by setting up power plants using various energy sources; constructing, operating and managing power stations, boiler houses, steam turbines and associated works; establishing captive power plants; and purchasing, leasing or acquiring any mine or mining rights in India. The name of the Company was changed to KSK Narmada Power Company Private Limited on September 3, 2007.

The registered office of KSK Narmada is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of KSK Narmada as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	10,490	99.99
Mr. S. Kishore (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**10,500**	**100.00**

Board of Directors

The board of directors of KSK Narmada comprises the following:

1. Mr. S. Kishore – DIN 00006627;
2. Mr. K.A. Sastry – DIN 00006566; and
3. Mr. K.B. Raju – DIN 00940849.

Financial Performance

The following table sets forth the summary financial data of KSK Narmada in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	2007	2006
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	1.05	1.05	1.05
Reserves and surplus (excluding revaluation reserves)(1)	(0.35)	(0.35)	(0.35)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	6.68	6.68	6.68

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

KSK Narmada is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Bahur Power Company Private Limited ("Bahur")

Bahur was incorporated on October 7, 2005 to undertake the business of generating, harnessing, distributing and supplying electricity by setting up power plants using various energy sources; constructing, operating and managing power stations, boiler houses, steam turbines and associated works; establishing captive power plants; and purchasing, leasing or acquiring any mine or mining rights in India.

The registered office of Bahur is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of Bahur as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	10,490	99.99
Mr. S. Kishore (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**10,500**	**100.00**

Board of Directors

The board of directors of Bahur comprises the following:

1. Mr. K.B. Raju – DIN 00940849; and
2. Mr. C. Srinivas – DIN 02121676.

Financial Performance

The following table sets forth the summary financial data of Bahur in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	**2007**	**2006**
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	1.05	1.05	1.05
Reserves and surplus (excluding revaluation reserves)(1)	(0.35)	(0.35)	(0.35)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	6.68	6.68	6.68

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

Bahur is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

KSK Technology Ventures Private Limited ("KSK Technology")

KSK Technology was incorporated on June 3, 1998 as K&S Management Consultants Private Limited to undertake the business of assisting and promoting economic endeavors, identification of projects, preparation of project reports and project feasibility studies and providing or arranging syndicate credit, loans, lease facilities, guarantees or letters of credit. The name of the company was changed to KSK Technology Ventures Private Limited on September 14, 2001.

The registered office of KSK Technology is located at 51, 1st Main Road, CIT Colony, Mylapore, Chennai – 600 004, Tamil Nadu, India.

Shareholding Pattern

The shareholding pattern of KSK Technology as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	1,49,990	99.99
Mr. K.A. Sastry (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**1,50,000**	**100.00**

Board of Directors

The board of directors of KSK Technology comprises the following:

1. Ms. Aditi Kishore – DIN 01199022; and

2. Mr. K.A. Sastry – DIN 00006566.

Financial Performance

The following table sets forth the summary financial data of KSK Technology in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	2007	2006
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	15.00	15.00	14.02
Reserves and surplus (excluding revaluation reserves)(1)	(0.11)	(0.11)	(0.11)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	9.93	9.93	9.92

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

KSK Technology is an unlisted company and has not completed any public or rights issue in the three years preceding the Red Herring Prospectus. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

KSK Dibbin Hydro Power Private Limited ("KSK Dibbin")

KSK Dibbin was incorporated on April 9, 2007 to undertake the business of generating, transmitting, distributing, purchasing, selling and supplying electricity; carrying on business as manufacturers, suppliers or merchant distributors or otherwise deal in the apparatus required in connection with the generation, distribution, supply and accumulation of electricity; planning, constructing and managing any electricity generating station; establishing sub-stations and transmission lines for the conservation, distribution and supply of electricity; and acquiring concessions, facilities or licenses for generation, distribution or transmission of electrical power.

The registered office of KSK Dibbin is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of KSK Dibbin as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	9,990	99.99
Mr. S. Kishore (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**10,000**	**100.00**

Board of Directors

The board of directors of KSK Dibbin comprises the following:

1. Mr. S. Kishore – DIN 00006627; and
2. Mr. K.A. Sastry – DIN 00006566.

Financial Performance

The following table sets forth the summary financial data of KSK Dibbin in accordance with Indian GAAP:

	For the period ended March 31, 2008
	(Rs. in lakhs)
Income/Sales	Nil
Profit (Loss) after Tax	Nil
Equity Share Capital	1.00
Reserves and surplus (excluding revaluation reserves)[1]	(0.07)
Earnings (Loss) per share (Rs.)[2]	Nil
Book value per share (Rs.)	9.29

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

KSK Dibbin is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Kameng Dam Hydro Power Private Limited ("Kameng Dam")

Kameng Dam was incorporated on April 9, 2007 to undertake the business of generating, transmitting, distributing, purchasing, selling and supplying electricity; carrying on business as manufacturers, suppliers or merchant distributors or otherwise deal in the apparatus required in connection with the generation, distribution, supply and accumulation of electricity; planning, constructing and managing any electricity generating station; establishing sub-stations and transmission lines for the conservation, distribution and supply of electricity; and acquiring concessions, facilities or licenses for generation, distribution or transmission of electrical power.

The registered office of Kameng Dam is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of Kameng Dam as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	9,990	99.99
Mr. S. Kishore (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**10,000**	**100.00**

Board of Directors

The board of directors of Kameng Dam comprises the following:

1. Mr. S. Kishore – DIN 00006627; and
2. Mr. K.A. Sastry – DIN 00006566.

Financial Performance

The following table sets forth the summary financial data of Kameng Dam in accordance with Indian GAAP:

	For the period ended March 31, 2008
	(Rs. in lakhs)
Income/Sales	Nil
Profit (Loss) after Tax	Nil
Equity Share Capital	1.00
Reserves and surplus (excluding revaluation reserves)[1]	(0.07)
Earnings (Loss) per share (Rs.)[2]	Nil
Book value per share (Rs.)	9.31

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10.

Kameng Dam is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Sai Maithili Power Company Private Limited ("Sai Maithili")

Sai Maithili was incorporated on September 5, 2002 as Maithili Energy & Mining Private Limited to undertake the business of generating, harnessing, developing, accumulating, distributing and supplying electricity by setting up power plants through various energy sources; constructing, operating and managing power stations, boiler houses, steam turbines, switch yards, transformer yards, sub-stations, transmission lines and such other works necessary for the generation, accumulation, distribution and supply of electricity; establishing captive power plants on a cooperative basis; purchasing, leasing or acquiring any mining rights and lands in India to carry on the business of prospecting, exploring and working mines; and to carry on the business of consultants and contractors in setting up all types of plants for production of electrical energy and undertaking research and development programs. The name of the company was changed to Sai Maithili Power Company Private Limited on August 27, 2007.

The registered office of Sai Maithili is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of Sai Maithili as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
KSK Energy Ventures Limited	49,990	99.99
Mr. S. Kishore (Nominee of KSK Energy Ventures Limited)	10	0.01
Total	**50,000**	**100.00**

Board of Directors

The board of directors of Sai Maithili comprises the following:

1. Mr. K.B. Raju – DIN 00940849; and
2. Mr. C. Srinivas – DIN 02121676.

Financial Performance

The following table sets forth the summary financial data of Sai Maithili in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	2007	2006
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	5.0	5.0	5.0
Reserves and surplus (excluding revaluation reserves)(1)	(0.19)	(0.19)	(0.19)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	9.63	9.63	9.63

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

Sai Maithili is an unlisted company and has not completed any public or rights issue in the three years preceding the Red Herring Prospectus. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

JR Power Gen Private Limited ("JR Power Gen")

JR Power Gen was incorporated on January 12, 2007 to undertake the business of generating, selling, transmitting or distributing electricity; purchasing, selling, exporting, producing and trading power plants and equipment; providing engineering facilities including construction, technical consultancy and architectural services and providing consultation in areas of programming, systems design and analysis.

The registered office of JR Power Gen is located at No. 29, Tilak Street, T. Nagar, Chennai – 600 017, Tamil Nadu, India.

Shareholding Pattern

The shareholding pattern of JR Power Gen as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity Shares of face value Rs.10 each		
KSK Energy Ventures Limited	10,410	51.00
Mrs. J. Anusuya	2,500	12.25
Mr. S. Jagathrakshagan	2,500	12.25
Mr. J. Sundeep Anand	2,500	12,25
Mrs. J. Srinisha	2,500	12.25
Total	**20,410**	**100.00**

Board of Directors

The board of directors of JR Power Gen comprises the following:

1. Mrs. J. Anusuya – DIN 01721475;
2. Mr. S. Jagathrakshagan – DIN 01720227;
3. Mr. J. Sundeep Anand – DIN 01728742;
4. Mrs. J. Srinisha – DIN 01728749;
5. Mr. S. Kishore – DIN 00006627; and
6. Mr. K.A. Sastry – DIN 00006566.

Financial Performance

The following table sets forth the summary financial data of JR Power in accordance with Indian GAAP:

	For the period ended March 31, 2008
	(Rs. in lakhs)
Income/Sales	Nil
Profit (Loss) after Tax	Nil
Equity Share Capital	2.04
Reserves and surplus (excluding revaluation reserves)(1)	(0.39)
Earnings (Loss) per share (Rs.)(2)	Nil
Book value per share (Rs.)	8.09

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

JR Power Gen is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Arasmeta Captive Power Company Private Limited ("Arasmeta")

Arasmeta was incorporated on April 23, 2004 to undertake the business of construction, operation and management of captive power plants for generating electricity.

The registered office of Arasmeta is located at Flat No. 701, 7th Floor, Louella, 14th Road, Bandra (West), Mumbai – 400 050, Maharashtra, India.

Shareholding Pattern

The shareholding pattern of Arasmeta as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
Class A*		
Lafarge India Private Limited *(1,24,95,000 equity shares are partly paid up at Re.1.00 per equity share)*	3,69,94,999	49.00
Mr. Shivesh K. Sinha	1	Negligible
Sub total	**3,69,95,000**	**49.00**
Class B*		
KSK Electricity Financing India Private Limited *(1,30,05,000 equity shares are partly paid up at Re.1.00 per equity share)*	3,85,05,000	51.00
Sub total	3,85,05,000	**51.00**
Total	**7,55,00,000**	**100.00**

* The Class A equity shares have a non-participatory preferential right to dividend equal to 0.1% of the face value of the equity shares as and when dividend is declared. The Class B equity shares are entitled such dividend as may be declared by Arasmeta.

Board of Directors

The board of directors of Arasmeta comprises the following:

1. Mr. S. Kishore – DIN 00006627;
2. Mr. K.A. Sastry – DIN 00006566;
3. Mr. K.V. Ganesan – DIN 00178597; and
4. Mr. Gautam Ray – DIN 00081625.

Financial Performance

The following table sets forth the summary financial data of Arasmeta in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	**2007**	**2006**
		(Rs. in lakhs)	
Income/Sales	7,466.50	2,301.53	Nil
Profit (Loss) after Tax	763.25	133.02	Nil
Equity Share Capital	5,255.00	5,000.00	5,000.00
Reserves and surplus (excluding revaluation reserves)(1)	896.28	133.02	Nil
Earnings (Loss) per share (Rs.)(2)	1.42	0.99	Nil
Book value per share (Rs.)	11.71	10.27	10.00

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

Arasmeta is an unlisted company and has not completed any public or rights issue in the three years preceding the Red Herring Prospectus. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Sai Regency Power Corporation Private Limited ("Sai Regency")

Sai Regency was incorporated on February 28, 2002 as Regency Power Corporation Limited to undertake the business of construction, operation and management of captive power plants for generating electricity. The name of the company was changed to Regency Power Corporation Private Limited on July 14, 2005 and to Sai Regency Power Corporation Private Limited on April 28, 2006.

The registered office of Sai Regency is located at 2nd Floor, Crown Court No. 128, Cathedral Road, Chennai – 600 086, Tamil Nadu, India.

Shareholding Pattern

The shareholding pattern of Sai Regency as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
Class A*		
Brakes India Limited	7,50,000	4.49
Jagannath Textile Company Limited	4,50,000	2.69
The Lakshmi Mills Company Limited	5,25,000	3.14
El Forge Limited	1,50,000	0.90
Harshni Textiles Limited	75,000	0.45
Chemplast Sanmar Limited	16,50,000	9.87
Orchid Chemicals & Pharmaceuticals Limited	4,50,000	2.69
Regency Ceramics Limited	10,000	0.06
Precot Meridian Limited	2,25,000	1.35
Light Alloy Products Limited	75,000	0.44
Sub Total	**43,60,000**	**26.08**
Class B*		
KSK Electricity Financing India Private Limited	1,23,60,000	73.92
Sub Total	**1,23,60,000**	**73.92**
Total	**1,67,20,000**	**100.00**

* The Class A equity shares carry an entitlement to power generated by the power plant and dividend to the extent of one-fourth of the dividend declared for the Class B shareholders with a cap of 0.01% of the face value of a share from the distributable profits after the claims of the preferential cumulative shareholders has been met. Class B equity shares do not carry an entitlement to power generated by the power plant and have a right to such dividend as may be declared.

Board of Directors

The board of directors of Sai Regency comprises the following:

1. Mr. S. Kishore – DIN 00006627;
2. Mr. K.A. Sastry – DIN 00006566;
3. Mr. C.S. Ramesh – DIN 0055943; and
4. Mr. K.B. Raju – DIN 00940849.

Financial Performance

The following table sets forth the summary financial data of Sai Regency in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	2007	2006
		(Rs. in lakhs)	
Income/Sales	8,496.74	19.00	Nil
Profit (Loss) after Tax	930.15	(22.73)	Nil
Equity Share Capital	1,672.00	1,672.00	1,436.10
Reserves and surplus (excluding revaluation reserves)(1)	904.14	(3.65)	(3.65)
Earnings (Loss) per share (Rs.)(2)	7.52	(0.20)	Nil
Book value per share (Rs.)	15.43	9.98	9.97

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

Sai Regency is an unlisted company and has not completed any public or rights issue in the three years preceding the Red Herring Prospectus. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

VS Lignite Power Private Limited ("VS Lignite")

VS Lignite was incorporated on October 10, 2001 as Marudhar Power Private Limited to undertake the business of generating, transmitting, distributing, purchasing, selling and supplying electricity; carrying on business as manufacturers, suppliers or merchant distributors or otherwise deal in the apparatus required in connection with the generation, distribution, supply and accumulation of electricity; planning, constructing and managing any electricity generating station; establishing sub-stations and transmission lines for the conservation, distribution and supply of electricity; and acquiring concessions, facilities or licenses for generation, distribution or transmission of electrical power. The name of the company was changed to VS Lignite Power Private Limited on April 12, 2007.

The registered office of VS Lignite is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of VS Lignite as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
Class A Shares*		*% of equity share capital*
JK Cement Limited	14,44,445	2.89
Balakrishna Industries Limited	5,77,777	1.16
Nahar Industrial Enterprise Limited *(19,25,926 equity shares are partly paid up at Re.1.00 per equity share)*	30,81,486	6.16
Reliance Chemotex Industries Limited	5,77,778	1.16
APM Industries Limited	5,77,778	1.16
JK Tyre and Industries Limited	5,77,778	1.16
JK Lakshmi Cement Limited	20,22,223	4.04
Suzuki Textiles Limited	19,25,926	3.85
Nahar Spinning Mills Limited *(12,51,852 equity shares are partly paid up at Re.1.00 per equity share)*	12,51,852	2.50
Oswal Woollen Mills Limited *(9,62,963 equity shares are partly paid up at Re.1.00 per equity share)*	9,62,963	1.93
Sub total	**1,30,00,006**	**26.00**
Class B Shares*		
KSK Electricity Financing India Private Limited	3,70,00,000	74.00
Sub total	**3,70,00,000**	**74.00**
Total equity shares	**5,00,00,006**	**100.00**
0.01% cumulative redeemable preference shares of face value Rs.10		*% of preference share capital*
Balakrishna Industries Limited	11,14,223	0.90
Nahar Industrial Enterprise Limited *(37,14,074 preference shares are partly paid up at Re.1.00 per preference share)*	59,42,514	4.81
Reliance Chemotex Industries Limited	11,14,222	0.90
APM Industries Limited	11,14,222	0.90
JK Cement Limited	27,85,552	2.25
JK Tyre and Industries Limited	11,14,222	0.90
JK Lakshmi Cement Limited	38,99,777	3.16
Suzuki Textiles Limited	37,14,074	3.01
Nahar Spinning Mills Limited *(24,14,148 preference shares are partly paid up at Re.1.00 per preference share)*	24,14,148	1.95
Oswal Woollen Mills Limited *(18,57,037 preference shares are partly paid up at Re.1.00 per preference share)*	18,57,037	1.50
Sub total	**2,50,69,991**	**20.29**
14% cumulative redeemable preference shares of face value Rs.10		
KSK Electricity Financing India Private Limited	9,85,00,000	79.71
Sub total	**9,85,00,000**	**79.71**
Total preference shares	**12,35,69,991**	**100.00**

* The Class A equity shares carry an entitlement to power generated by the power plant and dividend to the extent of one-fourth of the dividend declared for the Class B shareholders with a cap of 0.01% of the face value of a share from the distributable profits after the claims of the preferential cumulative shareholders has been met. Class B equity shares do not carry an entitlement to power generated by the power plant and have a right to such dividend as may be declared.

Board of Directors

The board of directors of VS Lignite comprises the following:

1. Mr. S. Kishore – DIN 00006627;
2. Mr. K.A. Sastry – DIN 00006566;
3. Mr. K.B. Raju – DIN 00940849;
4. Mr. Babulal Dalichand Sanghvi – DIN 00601159; and
5. Mr. M.S. Rathore – DIN 02135565.

Financial Performance

The following table sets forth the summary financial data of VS Lignite in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	**2007**	**2006**
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	4,627.33	3,700.00	170.00
Preference Share Capital	11,638.33	6,000.00	Nil
Reserves and surplus (excluding revaluation reserves)[1]	(1.18)	(1.18)	(1.18)
Earnings (Loss) per share (Rs.)[2]	Nil	Nil	Nil
Book value per share (Rs.)	10.00	10.00	9.93

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

VS Lignite is an unlisted company and has not completed any public or rights issue in the three years preceding the Red Herring Prospectus. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Wardha Power Company Private Limited ("Wardha Power")

Wardha Power was incorporated on October 28, 2005 to undertake the business of generating, harnessing, distributing and supplying electricity by setting up power plants using various energy sources; constructing, operating and managing power stations, boiler houses, steam turbines and associated works; establishing captive power plants; and purchasing, leasing or acquiring any mine or mining rights in India.

The registered office of Wardha Power is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of Wardha Power as of April 30, 2008 was as follows:

Name of Shareholder*	No. of shares	% of Issued Capital
Equity shares of face value Rs.10		
Class A Shares**		
Viraj Profiles Limited		
Fully paid up	31,20,000	
Partly paid up at Re.1 per equity share	9,24,00,000	
Sub Total	**9,55,20,000**	**26.00**
Class B Shares**		
KSK Electricity Financing India Private Limited		
Fully paid up	13,41,60,000	
Partly paid up at Re.1 per equity share	13,77,20,000	
Sub Total	**27,18,80,000**	**74.00**
Total	**36,74,00,000**	**100.00**

* In addition to Viraj Profiles Limited, Wardha Power has entered into share subscription agreements with each of Spentex Industries Limited, Sona Alloys Private Limited, R.L. Steels Limited, Mahindra Forgings Limited, Mahindra Ugine Steel Company Limited, Graphite India Limited, Air Liquide India Holding Private Limited and Facor Steels Limited. However, to date, no allotments have been made under these share purchase agreements.

** The Class A equity shares carry an entitlement to power generated by the power plant and dividend to the extent of one-fourth of the dividend declared for the Class B shareholders with a cap of 0.01% of the face value of a share from the distributable profits after the claims of the preferential cumulative participatory shareholders has been met. Class B equity shares do not carry an entitlement to power generated by the power plant and have a right to such dividend as may be declared.

Board of Directors

The board of directors of Wardha Power comprises the following:

1. Mr. S. Kishore – DIN 00006627; and
2. Mr. K.A. Sastry – DIN 00006566.

Financial Performance

The following table sets forth the summary financial data of Wardha Power in accordance with Indian GAAP:

	For the period ended March 31,		
	2008	**2007**	**2006**
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	16,029.20	1,200	1.05
Reserves and surplus (excluding revaluation reserves)(1)	(0.36)	(0.36)	(0.36)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	10.00	10.00	6.55

(1) Net of miscellaneous expenditure not written off.
(2) Face value of each equity share is Rs.10.

Wardha Power is an unlisted company and has not completed any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Sitapuram Power Limited (the "Sitapuram SPV")

The Sitapuram SPV was incorporated on July 18, 2005 to undertake the business of constructing, operating and managing captive power plants for generating electricity and supply of power either directly or through transmission lines of any licensee.

The registered office of the Sitapuram SPV is located at Sitapuram, Dondapadu Postmellacheruvu Mandal, Nalgonda District, Andhra Pradesh, India.

Shareholding Pattern

The shareholding pattern of the Sitapuram SPV as of April 30, 2008 was as follows:

Name of Shareholder	No. of shares	% of Issued Equity Capital
Equity shares of face value Rs.10		
Zuari Cement Limited	5,09,940	50.99
Mr. Maurizio Caneppele	10	Negligible
Mr. N. Suresh Krishnan	10	Negligible
Mr. Krishna Srivastava	10	Negligible
Mr. L.R. Neelakanta	10	Negligible

Name of Shareholder	No. of shares	% of Issued Equity Capital
Mr. S. Sundaram	10	Negligible
Mr. M. Chandra Mohan	10	Negligible
KSK Electricity Financing India Private Limited	4,90,000	49.00
Sub total	**10,00,000**	**100.00**
0.1% redeemable cumulative preference shares of Rs.100 each		
Zuari Cement Limited	27,49,000	100.00
Sub total	**27,49,000**	**100.00**
15% redeemable cumulative preference shares of Rs.100 each		
KSK Electricity Financing India Private Limited	1,96,000	100.00
Sub total	**1,96,000**	**100.00**
18% redeemable cumulative preference shares of Rs.100 each		
KSK Electricity Financing India Private Limited	17,55,000	100.00
Sub total	**17,55,000**	**100.00**

Board of Directors

The board of directors of the Sitapuram SPV comprises the following:

1. Mr. Maurizio Caneppele – DIN 00021788;
2. Mr. N. Suresh Krishnan – DIN 00021965;
3. Mr. S. Kishore – DIN 00006627; and
4. Mr. K.A. Sastry – DIN 00006566.

Financial Performance

The following table sets forth the summary financial data of the Sitapuram SPV in accordance with Indian GAAP:

	For the period ended*		
	December 31, 2007	**December 31, 2006**	**March 31, 2006**
		(Rs. in lakhs)	
Income/Sales	Nil	Nil	Nil
Profit (Loss) after Tax	Nil	Nil	Nil
Equity Share Capital	100.00	100.00	100.00
Preference Share Capital	4,700.00	4,700.00	400.00
Reserves and surplus (excluding revaluation reserves)(1)	(0.24)	(0.24)	(0.24)
Earnings (Loss) per share (Rs.)(2)	Nil	Nil	Nil
Book value per share (Rs.)	9.98	9.98	9.98

* The accounting year of the Sitapuram SPV has been changed from March 31 to December 31, pursuant to a resolution passed at a meeting of the board of directors of the Sitapuram SPV held on December 16, 2006.

(1) Net of miscellaneous expenditure not written off.

(2) Face value of each equity share is Rs.10.

The Sitapuram SPV is an unlisted company and has not completed any public or rights issue in the three years preceding the Red Herring Prospectus. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

Material Agreements

The following is a summary of certain material agreements, the detailed terms of which are described below:

Agreement	Parties	Date of Execution
Share Purchase Agreement	The Company; KSK Electricity Financing India Private Limited; LB India Holdings Mauritius I Limited; and KSK Energy Limited	January 20, 2008
Subscription Agreement	The Company; and LB India Holdings Mauritius I Limited	January 20, 2008

Shareholders Agreement	The Company; LB India Holdings Mauritius I Limited; and KSK Energy Limited	January 20, 2008
Voting Rights Agreement	LB India Holdings Mauritius I Limited; and KSK Energy Limited	January 20, 2008
Development and Support Agreements	KSK Power Ventur plc;	
	KSK Energy Limited;	
	KSK Energy Company Private Limited;	
	the Company; and	
	• Wardha Power Company Private Limited	January 20, 2008
	• KSK Narmada Power Company Private Limited	January 20, 2008
	• Lakhpat Power Private Limited	January 20, 2008
	• JR Power Gen Private Limited	January 20, 2008
Share Purchase Agreement	The Company; and KSK Energy Company Private Limited	January 20, 2008

Share Purchase Agreement among the Company, KSK Electricity Financing India Private Limited, LB India Holdings Mauritius I Limited and KSK Energy Limited

Pursuant to a share purchase agreement dated January 20, 2008 (the "Share Purchase Agreement") among the Company, KSK Electricity Financing India Private Limited ("KEFIPL"), LB India Holdings Mauritius I Limited ("LB India") and KSK Energy Limited, the Company has agreed to purchase from LB India and LB India has agreed to sell to the Company, all of LB India's equity interest in KEFIPL aggregating 51,31,03,775 equity shares of Rs.10 each, for an aggregate consideration of Rs.695.75 crore, of which Rs.100.00 crore remains outstanding, along with interest. Under the Share Purchase Agreement, the entire consideration is to be paid to LB India on or before January 31, 2008 (the "Closing Date"). If the balance consideration is not paid in full to LB India within 30 days of the Closing Date, the Company shall pay to LB India interest at the rate of 12% per annum, compounded monthly, between the 30th and 90th day of the Closing Date. After the 90th day of the Closing Date until the date of actual payment of the balance consideration, the Company shall pay interest at the rate of 20% per annum, compounded monthly. Under the Share Purchase Agreement, the Company will hold 100% of the equity share capital of KEFIPL as of the Closing Date.

Remedies: The parties shall be entitled to recover damages for breach of any provision of the Share Purchase Agreement or approach a court of competent jurisdiction for the relief of specific performance and/or injunctive relief.

Governing Law: The Share Purchase Agreement shall be governed by the laws of the Republic of India.

Dispute Resolution: Any dispute arising out of the Share Purchase Agreement shall be resolved in accordance with the procedure specified in the Shareholders Agreement described below.

Subscription Agreement between the Company and LB India Holdings Mauritius I Limited

Pursuant to a subscription agreement dated January 20, 2008 (the "Subscription Agreement") between the Company and LB India and a letter dated January 22, 2008 from LB India, LB India has subscribed for 9,83,32,552 Equity Shares, aggregating 31.57% of the outstanding Equity Shares prior to the Issue, and certain other entities, mutually agreed upon between the Company and LB India, have subscribed for 46,32,857 Equity Shares, aggregating approximately 1.49% of the outstanding Equity Shares prior to the Issue, for an aggregate subscription price of Rs.355.75 crore in the following manner:

Name of Allottee	**No. of Shares**	**Percentage Shareholding (%)**
LB India Holdings Mauritius I Limited	9,83,32,552	31.57
Suyash Outsourcing Private Limited	46,32,857	1.49
Mr. Girish Kulkarni	100	Negligible
Mrs. Sarika Kulkarni	100	Negligible
Mr. Neelesh Wagle	100	Negligible
Total	**10,29,65,709**	**33.06**

Remedies: The parties shall be entitled to recover damages for breach of any provision of the Subscription Agreement or approach a court of competent jurisdiction for the relief of specific performance and/or injunctive relief.

Governing Law: The Subscription Agreement shall be governed by the laws of the Republic of India.

Dispute Resolution: Any dispute arising out of the Subscription Agreement shall be resolved in accordance with the procedure specified in the Shareholders Agreement described below.

Shareholders Agreement among the Company, LB India Holdings Mauritius I Limited and KSK Energy Limited

The Company, LB India and KSK Energy Limited ("KSK Energy") entered into a shareholders agreement dated January 20, 2008 (the "Shareholders Agreement") to set out the rights and obligations of LB India and KSK Energy as the equity shareholders of the Company.

Under the Shareholders Agreement, the Company is the exclusive vehicle for conducting the business of developing and investing (through debt, equity or other securities) in any power generation projects in India subject only to (a) any legal or contractual obligation of KSK Energy and/or Mr. S. Kishore and Mr. K.A. Sastry and/or affiliates of KSK Energy, Mr. S. Kishore and Mr. K.A. Sastry or the Company to offer an equity interest in a project to the Small Is Beautiful Fund and/or (b) the requirement under applicable law to offer the equity interest in a project to captive consumers.

Effectiveness: The Shareholders Agreement shall be binding on the parties as of January 20, 2008 (the "Effective Date"), and any agreement entered into between the parties prior to the Effective Date, including the joint venture agreement dated November 18, 2005 between the Company and LB India, shall stand terminated as of the Effective Date.

Board Representation: LB India shall have the right to nominate Directors to the Board in proportion to its percentage shareholding in the Company. In case of a fraction, the number of Directors will be rounded off to the lower whole number, provided that the number of Directors shall not be less than one at any time that LB India or any affiliate of LB India holds 15% or more of the share capital of the Company initially subscribed by LB in the Company pursuant to the Subscription Agreement described above and any bonus issue(s) or stock split(s) thereafter. Under the Shareholders Agreement, the shareholders shall vote all of their respective shares in the Company (i) for the election of the Directors nominated by LB India from time to time; (ii) upon the request of LB India, for the removal of any such nominated Director; and (iii) in the event of a vacancy for any reason on the Board, for the appointment of a replacement Director nominated by the shareholder which had nominated the Director whose death, resignation or removal had resulted in such vacancy.

Authorization to the Company: Under the Shareholders Agreement, the parties irrevocably agree and covenant that the Company shall have the right to take all such actions, which at the Company's sole discretion are necessary, including effecting any modification and/or alterations to the Shareholders Agreement and/or to the memorandum and articles of association of the Company and/or any associated documents, in order to ensure compliance with the requirements of any regulatory authority and/or Stock Exchange(s), as may be required by such authority in writing, to enable the listing of the Equity Shares of the Company on a Stock Exchange(s). In the event that the listing of the equity shares of the Company is not completed within a period of nine months from the Effective Date, the Shareholders Agreement and/or the memorandum and articles of association of the Company and/or any associated documents which have been amended shall, within 30 days from the expiry of the aforesaid nine month period, be amended by the parties to reinstate the provisions of the Shareholders Agreement and/or the memorandum and articles of association of the Company and/or any associated documents, as the case may be, to the form and content prevailing immediately prior to the amendments made to facilitate the listing of the Equity Shares of the Company.

Termination: The Shareholders Agreement shall terminate upon the transfer of Shares by LB India such that LB India or an affiliate of LB India holds less than 15% of the share capital of the Company as of the date of LB India's subscription pursuant to the Subscription Agreement described above and any bonus issues or stock splits thereafter.

Remedies: The parties shall be entitled to recover damages for breach of any provision of the Shareholders Agreement or approach a court of competent jurisdiction for the relief of specific performance and/or injunctive relief.

Governing Law: The Shareholders Agreement shall be governed by the laws of the Republic of India.

Dispute Resolution: In case of any dispute arising in connection with the interpretation, implementation or termination of the Shareholders Agreement, a party must serve written notice on the other parties requesting the commencement of discussions to resolve the dispute. Following service of such written notice, the parties in dispute shall, in the first instance, attempt to resolve the dispute through discussions between appropriate executives of the parties or their affiliates. If the dispute is not resolved through such discussions within 30 days after service of the written notice or such other period as may be agreed in writing by the parties, the dispute shall be referred to arbitration before a sole arbitrator to be appointed by the parties in dispute. In the event the parties in dispute are unable to agree on a sole arbitrator within 30 days, or such other period as may be agreed in writing by the parties in dispute, the dispute shall be referred to arbitration before an arbitral panel comprising three arbitrators, of which KSK Energy shall be entitled to appoint one arbitrator, LB India shall be entitled to appoint another arbitrator, and a neutral arbitrator shall be chosen by the two arbitrators so appointed, provided that no party may appoint as an arbitrator an individual who is or has ever been an officer, director, employee, assignee, representative, agent or shareholder of that party. The arbitration proceedings shall be carried out in accordance with the Arbitration Rules laid down by the Singapore International Arbitration Center ("SIAC"). The place of arbitration shall be Singapore. Any award of the arbitrator or arbitral tribunal, as the case may be, shall be in writing and shall be final, conclusive and binding upon the parties. Enforcement of the arbitral award shall be subject to the provisions of the Indian Arbitration and Conciliation Act, 1996, as amended.

Voting Rights Agreement between LB India Holdings Mauritius I Limited and KSK Energy Limited

LB India and KSK Energy entered into a voting rights agreement dated January 20, 2008 (the "Voting Rights Agreement") to set out certain rights and obligations of LB India and KSK Energy as the equity shareholders of the Company.
Effectiveness: The Voting Rights Agreement shall be binding on the parties as of January 20, 2008 (the "Effective Date"), and any agreement entered into between the parties prior to the Effective Date, including the joint venture agreement dated November 18, 2005 between the Company and LB India, shall stand terminated as of the Effective Date.

Right of First Offer: In the event that LB India proposes to transfer any shares through a negotiated and/or underwritten transaction subsequent to an IPO (a "Covered Sale"), KSK Energy shall have a right of first offer ("ROFO"), provided that the there shall be no ROFO if LB India holds 15% or less of the share capital of the Company.

The ROFO shall be exercised as follows:

(a) LB India shall notify KSK Energy in writing of its intention to consider a Covered Sale. KSK Energy shall, within 30 days following receipt of such notice ("Covered Sale Offer Period") to make a written offer to LB India to acquire all of the shares included in the proposed Covered Sale (the "Offer"). An Offer, if made, shall include the price and payment terms and shall be valid for a period of 60 days therefrom.

(b) If LB India accepts the Offer, LB India will transfer the shares to KSK Energy, along with all the documentation required therefor, within 30 days of such acceptance, and KSK Energy shall simultaneously pay to LB India the consideration specified in the Offer in accordance with the payment terms described therein within such 30 day period.

(c) If LB India does not accept the Offer, then LB India may seek to effect a sale (or series of sales) of the relevant shares within four months of the later of (i) receiving an Offer as provided above or (ii) the expiration of the Covered Sale Offer Period. Any such sale shall be at a price and on such payment terms not inferior to those in the Offer. If LB India does not effect a sale or series of sales of the relevant shares within the four month period mentioned above, the ROFO shall be triggered for any subsequent proposed sale of shares by LB India.

(d) If KSK Energy does not make an offer within the Covered Sale Offer Period, LB India may sell the relevant shares at any price and to any person within four months of its notice to KSK Energy.

Notwithstanding anything mentioned above, LB India and KSK Energy may each transfer all or any of its shares to an affiliate, subject to the written approval of the other party, which shall not be unreasonably withheld.

Material Assistance: If, at any time, LB India decides to pursue a sale of more than 5% of the shares initially subscribed by LB India in the Company pursuant to the Subscription Agreement and any bonus issue(s) thereafter, then KSK Energy shall (and shall exercise all voting and other rights and powers available to it to cause the Company to), at LB India's expense and cost, use best efforts to facilitate such sale(s) by or on behalf of LB India.

Tag Along Rights: If KSK Energy proposes to transfer 5% or more of its shares in a negotiated and/or underwritten transaction subsequent to an IPO, whether in a single transaction or a series of transactions, then it shall provide written notice to LB India 30 days prior to any such sale or disposition ("Offer Notice") specifying (i) the number of the shares proposed to be transferred (the "Sale Shares") and the number of the shares that the proposed transferor(s) owns at that time on an undiluted basis; (ii) the name and address of the proposed transferee; (iii) the proposed price, including the proposed amount and form of consideration and terms and conditions offered by such proposed transferee; (iv) the date of consummation of the proposed transfer; (v) a representation that the proposed transferee has been informed of the tag-along rights provided for in the Voting Rights Agreement and has agreed to purchase all of the shares required to be purchased in accordance with the terms specified in the Voting Rights Agreement; and (vi) a representation that no consideration, tangible or intangible, is being provided to KSK Energy or any affiliate thereof that will not be reflected in the price paid to LB India in the event of exercise of its tag-along rights under the Voting Rights Agreement. In the event that the proposed consideration for the transfer includes consideration other than cash, the Offer Notice shall include a calculation of the fair market value of such consideration and an explanation of the basis for such calculation, with the total value of the consideration for the proposed transfer set forth in the Offer Notice.

LB India shall be entitled to respond to the Offer Notice by serving a written notice ("Response Notice") on KSK Energy prior to the expiry of 15 days from the date of receipt of the Offer Notice requiring KSK Energy to ensure that the proposed transferee of the Sale Shares also purchases such number of shares from LB India as set forth in the Response Notice at the same price and on the same terms as are set forth in the Offer Notice, except that LB India shall not be required to provide any representations or warranties to the transferee, other than as to its title to the shares. The number of shares specified in the Response Notice shall not exceed the number obtained by multiplying the number of Sale Shares by a fraction, the numerator of which shall be the number of shares held by LB India, and the denominator of which shall be the number of shares held by the proposed transferor(s) including the Sale Shares.

The transferor(s) shall not be entitled to transfer any of the Sale Shares to any proposed transferee unless the proposed transferee simultaneously purchases and pays for all of the shares mentioned in the Response Notice for the same consideration and upon the same terms and conditions as applicable to the Sale Shares.

Initial Public Offering: Each of LB India and KSK Energy shall (and shall exercise all voting and other rights and powers available to it to cause the Company to) use its best efforts to facilitate the listing of the shares of the Company on a Stock Exchange(s) as early as possible. The parties agree that they shall (and each shall exercise all voting and other rights and powers available to them to cause the Company to) not list or categorize LB India as a promoter, as that term is defined under applicable law, in any filing with a governmental or regulatory body or otherwise.

Reserved Rights: The shareholders shall not (and shall exercise all voting and other rights and powers available to them to cause the Board (or any committee or subcommittee thereof) not to) take any action concerning the following matters without the prior written consent of LB India, which may be withheld or conditioned in LB India's sole and absolute discretion ("Reserved Rights"):

(a) any increase, reduction or modification of the share capital; and

(b) any business restructuring, re-organization or diversification or any asset/investment sale in excess of Rs.50 crore or other change of control (including new business initiatives and mergers or consolidations) of the Company, except as specified in the Voting Rights Agreement.

Upon the listing of the shares of the Company pursuant to an IPO on one or more of the Stock Exchanges, the Reserved Rights specified above shall terminate.

Exclusivity and Non-Compete: The Global Trading Strategies Group at Lehman Brothers, as composed as of January 20, 2008, shall not (a) hold 15% or more of the share capital of or appoint a director to the board of directors of any listed Indian company with greater than 25% of revenues in the immediately preceding fiscal year being derived from the power generation business as long as LB India or an affiliate of LB India holds more than 15% of the Share Capital, or (b) purchase an equity interest in an unlisted Indian company in the power generation field for so long as there is an LB India Director on the Board. Mr. S. Kishore and Mr. K.A. Sastry jointly and severally undertake to LB India that they shall not undertake any power generation business in India, other than through the Company. This undertaking may only be released or waived, either generally or in any particular case, with the prior written consent of LB India.

Termination: The Voting Rights Agreement shall terminate upon the transfer of shares by LB India such that LB India or an affiliate of LB India holds less than 15% of the share capital of the Company as of the date of LB India's subscription pursuant to the Subscription Agreement described above and any bonus issues or stock splits thereafter.

Remedies: The parties shall be entitled to recover damages for breach of any provision of the Voting Rights Agreement or approach a court of competent jurisdiction for the relief of specific performance and/or injunctive relief.

Governing Law: The Voting Rights Agreement shall be governed by the laws of England and Wales.

Dispute Resolution: Any dispute arising out of the Voting Rights Agreement shall be resolved in accordance with the procedure specified in the Shareholders Agreement described above.

Development and Support Agreements

Four development and support agreements (DSAs), each dated January 20, 2008 have been executed among KSK plc, KSK Energy, KSK Energy Company Private Limited and the Company (collectively, the KSK Group) and (i) Wardha Power Company Private Limited, (ii) KSK Narmada Power Company Private Limited, (iii) Lakhpat Power Private Limited and (iv) JR Power Gen Private Limited, (each, an "Operating Company"). In consideration for the development and support provided by the KSK Group to each of the Operating Companies, including obtaining necessary support, consultancy, competent person reviews and basic design engineering validation for the pursuit of power plant opportunities and providing financial commitments and security from time to time, KSK Energy shall be entitled to, and shall be paid by each Operating Company, Rs 0.0902 per kilowatt hour of power generated by it using fuel supplied or sourced from or by the KSK Group or an affiliate of KSK Energy. The obligation of an Operating Company to source fuel from the KSK Group or an affiliate of KSK Energy is valid only so long as the cost of fuel sourced by the Operating Company is in the aggregate (inclusive of all taxes and duties), not higher than the aggregate cost (inclusive of all taxes and duties) of fuel, of similar specifications, in the market. In the case of coal, the market price shall be based on prices, as applicable for similar grade of coal, as notified by Coal India, from time to time. No fee shall be payable in the event that an Operating Company acquires fuel from a source other than the KSK Group or an affiliate of KSK Energy.

Payment of fees: Each Operating Company shall pay the development and support fee to KSK Energy Company Private Limited on a monthly basis and procure all approvals or consents that may be necessary in relation thereto. Within five working days of the conclusion of every calendar month, each Operating Company will provide the other parties a statement specifying the total power generated by the Operating Company from the fuel supplied to it by a member of the KSK Group or an affiliate of KSK Energy and the amount of the development and support fee payable as per the terms of the DSA. If a party fails to notify the other parties that it disputes or has any queries or concerns with respect to any aspect of the statement or the computed amount within 10 working days of receipt of such information, the statement and the computed fee shall be deemed to have been agreed to by the parties and shall be final and binding upon the parties.

Governing Law: The DSAs shall be governed by the laws of India.

Dispute Resolution: All disputes arising in connection with the DSAs shall, to the extent possible, be settled amicably by good faith negotiations between the representatives of the parties. Failing such amicable settlement within 15 working days of the commencement of discussions, the dispute shall be finally settled under the provisions of the Arbitration and Conciliation Act, 1996, as amended (the "Arbitration Act") by a single arbitrator appointed in accordance with the Arbitration Act, whose decision shall be final and binding upon the parties without any right of appeal or review on any grounds whether in law or equity before any judicial or government body. Any such arbitration proceeding shall be held in Hyderabad, India. The parties have right to petition any court for an order to confirm or enforce any arbitral decision. The parties shall also have the right to institute judicial proceedings against the other parties to enforce their rights under the DSAs through specific performance, an injunction or similar equitable relief.

No economic benefit accrues to the Company in terms of the DSAs.

Separate from the DSAs, the Company may charge fees during the development and construction of the projects that are set up as SPVs and deployed by us, based on achievement of certain milestone. This fee was one percent of the total project cost with respect to each of such project and the Board of Directors has increased it to two percent of the total project cost with effect from January 1, 2008, one-and-a-half percent of the total project cost chargeable on financial closure of the project and the remaining half percent of the total project cost chargeable on the declaration of commencement of commercial operations of the project. For further details, see the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 294 of this Red Herring Prospectus.

Share Purchase Agreement between the Company and KSK Energy Company Private Limited

The Company and KSK Energy Company Private Limited ("KECPL") have entered into a share purchase agreement dated January 20, 2008 (the "SPA") pursuant to which the Company has agreed to sell to KECPL, for an aggregate consideration of Rs.89.22 crore, shares in the companies as specified below:

1. 4,13,92,857 Equity Shares of Rs.10 each in Athena Projects Private Limited;

2. 10,500 Equity Shares of Rs.10 each in KSK Natural Resource Ventures Private Limited;

3. 10,000 Equity Shares of Rs.10 each in KSK Energy Resource Ventures Private Limited;

4. 7,400 Equity Shares of Rs.10 each in Marudhar Mining Private Limited;

5. 63,36,207 Equity Shares of Rs.10 each in Kasargod Power Corporation Limited;

6. 92,89,363 Equity Shares of Rs.10 each in RVK Energy Private Limited;

7. 3,59,300 Equity Shares of Rs.10 each in Coromandel Electric Company Limited;

8. 5,000 18% cumulative redeemable participating preference shares of Rs.10,000 each in Coromandel Electric Company Limited;

9. 32,15,641.74 Class A Units of Rs.10 each in the Small is Beautiful Fund; and

10. 50,000 Class B Units of Rs.10 each in the Small is Beautiful Fund.

Governing Law: The SPA shall be governed by the laws of India.

OUR MANAGEMENT

Board of Directors

The Articles of Association of the Company requires that the number of Directors shall be a minimum of three and a maximum of twelve. Currently, the Company has 10 Directors.

The following table sets forth details regarding our Board of Directors as of the date of this Red Herring Prospectus:

Name, Father's Name, Residential Address, Occupation and Term, and DIN	Designation	Nationality	Age	Other Directorships
Mr. T. L. Sankar S/o Late Mr. C. S. Thiruvengadam Plot No. 23, Vivekananda Enclave, Sagar Society, Banjara Hills, Hyderabad – 500 033 Date of Appointment: April 20, 2001 Term: Liable to retire by rotation Retired Civil Servant DIN: 00121570	Chairman Independent Director Non-Executive Director	Indian	74 years	• Hindustan Petroleum Corporation Limited • Delhi Power Company Limited • Small Scale Sustainable Infrastructure Development Board • Zenith Energy Services Private Limited • KSK Power Venture plc.
Mr. Subramaniam Ramachandran Iyer S/o Late Mr. A. Ramachandran R-3, Rao Mansions, 17th A Cross, 8th Main, Malleswaram, Bangalore – 560 055 Date of Appointment: May 12, 2005 Term: Liable to retire by rotation Management Consultant DIN: 00580437	Independent Director Non-Executive Director	Indian	68 years	• KSK Electricity Financing India Private Limited • Zodiac Clothing Company Limited • IDMC Limited • Dhara Vegetable Oil & Foods Company Limited • KSK Power Ventur plc • P.N. Writer & Company Private Limited
Mr. Abhay Mahadeo Nalawade S/o Mr. Mahadeo Nalawade 53, National Housing, Baner Road, Aundh, Pune – 411 007 Date of Appointment: April 20, 2001 Businessman DIN: 00342055	Independent Director Non-Executive Director	Indian	59 years	• Eco Axis Systems Private Limited • Suryaprasanna Speciality Surgicals Private Limited • Virgo Engineers Limited
Mr. Girish Nilkanth Kulkarni S/o Mr. Nilkanth Kulkarni 6, Moti Sagar, Ground Floor, 377, Kelusker Road (South), Shivaji Park, Dadar, Mumbai – 400 028 Date of Appointment: July 26, 2002 Service DIN: 00062382	Independent Director Non-Executive Director	Indian	42 years	• DQ Entertainment Limited • Serviont Global Solutions Limited • Suyash Outsourcing Private Limited • Topwave Trading Company Private Limited • Bill Forge Private Limited • Sanscra Engineering Private Limited • GNS Outsourcing Private Limited • CBay Systems (India) Private Limited • Ordyn Technologies Private Limited

Name, Father's Name, Residential Address, Occupation and Term, and DIN	Designation	Nationality	Age	Other Directorships
				• Enzen Global Solutions Limited
Mr. Henry Klein S/o Mr. Max Klein 44, Lincoln Avenue, Rye Brook, New York – 10573, U.S.A. Date of Appointment: January 25, 2008 Service DIN: 01228116	Non-Independent Director Non-Executive Director (Nominee of LB India Holdings Mauritius I Limited)	United States of America	46 years	• LB India Holdings Mauritius I Limited • LB India Holdings Mauritius II Limited • TDA Capital Partners, Inc. • GRA Finance Corporation Limited
Mr. K.A. Sastry S/o Mr. Dr. K. V. Rao 84, Siddhartha Nagar, P.O. Vengal Rao Nagar, Hyderabad – 500 038 Date of Appointment: April 1, 2004 Term: Up to March 31, 2010 Industrialist DIN: 00006566	Non-Independent Director Executive Director (Wholetime Director)	Indian	49 years	• Anita Impex Limited • Arasmeta Captive Power Company Private Limited • K & S Consulting Group Private Limited • KSK Energy Company Private Limited • KSK Natural Resource Ventures Private Limited • Marudhar Mining Private Limited • VS Lignite Power Private Limited • Sai Regency Power Corporation Private Limited • KSK Narmada Power Company Private Limited • Sitapuram Power Limited • Wardha Power Company Private Limited • Kameng Dam Hydro Power Private Limited • KSK Dibbin Hydro Power Private Limited • KSK Energy Resources Private Limited • KSK Power Venture plc • Sayi Power Energy Limited • Sayi Energy Ventur Limited • KSK Surya Photovoltaic Venture Private Limited • KSK Technology Ventures Private Limited • JR Power Gen Private Limited • KSK Energy Limited • KSK Investment Advisor Private Limited
Mr. S. Kishore S/o Mr. N. S. Sethuraman B3, Subhagya apartments, Gagan Mahal Colony, Domalguda, Hyderabad – 500 029	Non-Independent Director Executive Director (Wholetime Director)	Indian	46 years	• Andhra Fuels Private Limited • Anita Impex Limited • Arasmeta Captive Power Company Private Limited • K & S Consulting Group Private Limited

Name, Father's Name, Residential Address, Occupation and Term, and DIN	Designation	Nationality	Age	Other Directorships
Date of Appointment: April 1, 2004 Term: Up to: March 31, 2010 Industrialist DIN: 00006627				• Kasargod Power Corporation Limited • KSK Energy Company Private Limited • KSK Natural Resource Ventures Private Limited • Marudhar Mining Private Limited • VS Lignite Power Private Limited • RVK Energy Private Limited • Sai Regency Power Corporation Private Limited • KSK Narmada Power Company Private Limited • Sitapuram Power Limited • Wardha Power Company Private Limited • Kameng Dam Hydro Power Private Limited • KSK Dibbin Hydro Power Private Limited • KSK Energy Resources Private Limited • JR Power Gen Private Limited • KSK Surya Photovoltaic Venture Private Limited • KSK Investment Advisor Private Limited • KSK Power Venture plc • Sayi Power Energy Limited • Sayi Energy Ventur Limited • KSK Energy Limited
Mr. K.B. Raju S/o Mr. K. Rama Rao –B – 246, 1st Floor, Greater Kailash, Part I, New Delhi - 110048 Date of Appointment: December 21, 2007 Term: Up to December 20, 2010 Service DIN: 00940849	Non-Independent Director Executive Director (Wholetime Director)	Indian	44 years	• Anita Impex Limited • Sai Regency Power Corporation Private Limited • VS Lignite Power Private Limited • KSK Narmada Power Company Private Limited • Sai Maithili Power Company Private Limited • Bahur Power Company Private Limited • Lakhpat Power Company Private Limited • Bindu Power Limited • RBRK Investments Limited
Mr. Anil Kumar Kutty S/o. Mr. Mankuzhy Sankaran Kutty A-11, Nivedita Kunj, Sector-10, R.K. Puram, New Delhi - 110022 Date of Appointment: May 3, 2008	Non-Independent Director Non-Executive Director	Indian	55 years	• KSK Energy Resources Private Limited

Name, Father's Name, Residential Address, Occupation and Term, and DIN	Designation	Nationality	Age	Other Directorships
Service DIN: 00055634				
Mr. Tanmay Das S/o Mr. Nikunja Kishore Das 8-2-293/ 82 III/ 550, 301, Vamsee Valley, View Residency, Near Apollo Hospital, Jubilee Hills, Hyderabad - 500033 Date of Appointment: April 5, 2008 Service DIN: 00680042	Non-Independent Director Non-Executive Director	Indian	37 years	• Tavasya Venture Partners Private Limited • SBT Properties & Infrastructure Private Limited • Shalivahana Green Energy Limited • AT Hydro Private Limited • Cimaron Constructions Private Limited • Limbavali Power Private Limited • Chamoli Hydro Power Private Limited • Amrit Jal Ventures Private Limited • JKAR Energy Ventures Limited • Himagiri Enterprises Private Limited • Das Capital Management and Advisors Private Limited • KSK Investment Advisor Private Limited • KSK Emerging India Energy Fund Limited

Brief Biographies of the Directors

Mr. T.L. Sankar

Mr. Sankar has a Master of Science degree in Physical Chemistry and a Master of Arts degree in Developmental Economics. He has approximately four decades of experience in the energy sector. In 2004, he was awarded the Padma Bhushan, one of the highest civilian awards given by the Government of India. He has worked as the Secretary of the Fuel Policy Committee (1970-75), the Principal Secretary of the Working Group on Energy Policy (1978-79), a member of the Advisory Board on Energy, Government of India and a member of the Integrated Energy Policy Committee formed by the Planning Commission, Government of India. He was also the Energy Secretary to the Government of Andhra Pradesh and the Chairman of Andhra Pradesh State Electricity Board. He is the founder and Chairman of the Andhra Pradesh Gas Power Corporation Limited and headed the Gas Price Revision Committee of the Government of India in 1996.

In addition, he has worked with the United Nations as an advisor on energy issues to the Governments of Sri Lanka, Tanzania, Jamaica, North Korea and Bangladesh and has headed the Asian Development Bank's Asian Energy Survey.

Mr. S.R. Iyer

Mr. Iyer has a Bachelor's degree in Science and is a Certified Associate of the Indian Institute of Bankers. He has approximately 40 years of experience. He joined the State Bank of India as a probationary officer in 1962 and after holding various positions with the bank in India and abroad, retired as its Managing Director in 2000. Since then, he has been a part of various banking industry working groups in India and was the Executive Chairman of the Credit Information Bureau (India) Limited from February 2001 to February 2004.

Mr. Abhay Mahadeo Nalawade

Mr. Nalawade is a graduate in Physics has a Masters in Business Administration (MBA) degree from Pune University. He also completed a program in Management Development from the Harvard Business School. Mr. Nalawade has been associated with Thermax Limited for approximately 25 years, including as a Director and the Chief Executive Officer and Managing Director from February 1996 until July 2000. He is currently the Managing Director of EcoAxis Systems Private Limited, a venture promoted by him.

Mr. Girish Nilkanth Kulkarni

Mr. Kulkarni has a Bachelors Degree in engineering from the Indian Institute of Technology, Mumbai in 1987 and a Post Graduate Diploma in Business Administration from the Indian Institute of Management, Ahmedabad.

Mr. Kulkarni has approximately 18 years of operating and investment experience in different aspects of the Indian capital markets. He started his professional career as a project finance officer with ICICI, after which he became the head of equity sales, trading and research at ICICI Securities Limited. Mr. Kulkarni has been involved in numerous IPOs in the Indian capital markets and several mergers and acquisition assignments.

Mr. Kulkarni is the Chief Representative Officer of TDA Capital's India Liaison Office ("TDA"). TDA manages the India Technology Fund, an early stage venture fund. Girish is also the Founder and Managing Director of Suyash Outsourcing, the India advisor to Monsoon Capital, an India dedicated alternative asset fund managing USD 1.5 billion for investment in Indian equities, which manages the India Technology Fund.

Mr. Henry Klein

Nominee of LB India Holdings Mauritius I Limited.

Mr. Klein has a Bachelor of Science and Electrical Engineering (Honors) degree and a Master of Science and Electrical Engineering (Honors) degree from the University of Cape Town, South Africa. Mr. Klein also has an MBA (Finance) from the Columbia Business School, Columbia University. In 1996, Mr. Klein co-founded TDA Capital Partners, Inc., an investment firm dedicated to private investments in India, Central Europe and Israel. TDA Capital Partners is the manager of the India Technology Fund, a private equity fund focused on India. Mr. Klein is a Managing Director in the Principal Investing Division of Lehman Brothers in New York, where he has worked since 2003. Mr. Klein has 18 years of experience as a financial professional, initially as an investment banker at Lehman Brothers and later as a public and private equity investor in developing countries, with a focus on India.

Mr. K.A. Sastry

Mr. Sastry is one of the Promoters of the Company. Mr. Sastry is a Chartered Accountant and has approximately 22 years of experience. He heads our execution and operations divisions and is also responsible for our financial accounting and records. His areas of specialization are financial accounting, contracting, commercial implications, taxation, legal/regulatory affairs and company law. He has extensive experience in system design and implementation for corporate and evaluation of corporate business models and its accounting. Mr. Sastry has advised many companies on matters relating to company law, taxation and foreign investment and foreign exchange regulations.

Mr. S. Kishore

Mr. Kishore is one of the Promoters of the Company. Mr. Kishore is a Chartered Accountant and has approximately 22 years of experience. He heads our business development and capital formation group. He has co-chaired the Energy Committee of Federation of Andhra Pradesh Chambers of Commerce and Industry. Mr. Kishore has advised and provided consulting services to a number of power projects in the country. His areas of specialization are handling investments for power equity funds in small-to-medium sized power projects, regulatory reform and restructuring of power sector, distributed generation, and advising on project finance for the infrastructure sector.

Mr. K.B. Raju

Mr. Raju is an engineer in Electronics and Communications and has approximately 20 years of experience. He is responsible for managing the corporate relationships of the Company. He worked with Microsense Computers Private Limited, Delhi, as the head of their hardware computers division. Subsequently, he was the Director (Marketing) and a board member of Kirtilal Kalidas Diamonds Group of Companies and promoted two companies, M/s. Software Experts Inc., USA and M/s. Micro GIS Technology Private Limited, Hyderabad.

Mr. Anil Kumar Kutty

Mr. Kutty has a Masters degree in Physics from Delhi University. He has approximately 31 years of experience in various fields including banking, the Indian Administrative Service and in the power sector.

Mr. Anil Kumar Kutty is an officer of the 1978 batch of the IAS. He handled many key assignments in the Power Sector during his tenure in the Government of Andhra Pradesh and the Government of India. In the capacity of Member Secretary, APSEB, from 1996 to 1999, in addition to his duties as head of commercial and administration departments, he was also in charge of the Power Sector reforms in Andhra Pradesh which became the role model for the entire country. He was also the first Chairman and Managing Director for 2 years of APTRANSCO and Chairman of the successor distribution companies which came into existence after unbundling of APSEB. He also worked as a Joint Secretary, Ministry of Power, Government of India from 2002 to 2007 wherein he has handled policy and other issues relating to Hydro power, Transmission and IPPs. Presently, he is working as Managing Director of KSK Energy Resources Private Limited and Director in KSK Energy Ventures Limited.

Mr. Tanmay Das

Mr. Das has a Bachelor's degree in Electrical Engineering and a Postgraduate Diploma in Management from the Xavier's Institute of Management and has approximately 12 years of experience. He has worked in the Industrial Finance Corporation of India Limited as a manager of project finance. Mr. Das is the head of our Hydro Group and his responsibilities include investigation and hedging risks, capital structuring, evaluating projects and vetting agreements/documents such as the power purchase agreement, the fuel supply agreement, the equipment procurement contact and the operations and maintenance contract. He has been involved in structuring and setting up an Energy Equity Fund – "Small is Beautiful Fund". This fund was sold by us to a Promoter Group Company pursuant to the Restructuring.

Mr. Das was initially appointed as an executive Director (whole-time Director). With effect from April 5, 2008, he has been appointed as a non-executive Director.

Shareholding of Directors in our Company

Other than Mr. Girish Kulkarni, who holds 100 Equity Shares in his individual capacity, none of our Directors hold any Equity Shares in our Company.

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of the Company.

Our Directors may also be regarded as interested in the Equity Shares held by them, if any, or that may be subscribed by or allotted to their relatives or the companies in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Except as stated in this section "Our Management" or the section "Related Party Transactions" on page 223 of this Red Herring Prospectus, and except to the extent of shareholding in the Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by the Company within two years of the date of this Red Herring Prospectus.

Remuneration of our Directors

Mr. S. Kishore

The Company re-appointed Mr. S. Kishore as Whole-time Director for the period April 1, 2007 to March 31, 2010. He has been re-appointed pursuant to the Board meeting held on April 28, 2007, which was approved by the shareholders at the general meeting held on September 29, 2007. The appointment letter dated April 30, 2007 provides that he will be paid an overall gross remuneration of Rs. 2,50,000 (Rupees two lakh fifty thousand) per month, inclusive of perquisites and benefits.

Mr. K. A. Sastry

The Company re-appointed Mr. K.A. Sastry as Whole-time Director for the period April 1, 2007 to March 31, 2010. He has been re-appointed pursuant to the Board meeting held on April 28, 2007 which was approved by the shareholders at the general meeting held on September 29, 2007. The appointment letter dated April 30, 2007 provides that he will be paid an overall gross remuneration of Rs. 2,50,000 (Rupees two lakh fifty thousand) per month, inclusive of perquisites and benefits.

Mr. K.B. Raju

Our Company has appointed Mr. K.B. Raju as Whole-time Director for the period December 21, 2007 to December 20, 2010, pursuant to the Board meeting held on December 21, 2007. The board resolution provides that he will be paid an overall gross remuneration of Rs. 18,00,000 (Rupees Eighteen lakh only) per annum.

In addition, the Company will, subject to the provisions of the Companies Act and other applicable laws and regulations, pay each non-executive Director sitting fees to attend meetings of the Board and any committee of the Board. The Company will also reimburse such Directors for out-of-pocket expenses to attend such meetings and perform their role as a Director. These Directors may also be paid commissions and any other amounts as may be decided by the Board in accordance with the provisions of the Articles of Association, the Companies Act and other applicable laws and regulations.

Changes in the Company's Board of Directors during the last three years

Name	Date of Appointment	Date of Removal	Reason
Mr. Kiran Vadlamani	February 14, 2001	November 12, 2007	Resigned
Mr. Rajendra Singh	May 14, 2001	May 30, 2007	Death
Mr. V. Narayana Murthy	May 12, 2005	November 16, 2006	Resigned (IDBI Nominee)
Mr. K.B. Raju	December 21, 2007	-	Appointment
Mr. Tanmay Das	December 21, 2007	-	Appointment
Mr. Henry Klein	January 25, 2008	-	Appointment
Mr. Anil Kumar Kutty	May 3, 2008	-	Appointment

With effect from April 5, 2008, Mr. Tanmay Das redesignated as a non-executive Director.

Borrowing Powers of the Board

Our Articles, subject to the provisions of the Companies Act, authorize our Board to raise, borrow or secure the payment of any sum or sums of money for the purposes of the Company. Our shareholders have, pursuant to a resolution passed at the shareholders meeting held on January 25, 2008, authorized our Board to borrow monies in an amount not exceeding Rs. 7,500 crore at any time.

Corporate Governance

The provisions of the listing agreements to be entered into with the BSE and the NSE with respect to corporate governance and the SEBI Guidelines in respect of corporate governance will be applicable to the Company immediately upon the listing of the Equity Shares on the Stock Exchanges. As of the date of this Red Herring Prospectus, the Company has taken steps to comply with the provisions of Clause 49 of the listing agreements, including with respect to the appointment of independent directors, the constitution of the Audit, Remuneration and Shareholders/Investors Grievance Committee.

The Chairman of the Board is an independent, non-executive director. The Board of Directors consists of 10 directors, of which four are independent directors. There are seven non-executive Directors on the Board. Accordingly, the Company has not less than 50% non-executive Directors and at least one-third independent Directors on the Board.

In addition, Mr. S.R. Iyer, an independent director of the Company, has been appointed as a director on the board of KSK Electricity Financing India Private Limited, a material non-listed Subsidiary of the Company.

In accordance with Clause 49 of the listing agreement, the Company has constituted the following committees:

Audit Committee

The Audit Committee was constituted by the Directors at their Board meeting held on November 28, 2005. The purpose of the Audit Committee is to ensure the objectivity, credibility and correctness of the Company's financial reporting and disclosure processes, internal controls, risk management policies and processes, tax policies, compliance and legal requirements and associated matters. The Audit Committee consists of the following:

(i) Mr. S.R. Iyer, Chairman;
(ii) Mr. T.L. Sankar;
(iii) Mr. Girish Kulkarni; and
(iv) Mr. Abhay Nalawade.

The terms of reference of the Audit Committee are as follows:

(i) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

(ii) Recommending the appointment and re-appointment of the statutory auditor and the fixation of their remuneration;

(iii) Reviewing and discussing with the management, the annual financial statements before submission to the board with particular reference to:

a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act;

b. Changes, if any, in accounting policies and practices and reasons for the same;

c. Major accounting entries involving estimates based on the exercise of judgment by management;

d. Significant adjustments made in the financial statements arising out of audit findings;

e. Compliance with listing and other legal requirements relating to financial statements;

f. Disclosure of any related party transactions; and

g. Qualifications in the draft audit report.

(iv) Reviewing the quarterly and half yearly financial results and the annual financial statements before they are submitted to board;

(v) Reviewing and discussing with the management, performance of statutory and internal auditors, and adequacy of the internal control systems;

(vi) Reviewing and discussing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

(vii) Reviewing, if necessary, the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;

(viii) Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

(ix) Looking into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors, if any;

(x) Reviewing the management discussion and analysis of financial condition and results of operations;

(xi) Reviewing and discussing the statement of significant related party transactions (as defined by the audit committee), submitted by management;

(xii) Reviewing and discussing the management letters/letters of internal control weaknesses issued by the statutory auditors;

(xiii) Reviewing the internal audit reports relating to internal control weaknesses;

(xiv) Reviewing and discussing the appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee;

(xv) Monitoring the use of issue proceeds; and

(xvi) Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Remuneration Committee

The Remuneration Committee was constituted by the Directors at their Board meeting held on January 19, 2008. The Remuneration Committee is responsible for determining and reviewing all matters in respect of managerial remuneration in our Company.

The Remuneration Committee consists of the following:

(i) Mr. T.L. Sankar, Chairman;
(ii) Mr. S.R. Iyer; and
(iii) Mr. Abhay Nalawade.

Shareholder/Investor Grievance Committee

The Shareholder/Investor Grievance Committee was constituted by the Directors at their Board meeting held on January 19, 2008. This Committee is responsible for the redressal of shareholder grievances.

The Shareholder/Investor Grievance Committee consists of the following:

(i) Mr. T.L. Sankar, Chairman;
(ii) Mr. S. Kishore; and
(iii) Mr. K.A. Sastry.

The Committee performs *inter alia* the role / functions as are set out in Clause 49 of the listing agreements with the Stock Exchanges and includes:

1. Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non- receipt of balance sheet etc.

2. Oversee the performance of Registrar & Transfer Agent.

3. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

The terms of reference of the Investor Grievance Committee are as follows:

(i) Investor relations and redressal of shareholders grievances in general and relating to non receipt of dividends, interest, non-receipt of balance sheet etc in particular.

(ii) Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Share Transfer Committee

The Share Transfer Committee was constituted by the Directors at their Board meeting held on January 19, 2008. This Committee is responsible for looking into all matters in relation to transfer of the Equity Shares.

The Share Transfer Committee consists of the following:

(i) Mr. K.A. Sastry, Chairman;
(ii) Mr. S. Kishore; and
(iii) Mr. Tanmay Das.

Offering Committee

This Committee is responsible for dealing with all matters in relation to the initial public offering of the Company. Pursuant to this, the Committee has been authorized by the Board pursuant to a resolution dated January 19, 2008, to carry out and decide upon all activities in connection with the Issue, including any Pre-IPO Placing. The functions of the committee in connection with the Issue include but are not limited to:

(a) Amendments to the memorandum of association and the articles of association of the Company;

(b) Approving all actions required to dematerialize the Equity Shares of the Company;

(c) Approving the Draft Red Herring Prospectus, the Red Herring Prospectus (the "RHP"), the Prospectus (the "Prospectus"), the preliminary and final international wrap, and any amendments, supplements, notices or corrigenda thereto, together with any summaries thereto;

(d) Finalizing and arranging for the submission of the statement-in-lieu of prospectus, the DRHP, the RHP, the Prospectus and the preliminary and final international wrap and any amendments, supplements, notices or corrigenda thereto, to appropriate government and regulatory authorities, institutions or bodies;

(e) Approving a code of conduct as may be considered necessary by the Board or the Offering Committee or as required under applicable laws, regulations or guidelines for the Board, officers of the Company and other employees of the Company;

(f) Approving a suitable policy on insider trading as required under applicable laws, regulations and guidelines;

(g) Approving any corporate governance requirement that may be considered necessary by the Board or the Offering Committee or as may be required under applicable laws, regulations or guidelines in connection with the Offering;

(h) Deciding on the number of Equity Shares to be offered or issued and allotted in the Offering, including any Pre-IPO Placing, Reservation, Green Shoe Option, and any rounding off in the event of any oversubscription as permitted under the SEBI Guidelines;

(i) Appointing book running lead managers, lead managers, syndicate members, placement agents, bankers to the Offering, registrar to the Offering, bankers to the Company, managers, underwriters, guarantors, escrow agents, accountants, auditors, legal counsel, depositories, trustees, custodians, credit rating agencies, monitoring agencies, advertising agencies and all such persons or agencies as may be involved in or concerned with the Offering, including any successors or replacements thereof;

(j) Opening bank accounts, share/securities accounts, escrow or custodian accounts, in India or abroad, in rupees or in any other currency, in accordance with applicable laws, rules, regulations, approvals and guidelines;

(k) Remunerating all such book running lead managers, lead managers, syndicate members, placement agents, bankers to the Offering, the registrar to the Offering, bankers of the Company, managers, underwriters, guarantors, escrow agents, accountants, auditors, legal counsel, depositories, trustees, custodians, credit rating agencies, monitoring agencies, advertising agencies, and all other agencies or persons as may be involved in or concerned with the Offering, if any, by way of commission, brokerage, fees or the like;

(l) Seeking the listing of the Equity Shares on the Stock Exchanges, submitting listing applications to the Stock Exchanges and taking all such actions as may be necessary in connection with obtaining such listing, including, without limitation, entering into the Listing Agreements;

(m) Seeking the admission of the Company's Equity Shares into the Central Depository Services (India) Limited and the National Securities Depository Limited and taking any further action as may be necessary or required for the dematerialization of the Company's Equity Shares;

(n) Seeking, if required, the consent of the Company's lenders, parties with whom the Company has entered into various commercial and other agreements, all concerned government and regulatory authorities in India or outside India, and any other consents that may be required in connection with the Offering, if any;

(o) Determining the price at which the Equity Shares are offered or issued/allotted to investors in the Offering;

(p) Determining the price band for the purpose of bidding, any revision to the price band and the final Offering price after bid closure;

(q) Determining the bid opening and closing dates;

(r) Finalizing the allotment/transfer of Equity Shares to retail investors/non-institutional investors/qualified institutional buyers in consultation with the book running lead managers, the Stock Exchanges and/or any other entity;

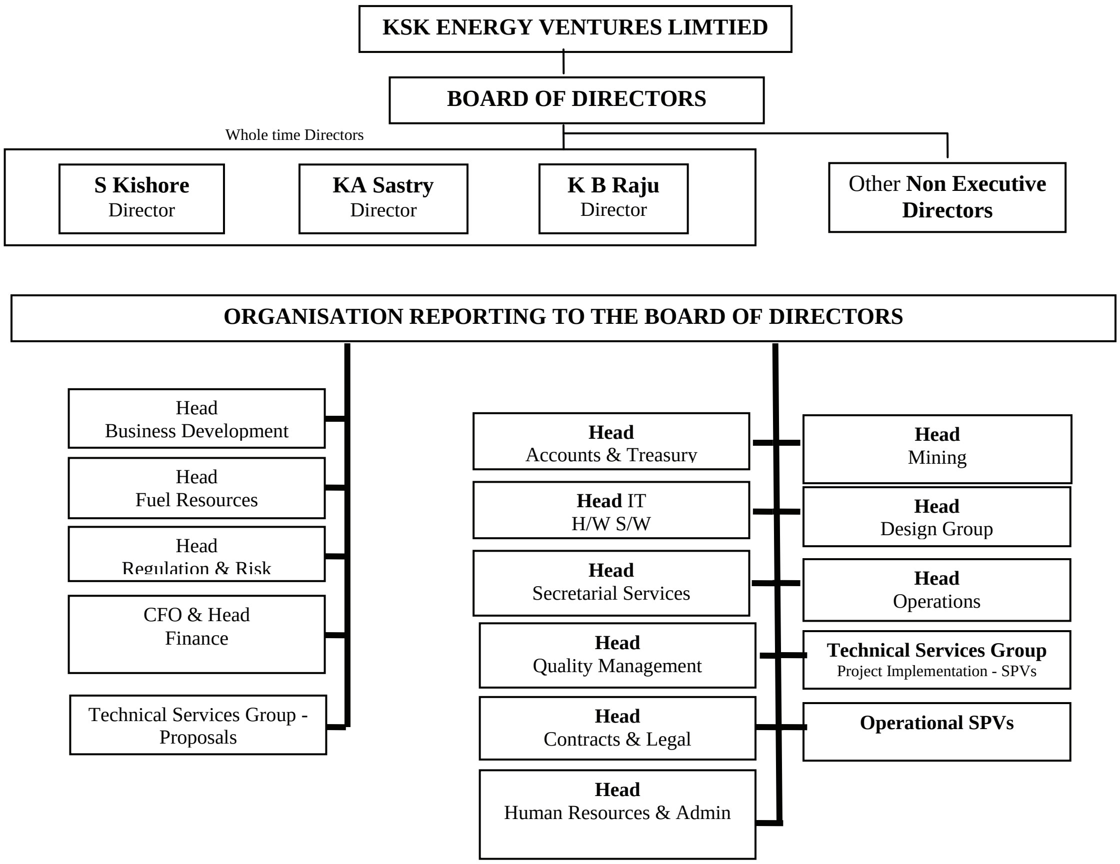
(s) Allotment/transfer of the Equity Shares; and

(t) Opening with the bankers to the Offering, escrow collection banks and other entities such accounts as are required under the SEBI Guidelines and any other applicable laws, regulations, policies and guidelines.

This committee was set up by the Board of Directors at their meeting dated January 19, 2008 and this committee consists of:

(i) Mr. T.L. Sankar;
(ii) Mr. S.R. Iyer;
(iii) Mr. Tanmay Das;
(iv) Mr. S. Kishore; and
(v) Mr. K.A. Sastry.

Organizational Chart



Profiles of Key Managerial Personnel

Mr. S. Venkatesh – Deputy Head - Operations, age 45 years, is a Chartered Accountant and a Cost Accountant with approximately 12 years of experience in development of the power plant, project concept, financial structuring and subsequent operational experience in the Company's first two power plants namely RVK Energy and KPCL. He worked with Instrumentation Limited before joining the Company on April 1, 2006. The gross compensation paid to him in the fiscal year 2008 was Rs. 10.40 lakh.

Mr. Ramesh Kumar, Head - Operations, age 47 years, is a Cost Accountant and has approximately 27 years of experience. Prior to joining the Company, he has worked as Vice President (Finance) with Andhra Cements Limited. At the Company, he handles the operating activities for the Sitapuram SPV, the Arasmeta SPV and the Sai Regency SPV. He joined the Company on June 6, 2005. The gross compensation paid to him in fiscal year 2008 was Rs. 18 lakh.

Mr. Navjit Gill, Head - Business Development, age 40 years, is a graduate in Mechanical Engineering and an MBA (Finance). He has approximately 21 years of experience in business development. He joined the Company on June 26, 2006. He led the business development initiative at Wartsila (a European electric equipment supplier), with power plant solution offerings to the Indian market. At Wartsila, he was also in-charge of sales and service for India and Sri Lanka. The gross compensation paid to him in fiscal year 2008 was Rs.22 lakh.

Mr. K.V. Krishnamurthy, Head - Regulation & Risk Management, age 31 years, is a graduate of Commerce and MBA from Satya Sai Institute, Puttaparthy. He joined the Company on June 8, 2004. He heads the Risk and Regulatory Group at the Company and has experience in power sector. He has experience in risk management, regulatory, commercial bidding, joint venture management and international exposure in business laws and contracts. The gross compensation paid to him in fiscal year 2008 was Rs.9.90 lakh.

Mr. S. Durgashankar, Group CFO, age 48 years, is an associate member of the Institute of Chartered Accountants of India (ICAI) and has approximately 24 years of senior level experience in various aspects of corporate finance. Before joining our Company on December 1, 2007 he was working as senior vice president, Mergers & Acquisitions at Mahindra & Mahindra Limited. He joined the Company in December 2007. The gross compensation paid to him in fiscal year 2008 was Rs. 15.05 lakh.

Mr. N.S. Ramachandran, Financial Controller, age 56, is a Chartered Accountant and has approximately 33 years of experience in the field finance. Before joining the Company in April 2006 he worked with Indian Oil Corporation, General Electric Company Limited, IBP Co. Limited, Hindustan Zinc Limited, Andhra Pradesh Gas Power Corporation Limited and PT Ispat, Indonesia. At the Company, he is responsible for handling and monitoring project development budgets, actual expenditure positions, post customer signoff and associated MoUs/agreements. He is also responsible for the project execution of the VS Lignite SPV. The gross compensation paid to him in fiscal year 2008 was Rs.18 lakh.

Mr. Pranav Komerwar, Technical Services Group – Mechanical, age 31, is B.Tech in Mechanical Engineering from VJTI, Mumbai and MBA from ICFAI, Hyderabad. He worked with L&T – JOHN DEERE and joined the Company in 2003. He heads the Proposals technical services group. The gross compensation paid to him in fiscal year 2008 was Rs. 8.75 lakh.

Mr. K.V. Kiran Kumar, Technical Services Group – Civil, age 34, completed Diploma in Civil Engineering from Ankush Polytechnic, Nagpur and worked for Gland Pharma Limited, L&T and National Contracting Company Limited. He has approximately 14 yeas of experience. He joined the Company in 2004. He heads the Proposals technical services group – Civil. The gross compensation paid to him in fiscal year 2008 was Rs. 5.65 lakh.

Mr. C. Narasimha, Technical Services Group – Electrical, age 38, is a B.E Electrical Engineer. He has approximately 15 years of experience and has worked for Lanco before joining the Company in 2003. He now heads the Proposals technical services group – Electrical. The gross compensation paid to him in fiscal year 2008 was Rs. 5.86 lakh.

Mr. C. Srinivas, Head - Accounts, age 46 years, is a Chartered Accountant and has approximately 27 years of work experience. Before joining our Company on April 1, 2004 he worked with HBL Nife Power Systems Limited as General Manager. The gross compensation paid to him in fiscal year 2008 was Rs. 10.40 lakh.

Mr. Sambasiva Rao, Head - Treasury, age 55 years, is a Chartered Accountant and has approximately 31 years of experience in Finance and Accounts. He joined our Company in October, 2006. In his earlier assignments, he has worked with Bambino Agro Industries Limited, as Executive Director (Finance), DCL Polyesters Ltd, Godavari Fertilizers & Chemicals Limited, National Aluminium Company Ltd, Electronics Corporation of India Ltd, and Andhra Pradesh Industrial Infrastructure Corporation Limited. The gross compensation paid to him in fiscal year 2008 was Rs. 16.50 lakh.

Mr. G. Sreenivas Rao, Chief Information Officer, age 47 years. He holds a Masters Degree in Engineering (Computer Science) and Masters Degree in (OR and SQC). He is an Alumni of BITS Pilani from where he completed his Masters Degree and also had a stint in teaching young engineers. He has approximately 20 years of experience in the IT and computer sciences and has worked with companies like Saudi Aramco, SDRC – USA, Manugistics – USA, Cordy's & APTECH and few other Software MNCs. He joined the Company in November 2007. The gross compensation paid to him in fiscal year 2008 was Rs. 8.12 lakh.

Mr. Suresh Babu, Head - Company Secretarial Department, age 50 years, he holds a master of laws (LLM) degree and is a fellow member of company secretaries of India (FCS). He also holds PG Diploma in Labor Laws and Personnel Management. He has approximately 28 years of experience in company secretarial matters, corporate affairs, corporate governance, company law and compliance. Before joining our Company on November 28, 2007 he was working at GTN Textiles Limited as Company Secretary. He joined the Company in November 2007. The gross compensation paid to him in fiscal year 2008 was Rs. 3.28 lakh.

Mr. Krishna Kishore, In-charge of Quality Management, age 33 years, he is B. Tech in Civil Engineering from Indira Gandhi National Open University. He has worked in Larsen & Toubro Limited as QA/QC Engineer. He joined the Company in 2005 and has successfully implemented a document management system at the Company. He is presently developing quality management system. He has approximately 11 years of experience. The gross compensation paid to him in fiscal year 2008 was Rs. 3.65 lakh.

Mr. C. Shanker Narayan, Head - Human Resource, age 46 years, has graduated in Commerce from Osmania University. He also has a post-graduate diploma in Marketing and Sales Management, Computer Programming and System Analysis. Before joining our company in 2006, he worked in the information technology services industry. He has approximately 18 years of experience. The gross compensation paid to him in fiscal year 2008 was Rs. 19.25 lakh.

Mr. K. Subrahmanyam, Head - Design, age 67 years, is a graduate in Mechanical Engineering from Madras University. He has also completed post-graduate diploma in Erection and Commissioning from France. He has approximately 45 years of experience. Before joining our Company in 2003 he has worked in Foundry Forge Plant of Heavy Engineering Corporation, Ranchi, ITC Bhadrachalam Paperboards Limited as Vice President, Flex Industries as Vice President – Energy for their Diesel Generator Power Houses. The gross compensation paid to him in fiscal year 2008 was Rs. 10.85 lakh.

<u>Profiles of Key Managerial Personnel - Subsidiaries and the Sitapuram SPV</u>

Mr. Satish Chander Sharma, President - Hydro, KSK Dibbin Hydro Power Private Limited, age 61 years. He holds a degree in Mechanical Engineering and Post Graduate Diploma in Export Management and has approximately 40 years of experience in the field of hydro power development. Before joining us, he has worked as director (Technical) on the Board of the Tehri Hydro Development Corporation Limited. He joined us in June 2007. The compensation paid to him in fiscal year 2008 was Rs. 33.26 lakh.

Mr. G. Satyanarayana, Head - Mining, VS Lignite Power Private Limited, age 42 years, he is a graduate in Mining Engineering from Kothagudem School of Mines and holds a postgraduate diploma in environmental & ecology from IEE, New Delhi. He has approximately 20 years of experience. Before joining us on March 31, 2006 he was working with Singareni Collieries and Gujarat Industries Power Company Limited. The gross compensation paid to him in fiscal year 2008 was Rs. 13.50 lakh.

Mr. G. Hari Babu, Plant head for Sai Regency Power Corporation Private Limited, age 61 years, is a Mechanical Engineer with approximately 40 years of experience in thermal power plants. Before joining us on February 1, 2007 he has worked for the Indian Air Force on aero engines (gas turbine) on different aircrafts for 15 years and subsequently with BSES Limited. The gross compensation paid to him in fiscal year 2008 was Rs. 9.30 lakh.

Mr. Ramarao B. Kulkarni, Senior Manager, O&M, Arasmeta Captive Power Company Private Limited, age 33 years. He completed AMIE from The Institution of Engineers, Kolkata, Diploma in Mechanical Engineering from Gulbarga and Boiler Operation Engineering from Government of Karnataka. He has approximately 15 years of experience. Before joining us, he worked with Sree Rayalaseema Alkalies & Allied Chemicals Limited. He joined us in March, 2007. The compensation paid to him in fiscal year 2008 was Rs. 5.25 lakh.

Mr. Pandrangi S. Rao, Project Head, VS Lignite Power Private Limited, age 60 years, is a Mechanical Engineer from Andhra University with approximately 39 years of experience of which 26 years he was with National Thermal Power Corporation Limited. He has also worked as General Manager for Vaishali Power Generating Company Limited, a joint venture between NTPC and Bihar State Electricity Board at Muzaffarpur Thermal Power Station. He joined us in June, 2007. The compensation paid to him in fiscal year 2008 was Rs. 12.08 lakh.

Mr. Srinivasan S., Chief Executive Officer, Wardha Power Company Private Limited – Maharashtra Project, age 42 years. He holds a bachelors degree in engineering from IIT Madras and a post graduate diploma in business administration from IIM, Ahmedabad. He is also a qualified Chartered Financial Analyst (CFA) Charter holder from the Association of Investment Management & Research (AIMR), USA. He has approximately 18 years experience in manufacturing industry, investment banking and BPO industry. Before joining us, he was working as the General Manager – Sales Support & Transitioning in Siemens BPO, Bangalore. He joined us in July, 2007. The compensation paid to him in fiscal year 2008 was Rs. 34.20 lakh.

Mr. G. Parameswara Rao, Project Head – Wardha Power Company Private Limited – Chhattisgarh Project, age 55 years, is a mechanical engineer with approximately 32 years of experience, of which 20 years he has spent in BHEL and 12 years in Larsen & Toubro Limited. He joined us on August 24, 2007. The gross compensation paid to him in fiscal year 2008 was Rs. 21.69 lakh.

Mr. MVV Rao – Executive Director (Technical), JR Power Gen Private Limited, age 60 years is an Electrical Engineer from NIT Warangal. He has approximately 36 years of experience in the execution of power projects from conceptual stage to commissioning. He has worked with Vijayawada Thermal Power Station, Kakatiya Thermal Power Project, Kothagudem Thermal Power Project and Rayalaseema Thermal Power Project. He joined us at the end of March 2008. No compensation was paid to him in fiscal year 2008.
All our Key Managerial Personnel as disclosed above are permanent employees of the Company and its Subsidiaries and none of the Directors and Key Managerial Personnel are related to each other.

Shareholding of the Key Managerial Personnel

None of the key managerial personnel hold Equity Shares in the Company.

Bonus or profit sharing plan of the Key Managerial Personnel

The Company does not have a performance linked bonus or a profit sharing plan for the key managerial personnel.

Interests of Key Managerial Personnel

The key managerial personnel do not have any interest in the Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business.

Payment of Benefits to Officers of the Company

Except as disclosed in this Red Herring Prospectus, and other than statutory payments and remuneration, in the last two years the Company has not paid any sum to its employees in connection with superannuation payments and ex-gratia/rewards and has not paid any non-salary amount or benefit to any of its officers. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of the Company.

Changes in the Key Managerial Personnel

The changes in the key managerial personnel of the Company and the Subsidiaries in the last three years are as follows:

Name of the Key Management Person	Date	Reason for change
Mr. Ramesh Kumar	June 6, 2005	Appointment
Mr. A.V. Dhanamjaya Rao	June 10, 2005	Appointment
Mr. K. Sambasiva Murthy	December 7, 2005	Appointment
Ms. Anuradha Sharma	February 23, 2006	Resignation
Mr. Navjit Gill	June 26, 2006	Appointment
Mr. G. Satyanarayana	March 31, 2006	Appointment
Mr. N.S. Ramachandran	April 17, 2006	Appointment
Mr. Bhaskara Rao	September 20, 2006	Resignation
Mr. Sambasiva Rao	October 3, 2006	Appointment
Mr. Joseph P. Varghese	January 10, 2007	Resignation
Mr. Hari Babu	February 1, 2007	Appointment
Mr. Rama Rao Kulkarni	March 15, 2007	Appointment

Name of the Key Management Person	Date	Reason for change
Mr. R. Chousalkar	June 9, 2007	Resignation
Mr. Pandrangi S. Rao	June 11, 2007	Appointment
Mr. Satish Chander Sharma	June 16, 2007	Appointment
Mr. Srinivasan S.	July 2, 2007	Appointment
Mr. G. Parameswara Rao	August 24, 2007	Appointment
Mr. Pundarikakshudu	September 6, 2007	Appointment
Mr. Rajamani S.	September 6, 2007	Resignation
Mr. Durga Prasad	October 20, 2007	Resignation
Mr. G. Sreenivas Rao	November 5, 2007	Appointment
Mr. Suresh Babu	November 28, 2007	Appointment
Mr. S. Durgashankar	December 1, 2007	Appointment
Mr. Subba Rao Tulasi	February 29, 2008	Resignation
Mr. M.V.V. Rao	March 29, 2008	Appointment
Mr. Vijay Bhaskar Reddy	March 31, 2008	Resignation
Mr. K Sambasiva Murthy	May 29, 2008	Resignation
Mr. Pundarikakshudu T.	May 31, 2008	Resignation
Mr. A.V. Dhanamjaya Rao	May 31, 2008	Resignation

OUR PROMOTERS AND PROMOTER GROUP COMPANIES

Our Promoters

Our Promoters are Mr. S. Kishore, Mr. K.A. Sastry and KSK Energy Limited. KSK Energy Limited is promoted by KSK Power Ventur plc, a public company listed on the Alternative Investment Market of the London Stock Exchange, which is ultimately promoted by Mr. S. Kishore and Mr. K.A. Sastry, who are therefore the ultimate promoters of the Company.

The details of our Promoters are as follows:

Mr. S. Kishore is a wholetime Director of our Company. He is a resident Indian national. For further details, see the section "Our Management" beginning on page 194 of this Red Herring Prospectus. His Permanent Account Number is AIRPS8129H, driving licence number is DLFAP00921732005 and Passport No. is G2552274. He does not have a voter identification number.

Mr. K.A. Sastry is a wholetime Director of our Company. He is a resident Indian national. For further details, see the section "Our Management" beginning on page 194 of this Red Herring Prospectus. His Permanent Account Number is AEMPK0589G, driving licence number is 9500/HC/2000 and Passport No. is F8884543. He does not have a voter identification number.

We confirm that the permanent account number, bank account number and passport number of Mr. S. Kishore and Mr. K.A. Sastry have been submitted to the Stock Exchanges.

KSK Energy Limited

KSK Energy Limited ("KSK Energy") was incorporated as Bijlee Bharat Holdings under the Mauritius Companies Act, 2001 on June 14, 2005. The name of the company was changed to KSK Energy Limited on November 22, 2006. KSK Energy is registered with the registrar of companies located at 1, Cathedral Square, Pope Henessy Street, Port Louis, Republic of Mauritius. The registered office of KSK Energy is located at C/o First Island Trust Company Limited, St. James Court Suite 308, St. Denis Street, Port Louis, Republic of Mauritius.

Upon incorporation the company was granted a Global Business License Category 2 ("GBL 2") by the Financial Services Commission, Mauritius and this GBL 2 was changed to a Global Business License Category 1 ("GBL 1") on November 6, 2006. The license is valid up to November 5, 2008. The Permanent Account Number of KSK Energy is AADCK2726M.

As per the constitution of the company, its main objects are to engage in qualified global business as permitted under the Financial Services Development Act, 2001 and any other laws for time being in force in the Republic of Mauritius.

Shareholding Pattern

The shareholding pattern of KSK Energy as of May 31, 2008 was as follows:

S.No.	Name of Shareholder	Number of equity shares of US$ 1 each	Percentage of Shareholding (%)
1.	KSK Power Ventur Plc	4,18,39,200	100.00
	Total	**4,18,39,200**	**100.00**

Promoter of KSK Energy

The promoter of KSK Energy is KSK plc, a company incorporated under the laws of the Isle of Man. For further details, of KSK plc, see the section "─Promoter Group" below.

Board of Directors

The board of directors of KSK Energy comprises the following:

1. Mr. Denis Tze Sek Sum;
2. Mr. Fung Kong Yune Kim;
3. Mr. S. Kishore;
4. Mr. K.A. Sastry; and
5. Mr. Ramzi Nassar.

Except as disclosed below, there has been no change in the management of KSK Energy since its incorporation:

Name	Date of Appointment	Date of Cessation	Reason
Ms. Shyama Bungsraz	June 14, 2005	June 28, 2005	Resignation
Mr. Karra Sastry	June 28, 2005	September 7, 2006	Resignation
Mr. Denis Tze Sek Sum	September 7, 2006	-	Appointment
Mr. Fung Kong Yune Kim	September 7, 2006	-	Appointment
Mr. S. Kishore	January 31, 2008	-	Appointment
Mr. K.A. Sastry	January 31, 2008	-	Appointment
Mr. Ramzi Nassar	January 31, 2008	-	Appointment

Financial Performance

The following table sets forth the summary financial data of KSK Energy:

(Rs. in lakhs, except share data)

	For the period ended March 31,	
	2007	**2006**
Equity Capital	17,178.48	0.0007953
Reserves and Surplus (excluding revaluation reserves)	(6.25)	0.00
Income/sales	0.12	0.00
Profit (Loss) after Tax	(6.25)	0.00
Earnings per share (Rs.)[(1)]	(0.01)	0.00
Net asset value per share (Rs.)	79.50	79.53

(1) Face value of each equity share is Rs. 79.53. (Conversion rate: 1 GBP = Rs.79.53)

KSK Energy is an unlisted company and it has not made any public or rights issue since its incorporation. It has not become a sick company, is not under winding up and does not have negative net worth.

We confirm that the Tax Residence Certificate, permanent account number, bank account number and company registration number of KSK Energy have been submitted to the Stock Exchanges.

Interests of Promoters and Common Pursuits

KSK Energy is interested to the extent of its shareholding in us. Further, our individual Promoters who are also the Directors of our Company may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration payable or reimbursement of expenses to them. Our individual Promoters may also be deemed to be interested to the extent of Equity Shares that may be subscribed for and allotted to them in the present Issue in terms of this Red Herring Prospectus and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

Further, our individual Promoters are also directors on the boards of certain Promoter Group entities and they may be deemed to be interested to the extent of the payments made by our Company, if any, to these Promoter Group entities. For the payments that are made by our Company to certain Promoter Group entities, see the section "Related Party Transactions" beginning on page 223 of this Red Herring Prospectus.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements in which the Promoters are directly or indirectly interested and no payments have been made to them in respect of the contracts, agreements or arrangements which are proposed to be made with them including the properties purchased by our Company other than in the normal course of business.

Further, except as disclosed in this section our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

Confirmations

Further, none of our Promoters has been declared as a willful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by the Promoters in the past or are pending against them. None of the Promoters, Promoter Group entities or persons in control of the Promoters or bodies corporate forming part of the Promoter Group has been (i) prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

Payment of benefits to our Promoters

Except as stated in the section "Related Party Transactions" beginning on page 223 of this Red Herring Prospectus, there has been no payment of benefits to our Promoters.

Promoter Group

In addition to the Promoters named above, the following natural persons and companies are part of our Promoter Group.

The natural persons who are part of our Promoter Group (due to their relationship with our Promoters), other than the Promoters named above are as follows:

Name of the Person	Relationship
Relatives of Mr. S. Kishore	
Ms. S. Rajyalakshmi	Mother
Mr. Ram Sethuraman	Brother
Mr. S. Chandrasekhar	Brother
Ms. Smruthi Kishore	Daughter
Mr. Rishabh Kishore	Son
Ms. Aditi Kishore	Spouse
Mr. D.V. Narke	Father of spouse
Mrs. Vijaya Narke	Mother of spouse
Mr. Ashish Narke	Brother of spouse
Mrs. Anjali Gadgil	Sister of spouse
Mrs. Aparna Garg	Sister of spouse
Relatives of Mr. K.A. Sastry	
Mrs. K. Satyavathy	Mother
Mr. K. Ramamurthy	Brother
Mr. Sai Kolluri	Brother

Name of the Person	Relationship
Mr. K.V. Sarma	Brother
Ms. P. Sathya	Sister
Ms. M. Kameswati	Sister
Ms. K. Annapoorna	Sister
Ms. K. Mohita	Daughter
Ms. K. Ratna	Spouse
Mr. Bhagavatula Suryanarayana Sastry	Father of spouse
Ms. Bhagavatula Sita Lakshmi	Mother of spouse
Mr. Bhagavatula Venkateswara Sastry	Brother of Spouse
Mr. Bhagavatula Subramanya Sastry	Brother of Spouse
Mr. Bhagavatula Sri Krishna Sastry	Brother of Spouse

Companies forming part of the Promoter Group

Listed Companies

KSK Power Ventur plc

KSK Power Ventur plc ("KSK plc") was incorporated under the Companies Act, 1931 of the Isle of Man on July 17, 2006 as a public limited company. The company is registered with the Financial Supervision Commission located at PO Box 58, Finch Hill House, Douglas, Isle of Man, IM99 1DT. The registered office of KSK plc is located at 15-19, Athol Street, Douglas, Isle of Man, IM1 1LB.

The business of KSK plc is to engage in any activity permitted by law.

Shareholding Pattern

The shareholding pattern of KSK plc as on May 31, 2008 was as follows:

Name of the shareholders	Number of equity shares	Percentage shareholding (%)
Sayi Energy Ventur Limited	10,00,00,000	77.59
Public	2,88,78,505	22.41
Total	**12,88,78,505**	**100.00**

Board of Directors

The Board of Directors of KSK plc comprises the following:

1. Mr. T.L. Sankar (chairman and independent director);
2. Mr. S.R. Iyer (independent director);
3. Mr. Scott Bayman (independent director);
4. Mr. S. Kishore (executive director); and
5. Mr. K.A. Sastry (executive director).

Financial Performance

The following table sets forth the summary financial data of KSK plc on a consolidated basis:

(Rs. in lakhs, except share data)

	For the year ended March 31, 2007
Equity Capital	21,149.32
Reserves and Surplus (excluding revaluation reserves)	4,907.76
Income/sales	4,815.98
Profit (Loss) after Tax	1,901.37
Earnings per share (Rs.)[(1)]	2.28
Net asset value per share (Rs.)	20.22

(1) Face value of each equity share is approximately Rs.0.08. (Conversion rate: 1 GBP = Rs.79.53)

KSK plc has not become a sick company, is not under winding up and does not have negative net worth.

Share Price Information

The equity shares of KSK plc were listed on November 1, 2006 on the Alternative Investment Market of the London Stock Exchange.

The monthly high and low of the market price of the equity shares of KSK plc having a face value of 0.1 pence or 0.001 GBP each (approximately Rs. 0.08) on the Alternative Investment Market of the London Stock Exchange for the last six months are as follows:

(In Rupees)

Date	High	Low
May, 2008	506.21	449.34
April, 2008	503.42	412.76
March, 2008	425.49	365.84
February, 2008	429.46	341.98
January, 2008	367.43	287.90
December, 2007	295.85	213.94

The market capitalization of KSK plc as on May 31, 2008 was USD 1,610.99 million or approximately Rs. 6,508.59 crore.

Details of the public issue

The initial public offering of 2,88,78,505 equity shares having a face value of 0.10 pence (approximately Rs. 0.08) each aggregating GBP 30.90 million (Rs. 24,574.77 lakh) took place in October 2006 at an issue price of 107 pence (approximately Rs. 85.10) per equity share.

The objects of the issue were as follows:

1. To buy back and redeem the shares in KSK Energy Ventures Limited held by K&S Consulting Group Private Limited as part of the reorganization;
2. To invest in power projects;
3. To develop fuel assets; and
4. To raise the company's profile, enable future access to capital markets and diversify its investor base.

KSK plc has utilized the net proceeds arising out of the issue for the stated objects.

Mechanism for redressal of investor grievances

The board of directors of KSK plc has not constituted a shareholder/investor grievance committee as the Combined Code on Corporate Governance is optional.

As on December 31, 2007, KSK plc has no outstanding complaints from the shareholders.

Unlisted Companies

1. KSK Energy Company Private Limited

KSK Energy Company Private Limited ("KSKECPL") was incorporated under the Companies Act as Pushkar Power Company Private Limited on October 28, 2005. Its name was subsequently changed to KSK Energy Company Private Limited on November 30, 2005. The registered office of KSKECPL is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

KSKECPL is engaged in the business of development of power plants and generation of electricity.

Shareholding Pattern

The shareholding pattern of KSKECPL on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	KSK Energy Limited	2,49,50,583	99.99
2.	S. Kishore (nominee of KSK Energy Limited)	10	0.01
	Total	**2,49,50,593**	**100.00**

Board of Directors

The board of directors of KSKECPL comprises the following:

1. Mr. S. Kishore; and
2. Mr. K.A. Sastry.

Financial Performance

The following table sets forth the summary financial data of KSKECPL:

(Rs. in lakhs, except share data)

	For the year ended	
	March 31, 2007	**March 31, 2006**
Equity Capital	1.05	1.05
Reserves and Surplus (excluding revaluation reserves)	0.00	0.00
Income/sales	0.00	0.00
Profit (Loss) after Tax	0.00	0.00
Earnings per share (Rs.)(1)	0.00	0.00
Net asset value per share (Rs.)	6.60	6.60

______

(1) Face value of each equity share is Rs.10.

KSKECPL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company, is not under winding up and does not have negative net worth.

2. K&S Consulting Group Private Limited

K&S Consulting Group Private Limited ("K&S") was incorporated on April 6, 1998 under the Companies Act as Kishore & Sastry Consultants Private Limited. Its name was subsequently changed to K&S Consulting Group Private Limited on January 17, 2000. The registered office of K&S is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

K&S is engaged in the business of providing counseling services to any entrepreneur, company, corporation, society, firm, trust, person or government interested in investing in new and existing projects and to arrange credit for them.

Shareholding Pattern

The shareholding pattern of K&S on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	Mr. S. Kishore	5,38,107	31.88
2.	Mrs. Aditi Kishore	1,25,233	7.42
3.	Mr. K.A. Sastry	6,51,240	38.58
4.	Mrs. K. Ratna	12,100	0.72
5.	Raajratna Metal Industries Limited	1,00,000	5.93
6.	Mr. Girish Kulkarni	42,000	2.49
7.	Mr. K. Bapiraju	109,500	6.49
8.	Mr. Tanmay Das	109,500	6.49
	Total	**16,87,680**	**100.00**

Board of Directors

The board of directors of K&S comprises the following:

1. Mr. S. Kishore; and
2. Mr. K.A. Sastry.

Financial Performance

The following table sets forth the summary financial data of K&S:

(Rs. in lakhs, except share data)

	For the year ended March 31,		
	2007	**2006**	**2005**
Equity Capital	168.77	168.77	168.77
Reserves and Surplus (excluding revaluation reserves)	(502.21)	800.88	809.11
Income/sales	52.53	119.17	90.67
Profit (Loss) after Tax	(1,306.39)	(8.83)	7.84
Earnings per share (Rs.)[(1)]	(77.41)	(0.53)	0.46
Net asset value per share (Rs.)	(19.76)	57.45	57.94

(1) Face value of each equity share is Rs.10.

K&S is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company and is not under winding up. It has negative net worth.

3. Sayi Power Energy Limited

Sayi Power Energy Limited ("SPEL") was incorporated under the Companies Act, 1931 of the Isle of Man on June 14, 2006. The company is registered with the Financial Supervision Commission located at PO Box 58, Finch Hill House, Douglas, Isle of Man, IM99 1DT. The registered office of SPEL is located at 15-19, Athol Street, Douglas, Isle of Man, IM1 1LB.

The business of SPEL is to engage in any activity permitted by law.

Shareholding Pattern

The shareholding pattern of SPEL on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	K&S Consulting Group Private Limited	1,00,000	74.23
2.	GE Capital International, Mauritius	34,716	25.77
	Total	**1,34,716**	**100.00**

Board of Directors

The board of directors of SPEL comprises the following:

1. Mr. S. Kishore;
2. Mr. K.A. Sastry;
3. Mr. K.V. Krishnamurthy; and
4. Mr. Ramzi Nassar.

Financial Performance

	(Rs. in lakhs, except share data) **For the year ended March 31, 2007**
Equity Capital	79.53
Reserves and Surplus (excluding revaluation reserves)	(4.21)
Income/sales	0.01
Profit (Loss) after Tax	(4.22)
Earnings per share (Rs.)[(1)]	(8.75)
Net asset value per share (Rs.)	75.32

(1) Face value of each equity share is Rs.79.53. (Conversion rate: 1 GBP = Rs. 79.53)

SPEL is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company and is not under winding up. It does not have negative net worth.

Marudhar Mining Private Limited

Marudhar Mining Private Limited ("Marudhar Mining") was incorporated on September 5, 2002. The registered office of Marudhar Mining is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

The business of Marudhar Mining is to carry on the business of purchasing, leasing and acquiring lands believed to contain metallic and other mineral deposits; prospecting, exploring, excavating and working mines; and to carry on the business of consultants and contractors in setting up plants for production of mining ores, minerals, metals and to undertake research and development programs in the field of mining.

Shareholding Pattern

The shareholding pattern of Marudhar Mining on May 31, 2008 was as follows:

S. No.	**Name of Shareholder**	**Number of equity shares**	**Percentage of Shareholding (%)**
1.	KSK Energy Company Private Limited	9,990	99.90
2.	Mr. K.A. Sastry (nominee of KSKECPL)	10	0. 10
	Total	**10,000**	**100.00**

Board of Directors

The board of directors of Marudhar Mining comprises the following:

1. Mr. S. Kishore; and
2. Mr. K.A. Sastry.

Financial Performance

The following table sets forth the summary financial data of Marudhar Mining:

	(Rs. in lakhs, except share data) **For the year ended March 31, 2007**
Equity Capital	1.00
Reserves (excluding revaluation reserves)	(3.29)
Income/sales	Nil
Profit (Loss) after Tax	Nil
Earnings per share (Rs.)[(1)]	Nil
Net asset value per share (Rs.)	(22.94)

(1) Face value of each equity share is Rs.10.

Marudhar Mining is an unlisted company and it has not made any public or rights issue in the preceding three years. It has not become a sick company, is not under winding up and does not have negative net worth.

KSK Energy Resources Private Limited

KSK Energy Resources Private Limited ("KSKERPL") was incorporated on November 19, 2007. The registered office of KSKERPL is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

The business of KSKERPL is to carry on the business of managing, supervising ad controlling the business of generating, distributing and dealing in electricity; providing consultancy services for construction, erection, development, management, operation and control of power plants; planning, promoting and assisting in the establishment and operation of power plants; carrying on the business of technical, financial and management consultants or providing any other facilities required in connection with any projects.

Shareholding Pattern

The shareholding pattern of KSKERPL on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	KSK Energy Company Private Limited	9,990	99.90
2.	Mr. S. Kishore (nominee of KSKECPL)	10	0. 10
	Total	**10,000**	**100.00**

Board of Directors

The board of directors of KSKERPL comprises the following:

1. Mr. S. Kishore;
2. Mr. K.A. Sastry; and
3. Mr. Anil Kumar Kutty.

Financial Performance

Since KSKERPL was incorporated in November 2007, no financial statements are available.

KSKERPL is an unlisted company and it has not made any public or rights issue since its incorporation. It has not become a sick company, is not under winding up and does not have negative net worth.

KSK Natural Resource Ventures Private Limited

KSK Natural Resource Ventures Private Limited ("KSKNRVPL") was incorporated on June 16, 2006. The registered office of KSKNRVPL is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

The business of KSKNRVPL is to carry on the business of prospecting, exploration and trading of natural resources and to secure rights of use of any resources which can be used for the generation of power and to purchase, take on lease, license, concession or otherwise, mines, plants, equipment and refining plants.

Shareholding Pattern

The shareholding pattern of KSKNRVPL on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	KSK Energy Company Private Limited	10,490	99.90
2.	Mr. K.A. Sastry (nominee of KSKECPL)	10	0.10
	Total	**10,500**	**100.00**

Board of Directors

The board of directors of KSKNRVPL comprises the following:

1. Mr. S. Kishore; and
2. Mr. K.A. Sastry.

Financial Performance

The following table sets forth the summary financial data of KSKNRVPL:

	(Rs. in lakhs, except share data) **For the year ended March 31, 2007**
Equity Capital	1.05
Reserves (excluding revaluation reserves)	(0.36)
Income/sales	Nil
Profit (Loss) after Tax	Nil
Earnings per share (Rs.)[1]	Nil
Net asset value per share (Rs.)	6.57

(1) Face value of each equity share is Rs.10.

KSKNRVPL is an unlisted company and it has not made any public or rights issue since its incorporation. It has not become a sick company, is not under winding up and does not have negative net worth.

KSK Surya Photovoltaic Venture Private Limited

KSK Surya Photovoltaic Venture Private Limited ("KSKSPVPL") was incorporated on February 12, 2008. The registered office of KSKSPVPL is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

The business of KSKSPVPL is to carry on the business of setting up an integrated solar panel manufacturing plant using the most advanced semi conductor thin film technology and equipment that leverages the advances made in the flat panel display industry.

Shareholding Pattern

The shareholding pattern of KSKSPVPL on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	KSK Energy Company Private Limited	9,990	99.90
2.	Mr. K.A. Sastry (nominee of KSKECPL)	10	0.10
	Total	**10,000**	**100.00**

Board of Directors

The board of directors of KSKSPVPL comprises the following:

1. Mr. S. Kishore; and
2. Mr. K.A. Sastry.

Financial Performance

Since KSKSPVPL was incorporated in February 2008, no financial statements are available.

KSKSPVPL is an unlisted company and it has not made any public or rights issue since its incorporation. It has not become a sick company, is not under winding up and does not have negative net worth.

KSK Investment Advisor Private Limited

KSK Investment Advisor Private Limited ("KSKIAPL") was incorporated on April 29, 2008. The registered office of KSKIAPL is located at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033.

The business of KSKIAPL is to carry on the business of acting as managers, advisors, administrators, agents and consultants for any investment funds, unit trusts, private equity or debt funds, investment or any other portfolio of securities, properties, or assets of any kind including any pension, provident funds or superannuation funds set up, formed or established in India or in any other country by the company or by any other person, or by government funds, whether set up as a company, trust or any other entity, local authorities, association, institute (whether incorporated or not) or any other agency or organization.

Shareholding Pattern

The shareholding pattern of KSKIAPL on May 31, 2008 was as follows:

S. No.	Name of Shareholder	Number of equity shares	Percentage of Shareholding (%)
1.	KSK Energy Company Private Limited	9,990	99.90
2.	Mr. S. Kishore (nominee of KSKECPL)	10	0.10
	Total	**10,000**	**100.00**

Board of Directors

The board of directors of KSKIAPL comprises the following:

1. Mr. S. Kishore;
2. Mr. K.A. Sastry; and
3. Mr. Tanmay Das.

Financial Performance

Since KSKIAPL was incorporated in April 2008, no financial statements are available.

KSKIAPL is an unlisted company and it has not made any public or rights issue since its incorporation. It has not become a sick company, is not under winding up and does not have negative net worth.

Defunct Promoter Group Companies

There are no defunct Promoter Group Companies.

Disassociation by our Promoters in the last three years

There has been no disassociation by our Promoters in the last three years.

RELATED PARTY TRANSACTIONS

Related Party Transactions (as per Accounting Standard 18 issued by the ICAI) :

The related party transactions for the "Group" are shown as below:

(A) List of Related Parties

S No.	Name of the Related Party	Nature of Relationship				
		As of March 31, 2008	**As of March 31, 2007**	**As of March 31, 2006**	**As of March 31, 2005**	**As of March 31, 2004**
1	KSK Energy Limited, Mauritius	Holding Company	Holding Company			
2	K & S Consulting Group Private Limited	Associate Company	Associate Company	Holding Company	Holding Company	Holding Company
3	Coromandel Electric Company Limited*	Subsidiary	Joint Venture	Joint Venture	Joint Venture	--
4	RVK Energy Private Limited *	Joint Venture	Joint Venture	Joint Venture	Joint Venture	--
5	Kasargod Power Corporation Limited *	Joint Venture	Joint Venture	Joint Venture	Joint Venture	--
6	KSK Electricity Financing India Private Limited	Subsidiary	Joint Venture	--	--	--
7	Sai Regency Power Corporation Private Limited	Subsidiary (I)	Associate	Joint Venture	Subsidiary	--
8	V S Lignite Power Private Limited	Subsidiary (I)	Associate	Subsidiary	Subsidiary	--
9	Sai Maithili Energy & Mining P Limited	Subsidiary	Subsidiary	Subsidiary	Subsidiary	--
10	Arasmeta Captive Power Company private Limited	Subsidiary (I)	Joint Venture	Joint Venture	Joint Venture	--
11	Marudhar Mining Private Limited *	Subsidiary	Subsidiary	--	--	--
12	KSK Energy Company Private Limited*	Subsidiary	Subsidiary	--	--	--
13	KSK Narmada Power Company Private Limited	Subsidiary	Subsidiary	--	--	--
14	Wardha Power Company Private Limited	Subsidiary (I)	Associate	--	--	--
15	Bahur Power Company private Limited	Subsidiary	Subsidiary	--	--	--
16	Lakhpat Power Company Private Limited	Subsidiary	Subsidiary	--	--	--
17	KSK Natural Resource Ventures Private Limited *	Subsidiary	Subsidiary	--	--	--
18	KSK Technology Ventures Private Limited	Subsidiary	Subsidiary	--	--	--
19	Sitapuram Power Limited	Joint Venture of Subsidiary	--	Joint Venture	--	--
20	MMS Steel & Power Private Limited	--	--	--	Joint Venture	Joint Venture
21	Kameng Dam Hydro Power Private Limited	Subsidiary	--	--	--	--
22	KSK Dibbin Hydro Power Private Limited	Subsidiary	--	--	--	--
23	KSK Surya Photovoltaic Venture Private Limited	Subsidiary	--	--	--	--
24	JR Power Gen Private Limited	Subsidiary	--	--	--	--
25	KSK Energy Resources Venture Private Limited *	Subsidiary	--	--	--	--

* Represent entities disposed off during the year

(B) Key Management Personnel

Mr. S Kishore

Mr. K A Sastry

Mr. Tanmay Das (Appointed with effect from December 21, 2007)

Mr. K B Raju (Appointed with effect from December 21, 2007)

Mr.V Harikiran (Resigned with effect from November 8, 2007)

(C) Related party transactions during the year (net):

(Rs. in Lakhs)

S No.	Transaction	Holding Company				
		As of March 31, 2008	**As of March 31, 2007**	**As of March 31, 2006**	**As of March 31, 2005**	**As of March 31, 2004**
1	Project Development fee	–	–	–	–	–
2	Interest Income	–	–	–	–	–
3	Share application Money	–	–	–	–	-587.65
4	Investments	–	–	–	–	–
5	Loans & Advances	–	1.63	–	–	-66.14
6	Receiving of services	–	–	3.00	–	–
7	Remuneration	–	–	–	–	–
8	Dividend	–	–	–	–	–
9	Interest paid	–	–	–	–	–
10	Equity Share Capital	7,019.54	9,102.66	–	–	2,059.62
11	Pref. Share Capital	–	3,000.00	–	–	–
12	Premium	–	5,838.05	–	–	–
13	Rent	–	–	–	–	1.00

Related party transactions during the year (net):

(Rs. in Lakhs)

S. No.	Transaction	Subsidiaries					JV /Associates				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1.	Project Development Fee	–	–	–	–	–	2,304.70	1558.64	417.95	374.00	
2.	Corporate Support Service	–	–	–	–	–	485.68	–	–	–	–
3.	Interest Income	124.30	–	432.82	–	–	574.22	932.66	443.32	90.13	
4.	Share Application Money	(1.00)	40.50	17.60	1,133.38	–	–	1.00	650.00	963.86	224.21
5.	Investments	74,541.08	22.04	23.98	338.87	–	(4,964.88)	3,203.56	851.68	528.55	1,115.13
6.	Loans & Advances	10,329.85	75.29	1,854.15	–	–	161.44	6,551.55	1,870.20	199.89	
7.	Receiving of services	–	–	–	–	–	–	3.00	–	—	
8.	Remuneration	–	–	–	–	–	—	–	–	–	
9.	Dividend	–	–	–	–	–	485.68	91.17	99.13	–	
10.	Interest paid	72.64	–	–	–	–	–	–	–	–	

Related party transactions during the year/period ending (net):

(Rs. in Lakhs)

S. No.	Transaction	Key Management Personnel					Balance Outstanding				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Share Capital / Share Application Money	–	–	–	–	—	19,122.20	1.00	690.50	2,577.31	–
2	Investments	–	–	–	–	–	75,303.00	5,726.80	2,746.21	1,870.55	–
3	Loans & Advances	–	–	–	–	–	18,756.89	10,268.65	3,724.35	199.89	–
4	Receiving of services	–	–	–	–	–	–	–	–	–	–
5	Remuneration	89.93	90.00	90.00	90.00	–	–	–	–	–	–
6	Dividend	–	–	–	–	–	–	–	–	–	—
7	Interest paid	–	–	–	–	–	–	–	–	–	–

DIVIDEND POLICY

The declaration and payment of dividend will be recommended by the Board of Directors and approved by the shareholders of the Company at their discretion and will depend on a number of factors, including the results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other factors considered relevant by the Board. Further, pursuant to the terms of the term loans obtained by the Company, prior written consent of the lenders of the Company is required to pay any dividends. The Board may also from time to time pay interim dividend. All dividend payments are made in cash to the shareholders of the Company.

The Company has not declared any dividend on the Equity Shares in the last five years.

The Company's dividend policy in the past is not necessarily indicative of the Company's dividend policy or dividend amounts in the future.

SECTION V: FINANCIAL INFORMATION
FINANCIAL STATEMENTS
AUDITOR'S REPORT ON THE RESTATED CONSOLIDATED FINANCIAL STATEMENTS

To

The Board of Directors
K S K Energy Ventures Limited
Hyderabad.

1 (a) We have examined the attached restated consolidated financial information of **KSK Energy Ventures Limited** ("Company") having their registered office at 8-2-293/82/431/A, Road No. 22, Jubilee Hills, Hyderabad, India – 500 033 which has been prepared from the audited financial statements for the years ended March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and March 31, 2008 (hereinafter referred to as 'five financial years ended March 31, 2008) as approved by the Board of Directors of the Company prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 (" the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date (SEBI Guidelines) and in terms of our engagement agreed upon with you in accordance with our engagement letters in connection with the proposed issue of Equity shares of the Company.

(b) We did not audit the financial statements of Subsidiaries, Associates, Joint Ventures except VS Lignite Power Private Limited, Sitapuram Power Limited and MMS Steel & Power Private Limited. The financial statements and other information of the subsidiaries, Associates and Joint Ventures have been audited by other auditors whose reports have been furnished to us and our opinion, in so far it relates to the amounts included in respect of these Subsidiaries, Associates and Joint Ventures, is based solely on the report of the other auditors.

(c) We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:

(a) The Restated Consolidated Statement of Assets and Liabilities of the Company for five financial years ended March 31, 2008 as set out in Annexure I to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts as set out in Annexure IV.

(b) The Restated Consolidated Statement of Profit or Loss of the Company for the five financial years ended March 31, 2008 as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts as set out in Annexure IV.

(c) The Restated Consolidated Statement of Cash Flows of the Company for the five financial years ended March 31, 2008 as set out in Annexure III to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts as set out in Annexure IV.

(d) Based on above, we are of the opinion that the restated financial information for five financial years ended March 31, 2008 have been made after incorporating:

(i) Adjustments for the material amounts in the respective financial years to which they relate.

(ii) There are no significant changes in accounting policies that need to be disclosed separately in the Accounts or qualifications requiring adjustments.

. (iii) And there are no extra-ordinary items that need to be disclosed separately in the accounts or qualifications requiring adjustments.

3. We have also examined the following other financial information setout in Annexure prepared by the management and approved by the Board of Directors relating to the Company for the five financial years ended March 31, 2008:

i. Statement of Dividend paid - **ANNEXURE -V**

ii. Statement of Accounting Ratios - **ANNEXURE - VI**

iii. Statement of Capitalization as at March 31, 2008 – **ANNEXURE - VII**

iv. Statement of Secured and Unsecured Loans – **ANNEXURE – VIII**

v. Statement of Revenue from Operations, – **ANNEXURE IX**

vi. Statement of Other Income – **ANNEXURE X**

vii. Statement of Tax Shelter – **ANNEXURE XI**

viii. Statement of Loan and Advances – **ANNEXURE XII**

ix. Statement of Sundry Debtors – **ANNEXURE XIII**

x. Statement of Related Party Transactions **– REFER ANNEXURE IV**

xi. Statement of Contingent Liabilities **– REFER ANNEXURE IV**

In our opinion the financial information contained in Annexure V to XIII of this report read along with the Significant Accounting Policies and Notes after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the SEBI Guidelines.

4. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

5. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed initial public offer of equity shares of the Company and should not be used for any other purposes except with our consent in writing.

For **Umamaheswara Rao & Co.**

Chartered Accountants

(S Venugopal)

Partner

Membership No: 205565

Place: Hyderabad

Date: June 12 , 2008

ANNEXURE – I

KSK ENERGY VENTURES LIMITED
RESTATED CONSOLIDATED BALANCE SHEET

(Rs. in Lakhs)

	Schedule	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Shareholders' Funds						
Share Capital	1	29,418.77	9,102.66	2,977.39	2,977.39	1,144.39
Preference Capital		-	3,000.00	125.00	125.00	925.24
Share Application Money	2	2,660.10	0.03	828.33	627.81	44.74
Reserves & Surplus		-	-	-	-	-
Reserves and Surplus	3	34,275.85	8,846.92	624.30	258.43	(3.53)
Minority Interest & Preference Share Capital of Joint Venture Entities	4	7,991.44	1,959.26	499.33	425.40	259.00
Loan Funds						
Secured Loans	5	112,163.91	8,582.98	7,906.49	4,471.69	2,556.67
Unsecured Loans	6	13,059.55	11,030.95	2,573.04	537.80	245.27
Deferred Tax Liability		390.82	96.10	26.04	68.12	11.52
TOTAL		199,960.44	42,618.90	15,559.92	9,491.64	5,183.31
Fixed Assets	7					
Gross Block		51,448.78	13,968.71	6,797.24	6,832.21	4,316.07
Less: Depreciation		2,352.04	4,623.12	1,904.90	1,666.35	1,214.69
Net Block		49,096.74	9,345.59	4,892.34	5,165.86	3,101.38
Capital Work-in-Progress		94,025.08	3,525.19	6,415.46	1,624.68	379.55
Goodwill		19,082.87	-	70.55	-	-
Investments	8	8,492.26	3,219.41	756.64	61.45	1.30
Current Assets, Loans and Advances		-	-	-	-	-
Inventories	9	757.05	338.14	131.89	133.52	101.20
Sundry Debtors	10	-	-	-	-	-
More than six months		26.93	522.34	217.63	286.37	199.27
Others		3,214.54	853.31	271.25	205.38	161.94
Cash & Bank Balances	11	41,566.18	10,917.58	2,091.05	812.42	596.13
Loans and Advances	12	26,961.08	16,286.28	3,665.88	2,509.23	1,185.29
		72,525.78	**28,917.66**	**6,377.70**	**3,946.93**	**2,243.83**
Less: Current Liabilities and Provisions						
Current Liabilities	13	41,014.93	1,238.29	2,746.31	1,016.39	535.25
Provisions	14	3,236.08	1,404.89	222.36	315.88	34.78
		44,251.01	**2,643.18**	**2,968.67**	**1,332.27**	**570.02**
Net Current Assets		28,274.77	26,274.48	3,409.03	2,614.67	1,673.81
Miscellaneous Expenditure (to the extent not written off or adjusted)	15	268.72	254.23	15.90	24.99	27.27
TOTAL		**199,960.44**	**42,618.90**	**15,559.92**	**9,491.64**	**5,183.31**
Significant Accounting Policies & Notes forming part of Accounts	**Annexure IV**					

ANNEXURE – II **KSK ENERGY VENTURES LIMITED**

RESTATED CONSOLIDATED PROFIT & LOSS ACCOUNT

(Rs. In Lakhs)

Particulars	Schedule	Fiscal Year-2008	Fiscal Year-2007	Fiscal Year-2006	Fiscal Year-2005	Fiscal Year-2004
INCOME						
Sales	**16**	23,912.53	7,754.51	2,777.71	3,073.18	2,591.23
Other Income	**17**	11,882.06	1,527.12	964.94	282.18	164.32
TOTAL		**35,794.59**	**9,281.63**	**3,742.65**	**3,355.36**	**2,755.54**
EXPENDITURE						
Raw Materials Consumed	**18**	7,479.56	2,395.69	681.45	737.71	1,067.51
Manufacturing Expenses	**19**	1,206.03	656.55	177.14	220.11	161.29
Payments to and Provisions for Employees	**20**	738.01	415.94	165.13	82.66	42.43
Administrative and Selling Expenses	**21**	4,285.00	1,203.38	971.06	755.17	634.93
Interest and Finance Charges	**22**	6,271.28	996.55	394.35	295.76	272.49
Depreciation and Amortization	**7**	2,235.90	897.48	445.75	449.28	368.34
Preliminary & Pre-Operative expenses Written Off	**23**	0.36	20.18	7.40	7.29	80.41
TOTAL		**22,216.15**	**6,585.76**	**2,842.28**	**2,547.98**	**2,627.41**
PROFIT/ (LOSS) BEFORE EXTRA ORDINARY ITEM & TAXATION		**13,578.44**	**2,695.87**	**900.37**	**807.38**	**128.13**
Gain/(Loss) on sale of Subsidiary		(506.37)				
Extra Ordinary Item		-	-	1.95	0.38	89.37
Prior Period Income/(Expenses)		-	-	(0.93)	-	(1.11)
PROFIT/(LOSS) BEFORE TAXATION		**13,072.07**	**2,695.87**	**897.49**	**807.00**	**37.65**
Provision for Taxation						
Current Tax including Wealth Tax & Fringe Benefit Tax		1,891.83	656.82	146.11	100.21	15.88
Earlier years Taxes including Wealth Tax & Fringe Benefit Tax		49.44	62.03	-	-	-
Deferred Tax		266.26	90.86	24.28	55.39	11.52
Total Tax Expense		**2,207.53**	**809.71**	**170.38**	**155.60**	**27.41**
PROFIT FOR THE YEAR BEFORE MINORITY INTEREST		**10,864.54**	**1,886.16**	**727.11**	**651.40**	**10.24**
Minority Interest		-	-	-	-	-
PROFIT FOR THE YEAR		**10,864.54**	**1,886.16**	**727.11**	**651.40**	**10.24**
Balance Brought Forward from Last Year/Period		2,321.47	1,722.19	(15.53)	(248.44)	73.31
PROFIT AVAILABLE FOR APPROPRIATION		**13,186.01**	**3,608.34**	**711.58**	**402.95**	**83.56**
Appropriations						
Equity Dividend		-	300.98	1.17	0.12	-
Preference Dividend		168.00	348.57	110.95	184.33	24.24
Tax on Dividend		28.55	102.70	15.74	25.64	3.12
General Reserve		-	35.00	4.09	8.26	32.32
Transfer to Capital Reserve		-	193.96	-	-	158.43
Balance after appropriation		**12,989.46**	**2,627.13**	**579.63**	**184.60**	**(134.56)**
Amount utilized in elimination of the cost of Investment in Susbsidiary/JV		996.35	-	-	-	-
Amount attributable to minorities		1,041.11	-	-	-	-
Surplus/(Defecit) carried to Balance Sheet		**10,952.00**	**2,627.13**	**579.63**	**184.60**	**(134.56)**
Significant Accounting Policies & Notes forming part of Accounts	**Annexure IV**					
Earnings Per Share –						
Basic (Rs)		5.73	2.74	2.02	2.64	(0.54)
Diluted (Rs)		5.17	2.82	2.34	2.54	0.17

ANNEXURE – III **KSK ENERGY VENTURES LIMITED**

RESTATED CONSOLIDATED CASH FLOW STATEMENT

(Rs. in Lakhs)

Particulars	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year – 2005	Fiscal Year – 2004
A. CASH FLOW FROM OPERATING ACTIVITIES					
Profit before taxation	13,578.45	2,695.87	900.37	807.00	128.13
Adjustments for:					
Depreciation & Amortisation	2,236.26	897.48	445.75	449.28	368.34
(Profit)/ Loss on sale of Investments (Net)	(9,933.60)	(23.66)	(233.97)	-	-
(Profit)/ Loss on sale/write off of Fixed Assets (Net)	0.63	(1.96)	1.95	0.38	89.37
Dividend Income	(666.09)	(92.31)	(99.13)	-	-
Income from Investments	-	-	(0.13)	(0.13)	-
Gratuity	11.01	-	-	-	-
Adjustments for sale of subsidiary	(814.82)	-	-	-	-
Dimintion in value of Investments	129.30	-	-	-	-
Interest Income	(1,179.26)	(1,351.14)	(1,255.61)	(263.95)	(146.42)
Interest expenses	6,271.27	996.55	394.35	295.76	272.49
Operating Profit Before Working Capital Changes	**9,633.15**	**3,120.83**	**153.58**	**1,288.34**	**711.91**
Adjustments for:					
Inventories	(379.53)	(206.25)	1.64	(32.33)	(101.20)
Trade & Other Receivables/other assets	(10,527.19)	(886.78)	2.87	(130.54)	(361.21)
Loans and Advances	(31,659.66)	(12,620.40)	(1,156.64)	(1,323.94)	(630.10)
Current Liabilities and Provisions	56,981.43	(416.53)	1,691.74	762.25	563.54
Cash generated from operations	24,048.20	(11,009.13)	693.19	563.78	182.94
Direct taxes paid including Wealth tax	(1,902.21)	(809.71)	(170.38)	(155.60)	(27.41)
	22,145.99	**(11,818.84)**	**522.81**	**408.18**	**155.53**
B. CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES					
Purchase of fixed assets	(18,521.99)	(887.88)	(968.63)	(2,223.14)	(4,634.90)
Sale of Fixed Assets	1.27	102.97	194.93	10.06	236.88
Additions to Capital Work In Progress (net)	(63,570.51)	3,351.49	(5,014.23)	(1,383.10)	(379.55)
Goodwill	-	-	-	-	-
(Purchase)/Sale of Investments (net)	(102,192.43)	(2,439.12)	(461.22)	(60.14)	(1.30)
Income from Investments	-	-	0.13	0.13	-
Miscellaneous expenses	-	(238.33)	9.09	2.26	49.27
Interest received	1173.63	1,351.14	1,255.61	263.95	146.42
Dividend Received	666.09	92.31	99.13	-	-
Net Cash used in Investing Activities	**(182,443.94)**	**1,332.58**	**(4,885.19)**	**(3,389.98)**	**(4,583.18)**
B. CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES					
Proceeds from issue of equity shares (including share application money)	112,240.08	9,658.71	304.53	1,725.08	1,740.23
Changes in Minority Interest	-	(26.81)	(30.08)	57.15	-
Proceeds from Borrowings (Net)	70,666.86	9,134.40	5,470.04	2,207.55	2,801.94
Deferred Tax Liability	-	90.86	(20.36)	56.60	11.52
Interest Paid	(6,271.27)	(996.55)	(394.35)	(295.76)	(272.49)
Dividend paid (including dividend distribution tax)	(108.65)	(752.25)	(127.86)	(210.10)	(27.37)
Adjustments for Change in Controlling Interest	-	2,204.43	439.09	(342.43)	769.23
Net cash used in Financing Activities	**176,527.02**	**19,312.79**	**5,641.01**	**3,198.09**	**5,023.06**
Net Increase / (decrease) in cash and Cash Equivalents	16,229.07	8,826.53	1,278.63	216.29	595.41
Cash and Cash Equivalents as at April 1,	25,337.11	2,091.05	812.42	596.13	0.72
Cash and Cash Equivalents as at March 31,	**41,566.18**	**10,917.58**	**2,091.05**	**812.42**	**596.13**

Notes:

1. The above Cash Flow Statement has been prepared under the "Indirect Method" as setout in the Accounting Standard-3 on "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.
2. The Cash flow statement has been prepared from the consolidated financial statements which have been consolidated on proportionate basis.

SCHEDULES TO RESTATED CONSOLIDATED BALANCE SHEET

(Rs. In Lakhs)

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	**SHARE CAPITAL**					
	Authorized:					
	Equity Shares of Rs.10/- each	500,000.00	12,000.00	4,600.00	4,600.00	3,200.00
	Preference shares of Rs.10/- each	3,150.00	3,150.00	200.00	200.00	1,600.00
		503,150.00	**15,150.00**	**4,800.00**	**4,800.00**	**4,800.00**
	Issued, Subscribed and Paid up:					
	Equity shares of Rs.10/ each	29,418.77	9,102.66	2,977.39	2,977.39	1,144.39
	30000000 7% Optionally convertible cumulative redeemable Preference shares of Rs.10/- each (Previous year NIL)	-	3,000.00	125.00	125.00	925.24
		29,418.77	**12,102.66**	**3,102.39**	**3,102.39**	**2,069.62**
2	**SHARE APPLICATION MONEY PENDING ALLOTMENT**	2,660.10	0.03	828.33	627.81	44.74
3	**RESERVES & SURPLUS**					
	Capital Reserve					
	On Consolidation of Joint Venture	**-**	**207.59**	**-**	**33.26**	**98.72**
	Capital Redemption reserve					
	On Consolidation of Joint Venture	-	(27.94)	-	-	-
	Add: Transferred from Profit and Loss Account	-	250.00	-	-	-
		-	**222.06**	**-**	**-**	**-**
	Share Premium					
	On Consolidation of Joint Venture	5,838.05	5,790.13	0.00	-	21.01
	Add: Received during the year	25,278.08	-	-	-	-
	Less: Utilised for Bonus Issue	5,838.05				
	Less: Share Issue Expenses	772.76				
	Less : Transferred to Premium on Redemption	-	-	-	-	21.01
		24,505.32	**5,790.13**	**0.00**	**-**	**0.00**
	Debenture Redemption Reserve					
	On Consolidation of Joint Venture	-	56.04	4.71	4.71	4.71
	Add: Transferred from Profit and Loss Account	-	(56.04)	-	-	-
		-	**-**	**4.71**	**4.71**	**4.71**
	General Reserve					
	As Per Last Balance Sheet	-	115.00	35.87	27.61	25.50
	Add: Transferred from Profit and Loss Account	-	35.00	4.09	8.26	32.32
	Less: Transferred to Capital Redemption Reserve	-	150.00	-	-	25.50
	Less : Transferred to Debenture Redemption Reserve	-	-	-	-	4.71
		-	**-**	**39.96**	**35.87**	**27.61**
	Profit and Loss account	**9,770.51**	**2,627.13**	**579.63**	**184.60**	**(134.56)**
		34,275.85	**8,846.92**	**624.30**	**258.43**	**(3.53)**
4	**MINORITY INTEREST**					
	(i) Minority Interest	7,639.44	0.26	27.07	57.15	-
	(ii) Preference Share Capital in Joint Venture Entities held by outsiders	352.00	1,959.00	472.26	368.25	259.00
		7,991.44	**1,959.26**	**499.33**	**425.40**	**259.00**
5	**SECURED LOANS**					
	Loans and advances from banks					
	Cash Credit	2,219.24	626.52	380.00	395.28	210.96
	Term loans	109,860.43	7,955.88	4,951.67	4,074.27	2,345.71
	Interest Accrued & Due	84.24	0.58	8.87	2.14	-
	Other loans & Advances	-	-			
	Other loans & Advances	-	-	2,565.95	-	-
		112,163.91	**8,582.98**	**7,906.49**	**4,471.69**	**2,556.67**

SCHEDULES TO RESTATED CONSOLIDATED BALANCE SHEET

(Rs. In Lakhs)

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
6	**UNSECURED LOANS**					
	Short Term of Loans					
	From Banks	-	8,660.70	64.48	5.88	114.32
	From Others	4,116.59	2,309.83	-	362.02	50.32
	Other Loans & Deposits		-	-	-	-
	From Banks	7,019.84	60.42	-	53.93	79.35
	Interest Accrued and Due	-	-	-	-	-
	From Others	1,923.12	-	2,508.55	115.97	1.28
		13,059.55	**11,030.95**	**2,573.04**	**537.80**	**245.27**
7	**FIXED ASSETS**					
	Gross Block	51,448.78	13,968.71	6,797.24	6,832.21	4,316.07
	Less: Depreciation	2,352.04	4,623.12	1,904.90	1,666.35	1,214.69
	Net Block	**49,096.74**	**9,345.59**	**4,892.34**	**5,165.86**	**3,101.38**
	Capital Work in progress	94,025.08	3,525.19	6,415.46	1,624.68	379.55
		143,121.82	**12,870.78**	**11,307.80**	**6,790.54**	**3,480.93**
8	**INVESTMENTS (at Cost)**					
	Long Term					
	Trade Investments - Quoted					
	Equity Shares in Andhra bank	-	12.31	4.73	-	-
	Equity Shares in Bank of India	253.25				
	Gujarat Mineral Development Corporation Limited	8,239.01	-	-	-	-
	(Of the above, 15,80,000 Shares were Pledged with Bank/Institution for credit facilities availed by KSK Energy Ventures Limited)					
	Non quoted					
	IDBI Flexi Bonds	-	2.50	1.27	1.27	1.27
	In Subsidiaries / Joint Ventures					
	Equity Shares (Fully paid)	-	-	-	-	-
	In Associates					
	V S Lignite Private Limited	-	2,730.00	-	-	-
	Sai Regency Power Corporation Limited	-	60.96	611.90	-	-
	Wardha Power Company Private Limited	-	10.00	-	-	-
	Other than Trade					
	Quoted					
	Sundaram Money Fund	-	-	17.55	-	-
	Non Quoted					
	Small is beautiful fund -Class A	-	398.64	111.58	53.86	-
	Small is beautiful fund -Class B	-	5.00	5.00	-	-
	Athena Project Private Limited	-				
	Other Investments	-		4.61	6.32	0.03
		8,492.26	**3,219.41**	**756.64**	**61.45**	**1.30**
9	**INVENTORIES**					
	(at lower of cost or net realisable value)					
	Raw Materials	125.28	207.61	23.77	13.66	7.21
	Stores, Spares, Consumables	631.77	130.53	108.12	119.86	93.99
		757.05	**338.14**	**131.89**	**133.52**	**101.20**
10	**SUNDRY DEBTORS**					
	(Unsecured, Considered Good)					
	Debts Outstanding for a Period Exceeding Six months	26.93	522.34	217.63	286.37	199.27
	Other Debts	3,214.54	853.31	271.25	205.38	161.94
	Less: Provision for Doubtful Debts	-	-			
		3,241.47	**1,375.66**	**488.88**	**491.75**	**361.21**
11	**CASH & BANK BALANCES**					
	Cash, Cheques & Drafts on Hand	32.54	65.66	82.56	11.71	39.86
	Balances with Scheduled Banks on:					
	a. Current Accounts	18,197.20	258.33	240.21	260.50	59.02
	b. Deposit Accounts	23,336.44	10,593.39	1,768.12	536.26	493.33
	Balances with Non-Scheduled Banks on:					
	a. Current Accounts	-	0.20	0.16	0.07	0.04

SCHEDULES TO RESTATED CONSOLIDATED BALANCE SHEET

(Rs. In Lakhs)

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
	b. Deposit Accounts	-	-	-	3.89	3.89
		41,566.18	**10,917.58**	**2,091.05**	**812.42**	**596.13**
12	**LOANS & ADVANCES**					
	(Unsecured, considered good except stated otherwise)					
	Towards Share Application Money					
	Sitapuram Power Limited	-	-	331.50	-	-
	Coromondel Electric Company Limited	-	-	-	0.37	-
	Arasmeta Captive Power Company Private Limited	-	-	945.56	446.18	56.91
	V S Lignite Power Private Limited	-	-	-	-	274.06
	Sai Regency Power Corporation Private Limited	-	-	1.19	-	40.46
	East India Petroleum Limited	-	-	750.00	-	-
	Maithili Energy & Mining Private Limited	-	-	-	-	23.64
	S C Power Company Private Limited	70.00				
	Other Current Assets	430.49	23.27	13.61	18.11	10.76
	Advances for Capital Expenses / Supplies	-	-	93.34	1,069.48	97.52
	TDS Receivable		647.55	265.08	27.32	3.78
	Loans and advances to Employees	11.06	4.58	5.72	4.82	0.99
	Other Advances /Receivables	9,154.06	1,617.54	0.66	0.73	-
	Advances Recoverable in Cash or Kind or for value to be received pending adjustments	7,700.27	143.05	207.54	411.62	198.20
	Other Advances					
	Coromondel Electric Company Limited	-	-	141.79	-	-
	KSK Electricity Financing India Private Limited	-	446.88	44.33	-	-
	Satna Power Company Private Limited	-	-	11.27	-	-
	Lakhpat Power Company Private Limited		-	1.70	-	-
	Bahur Power Company Private Limited	-	-	162.40	-	-
	Wardha Power Company Private Limited	-	5,665.60	210.51	-	-
	Sri Avanthika Power Projects		540.00	3.34	-	-
	Andhra Fuels Private Limited		10.11	10.11	-	-
	Arasmeta Captive Power Company Private Limited		660.13	-	-	-
	Sai Regency Power Corporation Private Limited		2,613.50	-	-	-
	VIZ Projects Private Limited	750.00	750.00	-	-	-
	KSK Power Ventur plc		3.37	-	-	-
	Athena Projects Private Limited		2,500.00	-	-	-
	Belij Hydro Power Limited		27.68	-	-	-
	K&S Consulting Group					
	Anitha Impex Limited					
	KSK Energy Company Private limited					
	Sitapuram Power Limited	1101.85				
	Marudhar Mining Private Limited	4.80				
	KSK Dibbin Hydro Power Private Limited					
	Kameng Dam Hydro Power Private Limited	5.39				
	KSK Energy Resource Private ltd	450.00				
	KSK Natural Resouces Private ltd	5.00				
	Small is Beautiful fund					
	Interest Accrued & due	586.20	-	4.17	2.32	2.56
	Energy Delivered but not billed	-	-	0.56	0.64	154.69
	Income tax / Advance Tax	3,292.04	147.22	25.19	18.93	3.83
	Trade and other Deposits	3,399.92	485.80	436.31	508.71	317.89
		26,961.08	**16,286.28**	**3,665.88**	**2,509.23**	**1,185.29**
13	**CURRENT LIABILITIES**					
	Sundry Creditors for Goods, Services	37,940.13	661.79	756.73	880.68	455.24
	Advance against sale of investments	-	-	1,726.20	-	-
	Creditors for Expenses	1,112.88	430.30	102.34	-	-
	Statutory Liabilities	639.78	29.86	105.85	97.96	-
	Bank Overdraft		94.52	-	9.79	15.20
	Book Overdraft	-	-	17.58	0.08	-
	Other Liabilities	1,089.53	10.39	35.21	27.18	64.24
	Interest Accrued but not due on loans	232.61	11.42	2.40	0.71	0.57
		41,014.93	**1,238.29**	**2,746.31**	**1,016.39**	**535.25**
14	**PROVISIONS**					

SCHEDULES TO RESTATED CONSOLIDATED BALANCE SHEET

(Rs. In Lakhs)

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
	For Taxation	3,028.67	936.15	174.82	111.97	14.83
	For Retirement Benefits	10.86	6.92	7.74	1.08	0.54
	For Proposed Dividend	168.00	395.45	29.40	176.53	15.65
	For Tax on Proposed Dividend	28.55	66.38	5.23	25.64	3.12
	Others	-	-	5.17	0.66	0.63
		3,236.08	**1,404.89**	**222.36**	**315.88**	**34.78**
15	**MISCELLANEOUS EXPENDITURE**					
	(to the extent not written off or adjusted)					
	Preoperative Expenses	261.86	244.02	-	159.21	-
	Less: Written Off During the Year	-	-	-	159.21	-
		261.86	**244.02**	**-**	**-**	**-**
	Preliminary Expenses	6.88	2.69	1.79	5.44	77.02
	Less: Written Off During the Year	0.02	0.11	0.06	0.06	76.58
		6.86	**2.58**	**1.73**	**5.38**	**0.44**
	Deferred Revenue Expenditure	-	27.78	19.61	26.83	19.71
	Add: Addition during the year	-	-	1.90	-	10.97
	Less: Written Off During the Year	-	20.15	7.35	7.22	3.85
		-	**7.63**	**14.17**	**19.61**	**26.83**
	Total	**268.72**	**254.23**	**15.90**	**24.99**	**27.27**

SCHEDULES TO RESTATED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Lakhs)

Sch no.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
16	**SALES**					
	Sales to external customers	18,965.72	6,033.30	2,199.03	2,468.18	2,591.23
	Management Fee	267.32	162.56	160.73	231.00	-
	Project Development Fees	2,336.50	1,558.64	417.95	374.00	-
	Corporate Support Services	43.00	-	-	-	-
	Power Arrangement Income	2,300.00	-	-	-	-
		23,912.54	**7,754.51**	**2,777.71**	**3,073.18**	**2,591.23**
17	**OTHER INCOME**					
	Interest received on:					
	Loans	-	-	599.84	-	-
	Deposits and Overdue Bills	492.43	67.40	25.95	278.61	159.74
	Other investments	686.84	1,283.74	0.13	0.13	0.00
	Interest on Security Deposit	-	0.26	-	0.36	-
	Interest on Tax Refund	-	-	-	0.00	-
	Dividends from current investments	666.09	91.17	99.13	-	-
	Profit on sale of Investments	9,933.60	1.96	233.97	-	-
	Share of loss from Associates	-	(0.84)	-	-	-
	Miscellaneous Income	103.10	83.43	5.92	3.08	4.57
		11,882.06	**1,527.12**	**964.94**	**282.18**	**164.32**
18	**RAW MATERIALS CONSUMED**					
	Opening Stocks	6.16	42.39	8.99	6.38	7.47
	Add: Purchases	7,598.68	2,433.53	694.42	740.32	1,066.42
	Less: Closing Stocks	125.28	80.24	21.96	8.99	6.38
		7,479.56	**2,395.69**	**681.45**	**737.71**	**1,067.51**
19	**MANUFACTURING EXPENSES**					
	Consumption of Stores & Spares	211.80	145.38	32.87	57.01	35.29
	Consumption of Lubes & Fluids	49.06	5.45	17.81	18.72	24.00
	Factory maintenance	80.98	158.82	21.54	38.30	32.69
	Consumables	-	29.23	0.52	11.73	2.83
	Operation and Maintenance Expenses	864.19	317.66	104.40	92.49	66.48
	Loss on accounts of Repair to engines		-	-	1.86	-
		1,206.03	**656.55**	**177.14**	**220.11**	**161.29**
20	**PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**					
	Salaries, Wages and Bonus	673.33	380.80	157.48	80.93	40.49
	Contribution to Provident Fund and Other funds	11.55	6.43	0.15	0.04	-
	Retirement Benefits	12.44	7.19	0.14	0.47	0.28
	Staff Welfare Expenses	33.56	12.56	1.94	1.21	1.66
	Staff Recruitment Expenses	7.14	8.96	5.41	-	-
		738.02	**415.94**	**165.13**	**82.66**	**42.43**
21	**ADMINISTRATIVE & SELLING EXPENSES**					
	Rents	90.61	16.93	11.15	8.25	5.78
	Rates & Taxes	242.72	38.88	5.99	0.48	25.95
	Printing & Stationery	26.82	11.45	6.16	5.00	2.90
	Postage, Telegram & Telephones	57.96	38.72	19.93	18.47	16.98
	Insurance	157.17	37.36	37.01	26.63	20.97
	Legal & Professional Charges	389.59	228.76	99.33	89.73	108.81
	Remuneration to Auditors	41.43	7.38	1.94	1.73	1.06
	Remuneration to Cost Auditors	-	-	0.03	-	-
	Directors Sitting Fees & Remuneration	93.73	101.70	100.31	100.19	7.64
	Software Expenses	-	-	0.67	0.34	1.35
	Loss on Insurance Claims	-	0.23	2.36	-	3.94
	Guest / Business Promotion	9.21	39.12	0.33	8.47	4.48
	Selling and Advertisement Expenses	258.83	258.27	208.66	276.21	339.48
	Electricity Duty	807.53	-	13.08	15.52	19.27
	Guest House Expenses	-	-	0.81	0.46	1.15

SCHEDULES TO RESTATED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Rs. in Lakhs)

Sch no.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
	Travel & Conveyance	219.58	133.91	64.76	46.79	33.20
	Vehicle Maintenance Expenses	11.95	7.93	3.62	2.59	2.46
	Bad Debts & Claims Written off	3.54	0.05	1.88	110.06	21.97
	Miscellaneous Expenditure Written Off	-	-	-	-	0.04
	Books & Periodicals	-	1.29	0.73	1.61	2.64
	Loss on sale of fixed assets	0.63	1.27	-	-	-
	Seminar Expenses	-	5.34	0.78	1.43	0.04
	Donations	17.90	14.12	35.92	9.41	0.16
	Security Charges	11.16	4.40	3.53	1.38	0.47
	Electricity Charges	510.96	12.55	7.56	4.54	3.76
	Office Expenses	99.03	36.91	13.90	15.49	8.01
	Repairs & Maintenance	46.18	0.03	19.22	5.15	-
	Filing Fee	-	0.17	0.19	3.40	-
	Tender Expenses	-	7.86	9.30	-	-
	Price Difference / Obligation on arrangement of Power	391.24	190.62	295.89	-	-
	Provision for Diminution in value of Investments	129.30	-	-	-	-
	Corporate Support Services	36.16	-	-	-	-
	Foreign Exchange Fluctuations (net)	631.77	-	-	-	-
	Miscellaneous Expenses	-	8.13	6.04	1.82	2.44
		4,285.00	**1,203.38**	**971.06**	**755.17**	**634.93**
22	**INTEREST AND FINANCE CHARGES**					
	Interest on Fixed Period Loans	5,245.18	873.64	314.45	239.71	257.36
	Interest on Other Loans	312.28	47.09	30.01	36.93	-
	Finance charges	700.87	31.44	63.28	19.09	15.05
	Processing charges	-	-	2.70	-	-
	Upfront Fee & Guarantee Commission	-	-	1.28	-	-
	Foreign Exchange Fluctuations (net)	-	26.57	(20.35)	-	-
	Interest on Service Tax	-	13.01	0.87	-	-
	Interest on TDS	12.95	1.29	2.12	0.02	0.09
	Interest on Income tax	-	3.47	-	-	-
	Interest on FBT	-	0.03	-	-	-
		6,271.28	**996.55**	**394.35**	**295.76**	**272.49**
23	**PRELIMINARY / PRE-OPERATIVE EXPENSES WRITTEN OFF**					
	Miscellaneous Expenditure written off	-	20.15	7.35	7.22	80.38
	Preliminary Expenses written off	0.36	0.02	0.06	0.08	0.03
		0.36	**20.18**	**7.40**	**7.29**	**80.41**

SCHEDULE – 7

FIXED ASSETS SCHEDULE FOR THE YEAR ENDED MARCH 31, 2008.

(Rs. in Lakhs)

Particulars	Gross Block				Depreciation				Net Block
	As on 01.04.07	Additions	Adjustments / Deletions	Total as on 31.03.2008	As on 01.04.07	For the year	Adjustments / Deletions	Up to 31.03.2008	As on 31.03.2008
Land & Site Development	1,251.71	1,323.65	13.94	2,561.41	-	-	-	-	2,561.41
Leasehold land	19.70	566.56	-	586.25	0.14	0.14	-	0.27	585.98
Buildings	3,194.58	2,091.41	-	5,285.98	24.28	118.11	-	142.39	5,143.60
Plant & Machinery	27,597.71	13,279.03	-	40,876.75	291.67	1,712.48	-	2,004.15	38,872.60
Furniture & Fixtures	93.41	109.32	-	202.73	8.24	13.19	-	21.42	181.31
Vehicles	102.20	176.21	-	278.41	12.43	15.56	-	27.99	250.42
Computer	104.71	125.76	1.56	228.91	8.57	16.11	0.11	24.57	204.34
Office Equipment	65.63	139.78	-	205.41	11.70	20.68	-	32.37	173.04
Intangible Asset	19.04	710.28	-	729.32	9.56	59.96	-	69.52	659.80
Capital exp on asset, not owned by the Company	493.61	-	-	493.61	2.36	27.01	-	29.37	464.24
Total	**32,942.29**	**18,521.99**	**15.50**	**51,448.78**	**368.93**	**1,983.22**	**0.11**	**2,352.04**	**49,096.74**
Less: Transferred to Preoperative Expenses						**60.95**			
Add: Depreciation adjustment on disposition of subsidiary						**313.63**			
Balance						**2,235.90**			

FIXED ASSETS SCHEDULE FOR THE FISCAL YEAR 2007

(Rs. in Lakhs)

Particulars	Gross Block				Depreciation				Net Block
	Opening Balance	Additions	Adjustments / Deletions	Total	Opening Balance	For the period	Adjustments / Deletions	Total	As on 31.03.2007
Land	274.35	7.80	-	282.15	-	0.01	-	0.01	282.15
Buildings	1,085.55	89.95	0.55	1,174.95	118.62	33.50	0.02	152.10	1,022.85
Plant & Machinery	11,607.94	622.36	96.61	12,133.69	3,617.27	823.02	53.34	4,386.96	7,746.73
Computers	42.47	39.19	-	81.66	7.39	13.56	-	20.95	60.72
Office Equipment	60.06	54.84	-	114.90	14.15	5.45	-	19.60	95.30
Furniture & fixtures	33.86	64.86	-	98.72	7.92	2.79	-	10.71	88.01
Vehicles	73.10	8.87	3.86	78.11	14.43	18.61	2.47	30.57	47.54
Assets not owned by Company	4.52	-	-	4.52	1.11	1.12	-	2.23	2.29
Total	**13,181.84**	**887.88**	**101.02**	**13,968.71**	**3,780.89**	**898.05**	**55.82**	**4,623.12**	**9,345.59**
Less: Transferred to Preoperative Expenses						**0.55**			
Balance						**897.47**			

FIXED ASSETS SCHEDULE FOR THE FISCAL YEAR 2006

(Rs. in Lakhs)

Particulars	Gross Block				Depreciation				Net Block
	Opening Balance	Additions	Adjustments / Deletions	Total	Opening Balance	For the period	Deletions	Total	As on 31.3.2006
Land	891.26	34.77	-	926.04	-	-	-	-	926.04
Buildings	447.79	58.08	-	505.87	45.44	13.71	-	59.14	446.72
Plant & Machinery	4,621.47	747.10	196.85	5,171.71	1,522.87	418.17	128.77	1,812.28	3,359.44
Computers	7.59	33.08	-	40.67	0.85	6.25	-	7.09	33.58
Office Equipment	24.12	24.22	0.03	48.31	5.15	4.27	0.13	9.29	39.02
Furniture & fixtures	10.17	18.81	-	28.97	2.32	3.87	0.00	6.18	22.80
Vehicles	22.94	48.12	-	71.07	5.31	4.41	-	9.71	61.35
Intangible Assets	0.16	-	-	0.16	0.04	0.05	-	0.09	0.07
Assets not owned by company	-	4.44	-	4.44	-	1.11	-	1.11	3.33
Total	**6,025.50**	**968.63**	**196.88**	**6,797.24**	**1,581.96**	**451.84**	**128.90**	**1,904.90**	**4,892.34**
Less: Transferred to Preoperative Expenses						**6.08**			
Balance						**445.75**			

FIXED ASSETS SCHEDULE FOR THE FISCAL YEAR 2005

(Rs in Lakhs)

Particulars	Gross Block				Depreciation				Net Block
	Opening Balance	Additions	Adjustments/ Deletions	Total	Opening Balance	For the period	Adjustments/ Deletions	Total	As on 31.3.2005
Land	351.21	560.72	-	911.93	-	-	-	-	911.93
Buildings	418.14	122.66	-	540.79	34.76	14.02	-	48.78	492.01
Plant & Machinery	3,777.87	1,502.71	5.43	5,275.15	1,166.89	425.75	1.56	1,591.08	3,684.07
Computers	0.54	8.28	-	8.81	0.03	0.99	-	1.02	7.80
Office Equipment	21.40	7.85	1.75	27.51	3.68	1.69	0.16	5.21	22.29
Furniture & fixtures	13.18	7.26	3.26	17.18	2.00	1.04	0.45	2.58	14.60
Vehicles	12.79	13.51	-	26.30	3.50	1.96	-	5.46	20.84
Intangible Assets	-	0.16	-	0.16	-	0.04	-	0.04	0.12
Assets not owned by Company	24.37	-	-	24.37	6.09	6.09	-	12.19	12.19
Total	**4,619.51**	**2,223.14**	**10.44**	**6,832.21**	**1,216.95**	**451.58**	**2.17**	**1,666.36**	**5,165.86**
Less: Transferred to Preoperative Expenses						**2.29**			
Balance						**449.27**			

FIXED ASSETS SCHEDULE FOR THE FISCAL YEAR 2004

(Rs. in Lakhs)

Particulars	Gross Block				Depreciation				Net Block
	Opening Balance	Additions	Adj/Deletions	Total	Opening Balance	For the Period	Adj/Deletions	Total	As on 31.03.2004
Land	110.20	1.19	11.91	99.48	--	-	-	--	99.48
Buildings	343.09	68.81	-	411.91	24.11	10.59	-	34.70	377.21
Plant & Machinery	3,611.32	440.50	314.30	3,737.52	900.38	349.01	83.95	1,165.44	2,572.08
Computers	0.12	0.17	-	0.29	-	0.01	--	0.01	0.27
Office Equipment	15.03	2.19	-	17.22	1.93	1.40	--	3.33	13.88
Furniture & fixtures	8.46	3.15	-	11.61	1.38	0.55	--	1.93	9.67
Vehicles	10.07	0.24	0.02	10.29	2.36	0.97	--	3.33	6.95
Assets not owned by Company	5.65	22.06	-	27.72	0.13	5.78	--	5.92	21.79
Total	**4,103.96**	**538.35**	**326.25**	**4,316.07**	**930.31**	**368.33**	**83.95**	**121,4.69**	**3,101.38**

ANNEXURE – IV

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ADJUSTMENTS TO RESTATED CONSOLIDATED FINANCIAL STATEMENTS

Notes on Adjustments to Restated Consolidated Financial Statements:

i) Prior Period Adjustments:

1) Prior period adjustments for the material amount pertaining to Management Fees, Interest on Loans and Expenditure have been restated in the respective financial years to which they relate. The Impact of the same is given below:

Year/Period ended **(Rs. in lakhs)**

Particulars	**Year ending 31.03.2008**	**Year ending 31.03.2007**	**Year ending 31.03.2006**	**Year ending 31.03.2005**	**Year ending 31.03.2004**
Impact on account of material adjustments and prior period items	31.80	68.00	(461.30)	223.50	138.00

ii) Current Tax Impact of Adjustments:

Current Tax impact of adjustments pertains to tax effect on restatement adjustments provided at the tax rate applicable in respective years.

Statement on Significant Accounting Policies

1. *Accounting Convention:*

The consolidated financial statements have been prepared under the historical cost convention following the accrual method of accounting and as a "going concern", in accordance with the Generally Accepted Accounting Principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

2. *Fixed Assets*

i) Fixed Assets are stated at cost of acquisition. Cost of acquisition is inclusive of freight, duties, levies and all incidentals directly or indirectly attributable to bringing the asset to its working condition for its intended use.

ii) The Cost of fixed assets includes cost of initial warranty/ insurance spares purchased along with the Capital Asset, which are grouped as single item under respective assets.

iii) Intangible Assets are recorded at their cost of acquisition.

iv) Assets costing up to Rs. 5,000/- are fully depreciated in the year of capitalization.

v) Capital expenditure on assets not owned by the "Group" is reflected as a distinct item in Capital Work In Progress till the period of completion and thereafter in Fixed Asset as a separate line item.

vi) Impairment – The group evaluates the carrying amounts of fixed assets at the end of every accounting year to determine whether there is any indication of impairment loss. In the event of any such impairment, the present value is estimated and the loss if any is charged off to revenue.

3. *Capital Work in Progress:*

i) Capital work in progress is carried at cost and incidental and attributable expenses including interest and depreciation on fixed assets in use during construction are carried as part of "Expenditure During Construction Period, Pending Allocation" to be allocated on major assets on commissioning of the project.

ii) In respect of supply-cum-erection contracts, the value of supplies received at site and accepted is treated as Capital Work-in-progress.

iii) Assets under installation or under construction as at the balance sheet date are shown as Capital Working in Progress.

iv) Claims for price variation/exchange variation in case of contracts are accounted for on acceptance.

4. *Development of Mines:*

The Expenditure on exploration of mines is capitalized as “Development of Mines” under Capital Work in progress till the mines project is brought to revenue account.

5. *Revenue Recognition:*

i) Revenue in the form of Project Development Fees for Services rendered in relation to development work of potential power projects is recognized when such fees is assured and determinable under the terms of the respective contract.

ii) Revenue in the form of Management Fees is recognized when such fees is assured and determinable under the terms of the respective contract.

iii) Consultancy income is recognized proportionately with the degree of completion of contract.

iv) Interest Income is recognized on time proportion basis taking into account the amount outstanding at the rate applicable.

v) Dividend Income is recognized when the right to receive the same is established.

vi) Sale of Energy: Sales is recognized on accrual basis in accordance with the relevant Agreements.

vii) Claims for delayed payment charges, and any other claim which, the Group is entitled to under the Power Purchase agreements, on the grounds of prudence, shall be accounted for in the year of acceptance.

viii) Interest/surcharge recoverable on advances to suppliers as well as warranty claims/liquidated damages are not treated as accrued due to uncertainty of realization/acceptance and are therefore accounted for on receipt/acceptances.

ix) Insurance Claims for loss of profit are accounted for in the year of acceptance. Other Insurance Claims are accounted for based on certainty of realization.

x) Scrap is accounted for as and when sold.

6. *Depreciation*

i) Depreciation has been provided on Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except for assets costing up to Rs. 5,000/-, which are fully depreciated in the year of capitalization.

ii) Depreciation on initial/ warranty spares are provided on the same rates applicable for that Asset group, irrespective of its actual usage.

iii) Where the cost of depreciable assets has undergone a change during the year due to increase/decrease in long term liabilities on account of exchange fluctuation, price adjustment, change in duties or similar factors, the unamortized balance of such asset is charged prospectively over the residual life of the respective asset.

iv) Depreciation on additions/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the date on which the asset becomes available for use.

v) Capital expenditure on assets not owned by the Group under the head Fixed Assets is amortized over a period of life of the asset from the year in which the asset becomes available for use.

vi) Intangible assets, viz., Computer software is recognized as per the criteria specified in the Accounting Standard (AS) 26 “Intangible Assets” issued by the institute of Chartered Accountants of India and is amortized over a period of three years.

7. *Investments*

Current Investments are valued at lower of cost and fair value determined on an individual investments basis.

Long term investments are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

8. *Inventories*

Inventories are valued at the lower of cost and net realizable value.

9. *Retirement Benefits*

Retirement benefits are accounted for on accrual basis by the Group with contributions to recognized funds such as Provident Fund and Pension Fund charged against revenue each year. Liability for gratuity is accounted on actuarial valuation.

10. *Foreign Currency Transaction*

i) Foreign Currency transactions are initially recorded at the rates of exchange ruling at the date of transaction.

ii) At the Balance Sheet, foreign currency monetary items are reported using the closing/contracted rate. Non monetary items denominated in foreign currency are reported at the exchange rate ruling at the date of transaction.

iii) Other Exchange differences are recognized as Income or Expense in the period in which they arise.

11. *Borrowing Costs:*

Borrowing Costs attributable to Fixed Assets during their construction are capitalized and apportioned to the fixed assets on capitalization. Other Borrowing costs are recognized as an expense in the period in which they are incurred.

12. *Taxes on Income*

Income Tax expense comprises Current Tax and Deferred Tax Charge or credit. Current Tax is the amount of tax payable on the taxable income in accordance with the applicable tax provisions. Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reversed in subsequent period. Deferred Tax is recognized only when there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

13. *Preliminary Expenses*

Preliminary Expenses are amortized and written off over a period 5 years from the year of commercial operation.

NOTES TO CONSOLIDATED ACCOUNTS

1. DESCRIPTION OF BUSINESS

KSK Energy Ventures Limited ("KSKEVL" or the "Company") and its subsidiaries, joint venture entities and associate entities (hereinafter collectively referred to as the "Group") are engaged in the business of:

- Development of Power Projects
- Investment Manager for "small is beautiful" Fund, a Venture Capital Fund.
- Investment in Power Projects
- Generation of Power

2. BASIS OF CONSOLIDATION

The Consolidated financial statements relate to KSK Energy Ventures Limited, its subsidiaries, associates and interest in Joint Ventures.

a) **Basis of Accounting:**

i) The financial statements of the subsidiary/associates/Joint Venture companies in the consolidation are drawn up to the same reporting date as of the Company.

ii) The consolidated financial statements have been prepared in accordance with Accounting Standards (AS) – 21 – Consolidated Financial Statements and (AS) 23 Accounting for Investments in Associates, (AS)- 27 Financial Reporting of Interest in Joint Ventures in Consolidated Financial Statements issued by The Institute of Chartered Accountants of India and generally accepted accounting principles.

b) **Principles of Consolidation:**

The consolidated financial statements have been prepared as per the following principles.

i) The financial statements of the company and its subsidiaries are combined on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances, intra-group transactions and unrealized profits or losses.

ii) The consolidated financial statements include the interest of the company in joint ventures, which has been accounted for using the proportionate consolidation method of accounting and reporting whereby the company's share of each of assets, liabilities, income and expenses of a jointly controlled entity is considered as separate line item.

iii) Preference Share Capital in Joint Venture Entities held by the outsiders shown separately together with Minority Interest under Schedule No : 4 to Balance Sheet.

iv) The consolidated financial statements include the interest of the company in associates, which has been accounted using the Equity Method.

v) The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented to the extent possible, in the same manner as the company's separate financial statements except as otherwise stated in the notes to the accounts.

vi) The difference between the cost of investment in the Subsidiary/Joint venture/Associate and the share of net assets at the time of acquisition of shares is identified in the financial statements as goodwill or capital reserve as the case may be.

vii) Minority Interest's share of profit of consolidated subsidiaries is identified and adjusted against income of the group in order to arrive the surplus attributable to the shareholders of the Company.

viii) The results of operations of a subsidiary with which parent-subsidiary relationship ceases to exist are included in the consolidated statement of profit and loss until the date of cessation of the relationship. The difference between the proceeds from the disposal of investments in a subsidiary and the carrying amount of its assets less liabilities as of the date of disposal is recognized in the consolidated statement of profit and loss as the profit or loss on the disposal of the investments in the subsidiary.

(c) Particulars of Subsidiaries, Associates and Joint Ventures:

(Based on percentage of Voting Power)

Sl.No.	Name of the Company	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
I.	**Subsidiaries**					
1.	Marudhar Mining Private Limited *	--	74.00%	--	--	--
2.	KSK Energy Company Private Limited *	--	100.00%	--	--	--
3.	KSK Narmada Power Company Private Limited	100.00%	100.00%	--	--	--
4.	Bahur Power Company Private Limited	100.00%	100.00%	--	--	--
5.	Lakhpat Power Company Private Limited	100.00%	100.00%	--	--	--
6.	KSK Natural Resources Private Limited *	--	100.00%	--	--	--
7.	KSK Technology Ventures Private Limited	100.00%	100.00%	--	--	--
8.	Sai Maithili Energy & Mining Private Limited	100.00%	100.00%	79.00%	79.00%	--
9.	KSK Electricity Financing India Private Limited	100.00%	--	--	--	--
10.	KSK Dibbin Hydro Power Private Limited	100.00%	--	--	--	--
11.	Kameng Dam Hydro Power Private Limited.	100.00%	--	--	--	--
12.	J R Power Gen Private Limited	51.00%	--	--	--	--
13.	KSK Surya Photo Voltaic Venture Private Limited	100.00%	--	--	--	--
14.	VS Lignite Power Private Limited	74.00%	--	84.69%	70.59%	--
15.	Sai Regency Power Corporation Private Limited	73.92%	--	--	97.24%	--
16.	Wardha Power Company Private Limited	74.00%	--	--	--	--
17.	Arasmeta Captive Power Company Private Limited	51.00%	--	--	--	--
18.	Coramandal Electric Company Limited *	--	--	--	--	--
19.	**Associates**		--	--	--	--
20.	VS Lignite Power Private Limited	--	6.49%	--	--	--
21.	Sai Regency Power Corporation Private Limited	--	3.70%	42.61%	--	--
22.	Wardha Power Company Private Limited	--	0.83%	--	--	--
III.	**Joint Venture**					
22.	RVK Energy Private Limited *	--	50.00%	25.50%	25.50%	25.50%
23.	Kasargod Power Corporation Limited *	--	50.00%	25.90%	25.90%	25.90%
24.	MMS Steel & Power Private Limited	--	--	--	37.00%	33.50%
25.	Coramandal Electric Company Limited*	--	71.86%	26.00%-	26.00%	--
26.	Arasmeta Captive Power Company Private Limited	--	4.10%	26.79%	49.00%	--
27.	KSK Electricity Financing India Private Limited	--	51.00%	---	--	--
28.	Sitapuram Power Limited	--	–	49.00%	—	—

** Represents entities disposed off during the year*

3. Contingent Liabilities:

(i) Contingent Liabilities:

(Rs. in Lakhs)

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Bank guarantees outstanding	35,142.72	30,219.04	913.06	512.81	135.19
Corporate Guarantees	-	--	2,563.92	985.39	282.10
Letters of Credit outstanding	386.68	168.18	59.47	9.05	8.15
Claims against the Company not acknowledged as debts	33.49	2,911.51	1,031.23	877.30	854.81
Fuel related MGO liability	-	2,706.25	1,024.71	599.96	70.81

(ii) Estimated amount of contracts remaining to be executed on capital account and not provided for in the Company, its subsidiaries, associates and joint ventures:

(Rs. in Lakhs)

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Estimated value of contracts remaining to be executed on capital account , not provided for	128,844.61	661.67	7,810.97	20,935.13	8.90

(ii) Arrears of Fixed Cumulative dividend on Preference Share Capital:

(Rs. in Lakhs)

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Dividend (including Dividend Tax)	1,718.59 (Sitapuram Power Limited & V S Lignite Power Pvt Ltd)	35.63 (Sitapuram Power Limited)	8.69 (Sitapuram Power Limited)	--	37.03 (KSK Energy Venture Private Limited)

4. Fixed Assets

i) Leasehold Property

The Lease rentals payable on the property of Leasehold Lands are charged off to revenue.

ii) Capitalization of Pre-operative expenses

The additions during the year in Fixed Assets include pre-operative expenditure pertaining to the respective power generating companies. Accordingly, the proportionate interests as specified in the notes above have been considered.

5. Investments

Long term investments in some of the power generating Companies in the form of equity shares and preference shares are pledged as security towards borrowings of the Investee companies.

6. Loans & Advances

Loans and Advances include share application money given to group companies, pending allotment.

7. KSK Eectricity Financing India Private Limited, wholly owned subsidiary invested Rs 1,30,05,000 and Rs 13,77,20,000 in partly paid equity shares of Arasmeta Captive Power Company Private Limited and Wardha Power Company Private Limited respectively during the year 2007-08. The amount payable on calls not yet made is Rs 11,70,45,000 for Arasmeta Captive Power Company Private Limited and Rs 1,23,94,80,000 for Wardha Power Company Private Limited.

8. Miscellaneous Income

Miscellaneous Income includes dividend and profit on sale of Investments.

9.. The Power Arrangement Agreement ceases on commencement of commercial operations by Sitapuram Power Limited with effect from 1st March 2008. Pursuant to the Share Subscription and Share Holders Agreement between the company, Zuari Cements Limited & Sitapuram Power Limited, the right to receive Rs.23 crores is established and hence the same is accounted as income during the current financial year.

10. Operations and Maintenance Expenses

- Expenses incurred by power generating companies include O & M expenses, which are based on the terms of the O & M Contract, wherever applicable.
- Repairs and maintenance for the plant is shown separately as a line item.

11. Earnings per Share is calculated in accordance with Account Standard 20 issued by ICAI:

(Rs. in Lakhs)

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Net Profit after Tax	10,864.53	1,886.16	727.11	651.40	10.24
Preference Dividend (including tax thereon)	196.55	403.68	126.52	209.95	27.36
Net Profit attributable to equity Shareholders – Basic EPS	10,667.98	1,482.48	600.59	441.45	(17.12)
Effect of Dilutive instruments	196.55	403.68	126.52	209.95	27.36
Net profit attributable to Shareholders – for Diluted EPS	10,864.53	1,886.16	727.11	651.40	10.24
Weighted Average number of shares outstanding during the year for the purpose of calculation of Basic EPS	1,861.37	540.44	297.73	166.87	31.61
Weighted Average number of shares outstanding during the year for the purpose of calculation of Diluted EPS	2,100.71	667.94	310.23	256.68	61.03
Earning Per Share – Basic (in Rs.)	5.73	2.74	2.02	2.64	(0.54)
Earning Per Share – Diluted (in Rs.).	5.17	2.82	2.34	2.54	0.17

12. Deferred Tax

Deferred Tax Liability arising on account of timing differences as defined in Accounting Standard (AS) 22 issued by the Institute of Chartered Accountants of India has been recognized.

13. Segment Reporting

The Segment report of the Group has been prepared in accordance with the Accounting Standard 17 “Segment Reporting” issued by the Institute of Chartered Accountants of India. There is only one geographical segment disclosure as the all business and operations carried out in India.

For the purpose of reporting business segments, the Group is engaged in two segments, viz., Project development activities and power generation.

Segment Reporting as per Accounting Standard 17 issued by the ICAI:

(Rs. in Lakhs)

Business Segments	Project Development Services					Power Generation					Inter Segment					Total				
	31.03.08	2007	2006	2005	2004	31.03.08	2007	2006	2005	2004	31.03.08	2007	2006	2005	2004	31.03.08	2007	2006	2005	2004
Revenue:																				
Sale of Power/ Project Development Fee	4,903.82	1,721.20	578.68	605.00	0.00	18,965.72	6,032.46	2,199.03	2,468.18	2,591.23	0.00	0.84	0.00	0.00	0.00	23,869.53	7,754.51	2,777.71	3,073.18	2,591.23
Inter segment Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	4,903.82	1,721.20	578.68	605.00	0.00	18,965.72	6,032.46	2,199.03	2,468.18	2,591.23	0.00	0.84	0.00	0.00	0.00	23,869.53	7,754.51	2,777.71	3,073.18	2,591.23
Segment Result	(198.18)	246.26	(368.28)	164.45	(260.23)	1,673.74	921.65	300.83	360.37	133.57	341.76	0.00	0.00	0.00	0.00	1682.58	1,167.91	(67.45)	524.82	(126.67)
Other Income	12065.01	1,412.76	932.95	254.46	137.97	150.05	115.20	31.99	27.71	26.35	290.01	0.84	0.00	0.00	0.00	11,925.06	1,527.11	964.94	282.18	164.32
Un allocated expenses	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax (net)	1,623.24	681.41	137.87	93.98	0.00	584.29	128.30	32.51	61.62	27.41	0.00	0.00	0.00	0.00	0.00	2,207.53	809.71	170.38	155.60	27.41
Profit after tax	10,131.41	977.61	426.80	324.94	(122.26)	1871.26	908.55	300.31	326.46	132.50	631.77	0.84	4.32	1.28	0.00	11,370.90	1,886.16	727.11	651.40	10.24
Segment Assets	123,001.40	30,830.87	9,078.31	5,120.05	2,050.29	186,407.15	17,302.77	13,922.85	9,788.55	4,899.37	68,520.94	3,666.33	4,737.66	4,112.01	1,200.12	240,887.61	44,467.31	18,263.51	10,796.59	5,749.55
Un allocated Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Assets	123,001.40	30,830.87	9,078.31	5,120.05	2,050.29	186,407.15	17,302.77	13,922.85	9,788.55	4,899.37	68,520.94	3,666.33	4,737.66	4,112.01	1,200.12	240,887.61	44,467.31	18,263.51	10,796.59	5,749.55
Segment Liabilities	29,010.46	259.57	1,859.51	210.84	68.19	13,605.81	2,114.09	982.61	1,009.46	487.00	1,601.34	666.47	48.26	0.00	0.00	41,014.93	1,707.19	2,793.85	1,220.30	555.19
Un allocated Liabilities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Liabilities	29,010.46	259.57	1,859.51	210.84	68.19	13,605.81	2,114.09	982.61	1,009.46	487.00	1,601.34	666.47	48.26	0.00	0.00	41,014.93	1,707.19	2,793.85	1,220.30	555.19
Depreciation	59.41	23.64	17.19	1.68	0.41	2,176.49	873.83	432.88	448.88	367.93	0.00	0.00	(4.32)	(1.28)	0.00	2,2 35.90	897.48	445.75	449.28	368.34
Non cash expenses other than depreciation	0.00	0.00	0.00	0.00	76.53	0.36	20.18	7.40	7.29	3.88	0.00	0.00	0.00	0.00	0.00	0.36	20.18	7.40	7.29	80.41
Capital Expenditure	416.28	166.96	108.95	25.26	0.52	135,113.93	3,585.02	5,331.53	3,650.52	1,968.30	0.00	529.22	684.67	85.48	0.00	135,530.22	4,281.20	4,755.81	3,761.26	1,968.82

14. Related Party Transactions (as per Accounting Standard 18 issued by the ICAI) :

The Related party transactions for the "Group" are shown as below:

(A) List of Related Parties

S No.	Name of the Related Party	Nature of Relationship				
		As of March 31, 2008	**As of March 31, 2007**	**As of March 31, 2006**	**As of March 31, 2005**	**As of March 31, 2004**
1	KSK Energy Limited, Mauritius	Holding Company	Holding Company			
2	K & S Consulting Group Private Limited	Associate Company	Associate Company	Holding Company	Holding Company	Holding Company
3	Coromandel Electric Company Limited*	Subsidiary	Joint Venture	Joint Venture	Joint Venture	--
4	RVK Energy Private Limited *	Joint Venture	Joint Venture	Joint Venture	Joint Venture	--
5	Kasargod Power Corporation Limited *	Joint Venture	Joint Venture	Joint Venture	Joint Venture	--
6	KSK Electricity Financing India Private Limited	Subsidiary	Joint Venture	--	--	--
7	Sai Regency Power Corporation Private Limited	Subsidiary (I)	Associate	Joint Venture	Subsidiary	--
8	V S Lignite Power Private Limited	Subsidiary (I)	Associate	Subsidiary	Subsidiary	--
9	Sai Maithili Energy & Mining P Limited	Subsidiary	Subsidiary	Subsidiary	Subsidiary	--
10	Arasmeta Captive Power Company private Limited	Subsidiary (I)	Joint Venture	Joint Venture	Joint Venture	--
11	Marudhar Mining Private Limited *	Subsidiary	Subsidiary	--	--	--
12	KSK Energy Company Private Limited*	Subsidiary	Subsidiary	--	--	--
13	KSK Narmada Power Company Private Limited	Subsidiary	Subsidiary	--	--	--
14	Wardha Power Company Private Limited	Subsidiary (I)	Associate	--	--	--
15	Bahur Power Company private Limited	Subsidiary	Subsidiary	--	--	--
16	Lakhpat Power Company Private Limited	Subsidiary	Subsidiary	--	--	--
17	KSK Natural Resource Ventures Private Limited *	Subsidiary	Subsidiary	--	--	--
18	KSK Technology Ventures Private Limited	Subsidiary	Subsidiary	--	--	--
19	Sitapuram Power Limited	Joint Venture of Subsidiary	--	Joint Venture	--	--
20	MMS Steel & Power Private Limited	--	--	--	Joint Venture	Joint Venture
21	Kameng Dam Hydro Power Private Limited	Subsidiary	--	--	--	--
22	KSK Dibbin Hydro Power Private Limited	Subsidiary	--	--	--	--
23	KSK Surya Photovoltaic Venture Private Limited	Subsidiary	--	--	--	--
24	JR Power Gen Private Limited	Subsidiary	--	--	--	--
25	KSK Energy Resources Venture Private Limited *	Subsidiary	--	--	--	--

* Represent entities disposed off during the year

(B) Key Management Personnel

Mr. S Kishore

Mr. K A Sastry

Mr. Tanmay Das (Appointed with effect from December 21, 2007)

Mr. K B Raju (Appointed with effect from December 21, 2007)

Mr.V Harikiran (Resigned with effect from November 8, 2007)

(C) Related party transactions during the year (net):

(Rs. in Lakhs)

S No.	Transaction	Holding Company				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Project Development fee	–	–	–	–	–
2	Interest Income	–	–	–	–	–
3	Share application Money	–	–	–	–	-587.65
4	Investments	–	–	–	–	–
5	Loans & Advances	–	1.63	–	–	-66.14
6	Receiving of services	–	–	3.00	–	–
7	Remuneration	–	–	–	–	–
8	Dividend	–	–	–	–	–
9	Interest paid	–	–	–	–	–
10	Equity Share Capital	7,019.54	9,102.66	–	–	2,059.62
11	Pref. Share Capital	–	3,000.00	–	–	–
12	Premium	–	5,838.05	–	–	–
13	Rent	–	–	–	–	1.00

Related party transactions during the year (net):

(Rs. in Lakhs)

S No.	Transaction	Subsidiaries					JV /Associates				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
11.	Project Development fee	–	–	–	–	–	2,304.70	1558.64	417.95	374.00	
12.	Corporate Support Service	–	–	–	–	–	485.68	–	–	–	–
13.	Interest Income	124.30	–	432.82	–	–	574.22	932.66	443.32	90.13	
14.	Share application Money	(1.00)	40.50	17.60	1,133.38	–	–	1.00	650.00	963.86	224.21
15.	Investments	74,541.08	22.04	23.98	338.87	–	(4,964.88)	3,203.56	851.68	528.55	1,115.13
16.	Loans & Advances	10,329.85	75.29	1,854.15	–	–	161.44	6,551.55	1,870.20	199.89	
17.	Receiving of services	–	–	–	–	–	–	3.00	–	—	
18.	Remuneration	–	–	–	–	–	—	–	–	–	
19.	Dividend	–	–	–	–	–	485.68	91.17	99.13	–	
20.	Interest paid	72.64	–	–	–	–	–	–	–	–	

Related party transactions during the year/period ending (net):

(Rs. in Lakhs)

Sl.No.	Transaction	Key Management Personnel					Balance Outstanding				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Share Capital/ Share application Money	–	–	–	–	—	19,122.20	1.00	690.50	2,577.31	–
2	Investments	–	–	–	–	–	75,303.00	5,726.80	2,746.21	1,870.55	–
3	Loans & Advances	–	–	–	–	–	18,756.89	10,268.65	3,724.35	199.89	–
4	Receiving of services	–	–	–	–	–	–	–	–	–	–
5	Remuneration	89.93	90.00	90.00	90.00	–	–	–	–	–	–
6	Dividend	–	–	–	–	–	–	–	–	–	—
7	Interest paid	–	–	–	–	–	–	–	–	–	–

15. "Employee Benefits" AS 15 (Revised)

i) Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity on superannuation, resignation, termination, disablement or on death. Contributions are made to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation. The Liability for the same is recognized on the basis of actuarial valuation except in case of Joint Venture Companies viz., RVK Energy Private Limited and Kasargod Power Corporation Limited, which they are following on estimate basis. However, impact of the same is not material.

ii) Leave encashment:

The Company has no leave encashment policy.

iii) Provident Fund:

The contribution to the fund is recognized as expenses and is charged to Profit and Loss account.

16. As required by Accounting Standard (AS) 28 'Impairment of Assets' issued by the Institute of Chartered Accountants of India, the company has carried out the assessment of impairment of assets. There has been no impairment loss during the year.

17. There are no Micro, Small and Medium Enterprises to whom the company owes a sum of Rs.one lac and above and is outstanding for a period of more than 30 days as on the date of Balance Sheet.

18. Managerial Remuneration:

(Rs. in Lakhs)

S No.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Managerial Remuneration	89.93	97.50	96.91	99.55	3.88

20. Foreign Exchange inflow and outflow:

a). Foreign Exchange -

IN FLOW:

(Rs. in Lakhs)

S No	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
1	Loan Received	--	20,274.07	2,034.84	1,148.83	1,951.80
2	Share Capital	9,833.25	--	--	--	--
3	Share Premium	24,140.66	--	--	--	--
4	Others	4.25	--	--	--	--

OUT FLOW:

(Rs. in Lakhs)

S No.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
1	Foreign Travel	29.48	16.49	1.69	0.38	1.27
2	Repayment of Currency Loan	--	1,179.50	475.57	1,327.49	2,184.21
3	Interest	--	277.29	1.45	3.45	5.11
4	Capital Expenditure	31,683.93	0.07	400.72	7.30	104.42
5	Other Expenditure	50.40	-	-	-	-
6	Repatriation of FDI	4,1774.65	-	-	-	-
7	Share issue exp	113.03	-	-	-	-
8	Dividend Paid	84.57	-	-	-	-

21. Details of Security provided for various Credit Facilities as at March 31, 2008:

Sl No	Entity	Type of loan		Name of Bank	Security
1	KSK Energy Ventures Limited (KSKEVL)	Term loan	(i)	L&T Infrastructure Finance Company Limited	Secured by Pledge of 30, 00,000 Equity Shares of GMDC held by the company.
		Term loan	(ii)	Bank of India	Secured by Corporate guarantee given by KSK Power Venture Plc.
		Term loan	(iii)	UCO Bank	Secured by Corporate guarantee given by KSK Power Venture Plc.
		Bank Guarantee of Rs 32.50 Crores	(iv)	UCO Bank	Hypothecation of Furniture & Fixtures, office equipments, computers, vehicles, electrical works, transformers, computer software and current assets on *pari-pasu* basis and counter guarantee & indemnity by KSKEVL
		Bank Guarantee of Rs 100 Crores - o/s Rs. 49 crores plus Rs. 9 crores on 100% deposit	(v)	Indian Bank	First *pari-passu* charge on the Fixed Assets and the current assets including all receivables of the company and counter guarantee & indemnity by KSKEVL and corporate guarantee by KSK Power Venture Plc.
		Bank Guarantee of Rs.100 Crores	(vi)	Bank of India	Hypothecation of all fixed assets and current assets including all receivables as per books of accounts of the company on *pari-pasu* basis.
		Bank Guarantee of Rs.100 Crores	(vii)	Dena Bank	First *pari passu* charge on all the goods and /or book debts and /or unencumbered movables and other assets of the company
2	Wardha Power Company Private Limited	Term loan	(i)	Indian Overseas Bank	First charge on entire block assets of the company including Equitable mortgage by way of title deeds relating to project land on *pari passu* basis with other lenders along with Pledge of promoters shareholding up to 51% of equity capital of the Company.
		Term loan	(ii)	Bank of India	First p*ari-passu* charge on all immovable and movable properties of the Company with Pledge of promoters shareholding up to 51% of equity capital of the Company.
		Term loan	(iii)	UCO Bank	First charge on entire block assets of the company including Equitable mortgage by way of title deeds relating to project land on *pari passu* basis with other lenders along with Pledge of promoters shareholding up to 51% of equity capital of the Company.
3	Sitapuram Power Limited	Cash credit	(i)	Indian Overseas Bank	Secured by first charge on entire block of assets on pari-passu basis with other lenders.
		Term loan	(ii)	Indian Overseas Bank	Secured by first charge on entire block of assets on *pari-passu* basis with other lenders Pledge of shares held/subscribed or arranged by sponsors in the equity share capital of the company representing 26% of the total paid up equity share capital of the company. Pledge of preference shares held/subscribed by KSK and its affiliates (save and except SIB fund).
		Term loan	(iii)	Industrial Development Bank of India	Secured by first charge by way of hypothecation of all movable & immovable properties including current assets both present and future ranking *pari-passu* with other lenders. Pledge of shares held/subscribed or arranged by sponsors in the equity share capital of the company representing 26% of the total paid up equity share capital of the company. Pledge of preference shares held/subscribed by KSK and its affiliates (save and except SIB fund).
		Term loan	(iv)	Infrastructure Development Finance Company Limited	Secured by first charge by way of hypothecation of all movable & immovable properties including current assets both present and future ranking *pari-passu* with other lenders Pledge of shares held/subscribed or arranged by sponsors in the equity share capital of the company representing 26% of the total paid up equity share capital of the company. Pledge of preference shares

Sl No	Entity	Type of loan		Name of Bank	Security
					held/subscribed by KSK and its affiliates (save and except SIB fund).
		Vehicle loan	(v)	Sundaram Finance Limited	Motor vehicle
4	V S Lignite Power Private Limited	Hire purchase loan	(i)	Sundaram Finance Limited	Motor vehicle
		Term loan	(ii)	Bank of Baroda	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares (both equity & Preference) Constituting 51% of share capital of the borrower held by the sponsors.
		Term loan	(iii)	L& T Infrastructure Finance Co ltd	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares(both equity & Preference) Constituting 51% of share capital of the borrower held by the sponsors.
		Term loan	(iv)	Rural Electrification Corporation Limited	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares(both equity & Preference) Constituting 51% of share capital of the borrower held by the sponsors.
		Term loan	(v)	Housing & Urban Development Corporation Limited	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares(both equity & Preference) Constituting 51% of share capital of the borrower held by the sponsorer.
		Term loan	(vi)	UCO Bank	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares(both equity & Preference) Constituting 51% of share capital of the borrower held by the sponsorer.
		Term loan	(vii)	Infrastructure Development Finance Company Limited	All movable properties both present and future and intangible assets.
		Bank Guarantee of Rs 6.65 Crores	(viii)	President of India through Ministry of Coal	Counter guarantee by VSLP and second charge on BTG, with auxiliaries, transformers, complete plant DCS systems, startup boiler control & instrumentation system, Lignite handling system, lime stone handling system, Ash handling system, Air-conditioning system, ventilation system, EOT crane and other fittings and equipment.. (BG is issued by UCO Bank).
		Bank Guarantee of Rs 4.73 Crores	(ix)	President of India through Commissioner of Customs	Comfort Letter from IDFC
5	Sai Regency Power Corporation Private Limited	Hire purchase loan	(i)	Sundaram Finance Limited	Motor vehicle
		Cash credit	(ii)	Indian Overseas Bank	Hypothecation of Machineries/vehicles/goods/book-debts.
		Letter Of Credit of Rs	(iii)	In favour of GAIL	Second charge on the entire assets of the company both fixed and

Sl No	Entity	Type of loan		Name of Bank	Security
		5.23 Crores			current assets on *pari-passu* basis with Andhra Bank.
		Term loan (sub debt)	(iv)	Indian Overseas Bank	Second charge on fixed and current assets ranking *pari-passu* basis with Andhra Bank.
		Term loan	(v)	State Bank of India	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders. Pledge of shares to the extent of 26%.
		Term loan	(vi)	State Bank of Bikaner & Jaipur	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders Pledge of shares to the extent of 26%.
		Term loan	(vii)	State Bank of Hyderabad	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders Pledge of shares to the extent of 26%.
		Term loan (sub- debt)	(viii)	Andhra Bank	Second charge on all the assets (including receivables and intangibles) on *pari-passu* with Indian Overseas Bank for their subordinate debt and assignments of all project contracts, documents, insurance policies relating to power plant.
		Term loan	(ix)	State Bank of Mysore	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders. Pledge of shares to the extent of 26%.
		Term loan	(x)	State Bank of Patiala	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders. Pledge of shares to the extent of 26%.
		Term loan	(xi)	State Bank of Saurashtra	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders. Pledge of shares to the extent of 26%.
		Term loan	(xii)	State Bank of Travancore	Term Loans are secured by hypothecation of all the Company's immovable and movable assets including current assets both present and future ranking *pari-passu* between Lenders. Pledge of shares to the extent of 26%.
6	Arasmeta Captive Power Company Private Limited	Rupee term loan	(i)	Infrastructure Development Finance Company Limited	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties on pari-passu basis with other lenders and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares held by the Sponsors in the equity share capital of the company representing 26% of the total paid up equity share capital of the Company.
		Rupee term loan	(ii)	State Bank of India	Secured by joint mortgage by deposit of title deeds of title deeds in respect of the immovable properties on pari-passu basis with other lenders and *pari-passu* first charge by way of hypothecation of all movable fixed assets, current assets, intangible assets, both present and future rights, title, interest, benefits etc in respect of project documents. Pledge of shares held by the Sponsors in the equity share capital of the company representing 26% of the total paid up equity share capital of the Company.
		Bank Guarantees of Rs 20.60 Crores	(iii)	IDFC & SBI	Hypothecation of Current Assets & Fixed Assets on *par-pasu* basis
		Working capital loan	(iv)	State Bank of India - Cash Credit	Secured by hypothecation of the entire current assets including stocks of raw materials, stores and spare parts, receivables, book debts etc on first exclusive charge basis and a second charge on the securities given for the term loans.

19. Acquisitions/Dispositions

- On 20th January 2008 the Company purchased Equity shares from LB India Holdings Mauritius I Limited for a consideration of Rs 69,574.65 lakhs and Rs 59,574.65 Lakhs remitted to LB India Holdings Mauritius I Limited till date and the balance consideration of Rs 10,000 lakhs is yet to be paid. Consequently, KSK Electricity Financing India Private Limited has become 100% subsidiary to KSK Energy Ventures Limited.
- The Company has made investment in the Equity Shares of JR Powergen Private Limited on January 14, 2008. Consequently, JR Power Gen Private Limited became subsidiary to KSK Energy Ventures Limited.
- The Company sold 10,500 Equity Shares @ 10/- per share of KSK Energy Company Private Limited to KSK Energy Limited, Mauritius at a book value.
- The Company has discontinued the Asset Management Business of "small is beautiful" fund with effect from January 20, 2008.
- The Company has made the following divestments for a consideration of Rs 8922 Lakhs as per Share Purchase Agreement dated January 20, 2008 between KSK Energy Ventures Limited and KSK Energy Company Private Limited

Name of the Company/Fund	No Equity Shares	# of Preference Shares	# Units	Book Value Rs in lakhs
RVK Energy Private Limited	9289363			883.02
Kasargod Power Corporation Limited	6336207			1075.06
Coromandal Electric Company Limited	359300			35.93
Coromandal Electric Company Limited		5000		500.00
Athena Projects Private Limited	41392857			6097.17
KSK Natural Resource Ventures Private Limited	10500			1.05
KSK Energy Resource Ventures Private Limited (purchased shares from Promoters of the company S. Kishore and K.A. Sastry on December 21, 2007 and subsequently sold to KSK Energy Company Private Limited vide Share Purchase Agreement dated January 20, 2008) *(see note below)*	10000			1.00
Marudhar Mining Private Limited	7400			0.74
Small is beautiful (# of units as on 30.09.2007 is 4036446 units) 770804 units redeemed on 02.11.2007 and the balance units 3265642 sold as per the above share purchase agreement.			3265642	326.56

Note: The Company is yet to receive the sale consideration to the extent of Rs. 87,38,00,000 from KSK Energy Company Limited.

20. The details in relation to goodwill on consolidation are as follows:

Fiscal Year 2008
Break up of Goodwill — Rs. In Lakhs

Name of the Company	Carrying Cost of Investments 1	Nominal Value of Share capital 2	Share of Capital Profit 3	Sub - Total 4 = 2 + 3	Goodwill 5 = 1 – 4
Sai Regency Power Corporation Private Limited	1,568.09	1,236.00	40.12	1,276.12	291.97
Arasmeta Captive Power Company Private Limited	3,028.25	2,680.05	136.17	2,816.22	212.02
Sitapuram Power Limited	2,000.00	2,000.00	-	2,000.00	-
V S Lignite Power Private Limited	14,978.24	13,550.00	-	13,550.00	1,428.24
Wardha Power Company Private Limited	14,793.20	14,793.20	-	14,793.20	-
KSK Electricity Financing India Private Limited	75,275.81	57,011.53	393.64	57,405.17	17,870.64
	11,643.59	**91,270.78**	**569.93**	**91,840.72**	**19,802.87**

Fiscal Year 2006 **Break up of Goodwill**					Rs. In Lakhs
Name of the Company	Carrying Cost of Investments 1	Nominal Value of Share capital 2	Share of Capital Profit 3	Sub - Total 4 = 2 + 3	Goodwill 5 = 1 – 4
K asargod Power Corporation Limited	556.83	328.23	171.23	499.46	57.37
RVK Energy Private Limited	541.54	473.76	235.38	709.14	(167.59)
Coromandal Electric Company Limited	513.00	327.81	4.42	332.23	180.77
	1,611.38	**1,129.79**	**411.04**	**1,540.83**	**70.55**

21. The details in relation to share application money on consolidation are as follows: Rs in lakhs

S.No.	Name of the company	Allottees/Subsciber	As on March 31, 2008
1.	Wardha Power Company Private Limited	Viraj Profiles Limited	2660.10

22. Subsequent Events:

- The Company sold 10,000 Equity Shares @ 10/- per share of KSK Surya Photovoltaic Venture Private Limited at a book value to KSK Energy Company Private Limited on 03rd May, 2008.

23. Previous year figures have been regrouped / reclassified to make them comparable where ever necessary.

24. All Figures are in Rupee Lakhs.

ANNEXURE - V: STATEMENT OF DIVIDEND PAID

(Rs. In Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Equity Share Capital	29,418.77	9102.66	2977.39	2977.39	1144.39
Preference Share Capital	-	3,000.00	125.00	125.00	925.24
Total Share Capital	**29,418.77**	**12,102.66**	**3,102.39**	**3,102.39**	**2,069.63**
Face value (Rs) - Equity	10	10.00	10.00	10.00	10.00
Face value (Rs) - Preference	-	10.00	10.00	10.00	10.00
Nos. – Equity	2,941.88	910.27	297.74	297.74	114.44
Nos. – Preference	-	300.00	12.50	12.50	92.52
Rate of Dividend (%) - Equity					
Interim					
Final	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Amount of Dividend					
Interim					
Equity dividend	0.00	0.00	0.00	0.00	0.00
Preference dividend	168.00	92.86	13.75	113.76	0.00
Total Dividend	168.00	92.86	13.75	113.76	0.00
Corporate Dividend Tax					
Interim					
Final	28.55	15.78	1.93	15.95	0.00

Note : The details furnished above relates to KSK Energy Ventues Limited

ANNEXURE - VI: ACCCOUNTING RATIOS

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Basic EPS (Rs.)	5.73	2.74	2.02	2.64	(0.54)
Diluted EPS (Rs.)	5.17	2.82	2.34	2.54	0.17
Net Assets Value per share (Rs.)	21.56	19.44	12.04	10.78	9.73
Return on Net Worth (%)	17.13	6.10	13.22	7.21	(4.00)
Profit Available to Equity Shareholders (Rs. In lakhs)	10,667.98	1,482.48	600.59	441.45	(17.12)
Weighted Average No.of Shares for Basic EPS	**1,861.37**	**540.44**	**297.74**	**166.87**	**31.61**
Weighted Average No.of Shares for Diluted EPS	**2,100.71**	**667.94**	**310.24**	**256.68**	**61.03**
Dilutive Profits	**196.55**	**403.68**	**126.52**	**209.96**	**27.36**
No. of Equity Shares at the end of year (excluding Share Capital Deposit)	2,941.88	910.27	297.74	297.74	114.44
Net Worth (Rs. In lakhs)	63,425.90	17,695.35	3,585.79	3,210.83	1,113.59

Notes:

1. The ratios have been computed as below:

Basic Earnings per Share	Adjusted profit after tax – Preference Dividend -- Weighted average no of equity shares for Basic EPS
Diluted Earnings per Share	Adjusted profit after tax -- Weighted average no of equity shares for Diluted EPS
Net Asset value per Share	Networth -- Total number of equity shares as at the end of the year
Return on Networth	Adjusted profit after tax ---------------------------- Networth

2. The earning per share is calculated in accordance with the Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India.

3. Networth means Equity Share Capital+ Free Reserves and Surplus excluding revaluation reserves-Misc. Expenditure not written off.

ANNEXURE - VII: CAPITALISATION STATEMENT

(Rs. In Lakhs)

Sl.No	Description	Pre-Issue as 31-Mar-2008	Post-Issue (*)
A	**Debt**		
	a) Short-Term Debt	36354.26	
	b) Long -Term Debt	88869.20	
	Total Debt	**125,223.46**	
B	a) Equity Share Capital	29,418.77	
	b) Reserves and Surplus	34,275.85	
	c) Less:Misc.Exp.to the extent not written off	268.72	
	Total Equity (Net Worth)	**63,425.90**	
C	**Debt/ Equity Ratio**	**1.97**	
D	**Long Term Debt/ Equity Ratio**	**1.40**	

*To be completed on finalization of the Issue Price.

ANNEXURE - VIII: DETAILS OF SECURED & UNSECURED LOANS

(Rs. in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
A. SECURED LOANS					
Term Loans from Banks/ Financial Institutions	112,163.91	8,582.98	7,906.49	4,471.69	2,556.67
TOTAL SECURED LOANS	**112,163.91**	**8,582.98**	**7,906.49**	**4,471.69**	**2,556.67**
B. UNSECURED LOANS					
SHORT TERM LOANS FROM BANKS	7,019.84	8,721.12	64.48	59.81	193.67
OTHERS	6,039.71	2,309.83	2,508.56	477.99	51.60
TOTAL UNSECURED LOANS	13,059.55	11,030.95	2,573.04	537.80	245.27

ANNEXURE - IX : DETAILS OF OPERATING REVENUES

(Rs. in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Sales to external customers	18,965.72	6,033.30	2,199.03	2,468.18	2,591.23
Management Fee	267.32	162.56	160.73	231.00	-
Project Development Fees	2,336.50	1,558.64	417.95	374.00	-
Corporate Support Service	43.00				
Power Arrangement Income	2,300..00				
Total	**23,912.53**	**7,754.51**	**2,777.71**	**3,073.18**	**2,591.23**

ANNEXURE - X : DETAILS OF OTHER INCOME

(Rs. in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Interest received on:					
Loans	-	-	599.84	-	-
Deposits and Overdue Bills	492.43	67.40	25.95	278.61	159.74
Other investments	686.84	1,283.74	0.13	0.13	0.00
Interest on Security Deposit	-	-	-	0.36	-
Interest on Tax Refund	-	0.26	-	0.00	-
Dividends from current investments	666.09	91.17	99.13	-	-
Profit on sale of Investments	9,933.60	1.96	233.97	-	-
Share of Loss from Associates	--	(0.84)	-	-	-
Miscellaneous Income	103.10	83.43	5.92	3.08	4.58
Total	**11,882.06**	**1,527.12**	**964.94**	**282.18**	**164.32**

ANNEXURE - XI : STATEMENT OF TAX SHELTERS

(Rs. In Lakhs)

PARTICULARS	Fiscal Year -2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Restated Profit before tax but after Extraordinary items as per books (A) excluding Capital Gains/Other Sources	2602.57	1115.87	583.16	49.51
Tax Rate	33.66%	33.66%	36.5925%	35.875%
Tax at notional rate on profits	11.22%	8.415%	7.8413%	7.6785%
Adjustments:				
Permanent Differences (B)				
Exempt Income				
Dividend exempt u/s	(92.06)	(99.13)	-	-
Profit on Sale of Investments exempt u/s 10(23G)	-	-	-	-
Preliminary & pre-operative exps writen off	-	-	-	-
Other Adjustments	(0.27)	(3.37)	(0.84)	260.72
Donations Less: Deduction u/s 80G	8.73	20.92	9.48	2.64
Deduction u/s 35(i) (ii)	-	(0.31)	-	-
Loss on sale of Fixed Assets	0.51	1.95	0.38	89.37
Diminution in value of Investments	0.76	0.54	-	-
Disallowance of interest on tax & others	25.47	10.58	1.99	2.27
Deduction u/s 80IA	(853.50)	(337.87)	(414.24)	(350.07)
Total Permanent Differences (B)	(910.36)	(406.69)	(403.23)	4.93
Timing Differences (C)				
Difference between tax depreciation and book depreciation	(248.22)	(44.58)	(39.31)	42.62
Disallowance u/s 43B	2.24	0.13	-	-
Disallowance u/s 40(a) (ia)	(172.91)	11.47	51.71	-
Other Adjustments – Deferred Rev. Exp.	20.15	13.48	7.22	(7.12)
Set off of carried forward loss/depreciation	131.35	-	(184.03)	59.90
Total Timing Differences (C)	(267.39)	(19.50)	(164.41)	95.40
Net Adjustments: D (B+C)	(1177.75)	(426.19)	(567.64)	(100.33)
Tax Saving thereon {E} [D* Tax Rate]	396.43	143.46	207.71	(35.99)
Income from Capital Gains / Other Sources (F)	78.26	238.41	0.39	-
Total Taxable Income from business (G) = (A+D+F)	1503.08	928.09	15.91	149.84
Taxable Business Income as per Return of Income	1503.08	928.09	15.91	149.84
Tax on Business Income	495.21	234.96	15.19	-
Tax on Capital Gain	2.65	26.25	-	-
Tax on Income from other Sources	17.83	0.19	0.14	-
Normal Tax as per Return of Income tax	516.13	262.70	0.14	-
MAT as per Return of Income tax	121.10	19.76	44.06	14.48

ANNEXURE - XII : DETAILS OF LOANS & ADVANCES

(Rs. in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
a) Loans	-	-	-	-	-
b) Towards Share Application Money	70.00	-	2,028.25	446.55	395.07
c) Advances		13,240.54	603.23	20.43	13.32
Advances recoverable in cash or in kind or for value to be received)	6740.32	143.05	207.54	411.62	198.20
Contractors & Suppliers (Including Material issued on loan)		-	93.34	1,069.48	97.52
Employees	11.06	4.58	5.72	4.82	0.99
Others	10,170.49	1,617.54	0.66	0.73	-
Energy Delivered but not billed		-	0.56	0.64	154.69
Trade & Other Deposits	6,677.17	485.80	436.31	508.71	317.89
Advance Tax & TDS	3,292.04	794.77	290.27	46.25	7.61
Total	**26,961.08**	**16,286.28**	**3,665.88**	**2,509.23**	**1,185.29**

ANNEXURE - XIII : DETAILS OF SUNDRY DEBTORS

(Rs.in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Debts Outstanding exceeding Six Months					
Considered Good	26.93	522.34	217.63	286.37	199.27
Considered Doubtful	-	-	-	-	-
Others					
Considered Good	3,214.54	853.31	271.25	205.38	161.94
Considered Doubtful	-	-	-	-	-
Less: Provision for bad & doubtful debts	-	-	-	-	-
Total	**3,241.47**	**1,375.65**	**488.88**	**491.75**	**361.21**
Restatement	-	-	-	-	-
Sundry Debtors- As Restated	**3,241.47**	**1,375.65**	**488.88**	**491.75**	**361.21**

AUDITOR'S REPORT ON THE RESTATED FINANCIAL STATEMENTS

To

The Board of Directors
K S K Energy Ventures Limited
Hyderabad

1 We have examined the attached restated financial information of **KSK Energy Ventures Limited** ("Company") having their registered office at 8-2-293/82/431/A, Road No. 22, Jubilee Hills, Hyderabad, India – 500 033 which has been prepared from the audited financial statements for the years ended March 31, 2004, March 31, 2005, March 31, 2006, March 31, 2007 and March 31, 2008 (hereinafter referred to as 'five financial years ended March 31, 2008) as approved by the Board of Directors of the Company prepared in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 ("the Act") and the Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 as amended to date ("SEBI Guidelines") and in terms of our engagement agreed upon with you in accordance with our engagement letters in connection with the proposed issue of Equity shares of the Company.

We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. In accordance with the requirements of Paragraph B of Part II of Schedule II of the Act, the SEBI Guidelines and terms of our engagement agreed with you, we further report that:

(a) The Restated Statement of Assets and Liabilities of the Company for five financial years ended March 31, 2008 as set out in Annexure I to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts as set out in Annexure IV.

(b) The Restated Statement of Profit or Loss of the Company for the five financial years ended March 31, 2008 as set out in Annexure II to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts as set out in Annexure IV .

(c) The Restated Statement of Cash Flows of the Company for the five financial years ended March 31, 2008 as set out in Annexure III to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in Significant Accounting Policies and Notes on Accounts as set out in Annexure IV.

(d) Based on above, we are of the opinion that the restated financial information for five financial years ended March 31, 2008 have been made after incorporating:

(i) Adjustments for the material amounts in the respective financial years to which they relate.

(ii) There are no significant changes in accounting policies that need to be disclosed separately in the Accounts or qualifications requiring adjustments.

(iii) And there are no extra-ordinary items that need to be disclosed separately in the accounts or qualifications requiring adjustments.

3. We have also examined the following other financial information setout in Annexures prepared by the management and approved by the Board of Directors relating to the Company for the five financial years ended March 31, 2008:

i. Statement of Dividend paid - **Annexure V**

ii. Statement of Accounting Ratios - **Annexure - VI**

iii. Statement of Capitalisation as at March 31, 2008 – **Annexure - VII**

iv. Statement of Secured and Unsecured Loans – **Annexure – VIII**

v. Statement of Revenue from Operations, – **Annexure IX**

vi. Statement of Other Income – **Annexure X**

vii. Statement of Tax Shelter – **Annexure XI**

viii. Statement of Loan and Advances **– Annexure XII**

ix. Statement of Sundry Debtors – **Annexure XIII**

x. Statement of Related Party Transactions **– Refer Annexure IV**

xi. Statement of Contingent Liabilities **– Refer Annexure IV**

In our opinion the financial information contained in Annexure V to XIII of this report read along with the Significant Accounting Policies and Notes after making adjustments and regrouping as considered appropriate have been prepared in accordance with Part IIB of Schedule II of the Act and the SEBI Guidelines.

4. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

5. Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed initial public offer of equity shares of the Company and should not be used for any other purposes except with our consent in writing.

For Umamaheswara Rao & Co.
Chartered Accountants

(S Venugopal)
Partner
Membership No: 205565
Place: Hyderabad
Date: June 12, 2008

ANNEXURE – I

KSK ENERGY VENTURES LIMITED
RESTATED STANDALONE BALANCE SHEET

Rs. in Lakhs

Particulars	Schedule	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Shareholders' Funds						
Share Capital	**1**	29,418.77	12,102.66	3,102.39	3,102.39	2,069.62
Share Application Money pending allotment	**2**	-	-	-	70.14	35.48
Reserves & Surplus						
Reserves and Surplus	**3**	34,743.72	7,310.17	526.39	99.68	-
Loan Funds						
Secured Loans	**4**	25,107.82	9.72	1,452.94	1,530.87	-
Unsecured Loans	**5**	4,713.19	10,970.53	2,507.25	199.89	-
Deferred Tax Liability	**6**	37.16	9.59	-	-	-
TOTAL		**94,020.66**	**30,402.67**	**7,588.97**	**5,002.97**	**2,105.10**
Fixed Assets	**7**					
Gross Block		551.44	309.90	142.94	24.24	8.72
Less: Depreciation		102.59	43.17	19.53	2.34	0.66
Net Block		448.86	266.72	123.41	21.90	8.06
Add :Capital Work-in-Progress		-	-	-	9.74	-
		448.86	**266.72**	**123.41**	**31.64**	**8.06**
Investments	**8**	83,795.25	6,130.45	2,862.79	2,036.41	1,115.13
Current Assets, Loans and Advances						
Cash & Bank Balances	**9**	9,557.30	9,216.21	1,007.82	142.07	27.01
Loans and Advances & Other Current Assets	**10**	31,497.61	15,776.28	5,634.91	3,069.66	900.82
		41,054.92	**24,992.49**	**6,642.73**	**3,211.73**	**927.83**
Less:						
Current Liabilities and Provisions						
Current Liabilities	**11**	29,010.46	150.77	1,837.65	81.13	68.19
Provisions	**12**	2,267.91	836.22	202.35	200.20	-
		31,278.37	**986.99**	**2,040.00**	**281.33**	**68.19**
Net Current Assets		**9,776.55**	**24,005.50**	**4,602.74**	**2,930.40**	**859.64**
Miscellaneous Expenditure (to the extent not written off or adjusted)	**13**	-	-	-	-	-
Deferred Tax Asset	**6**	-	-	0.04	4.52	-
Profit and Loss Account	**2**	-	-	-	-	122.27
TOTAL		**94,020.66**	**30,402.67**	**7,588.97**	**5,002.97**	**2,105.10**
Significant Accounting Policies & Notes forming part of accounts	**AnnexureIV**					

ANNEXURE – II

KSK ENERGY VENTURES LIMITED
RESTATED STANDALONE PROFIT & LOSS ACCOUNT

Rs. In Lakhs

Particulars	Schedule	Fiscal Year-2008	Fiscal Year-2007	Fiscal Year-2006	Fiscal Year-2005	Fiscal Year-2004
INCOME :						
Management Fees		267.32	162.56	160.73	231.00	-
Project Development Fees		2,336.50	1,558.64	417.95	374.00	-
Corporate Support Services Fee		144.00	-	-	-	-
Power Arrangement Income		2,300.00	-	-	-	-
Interest Income		1,301.26	1,283.74	599.84	254.45	137.96
Other Income	**14**	10,619.76	129.02	333.11	0.02	-
TOTAL		**16,968.84**	**3,133.97**	**1,511.63**	**859.46**	**137.96**
EXPENDITURE						
Payments to and Provisions for Employees	**15**	634.37	472.79	239.25	150.52	30.45
Administrative and Selling Expenses	**16**	1,419.93	639.07	558.44	254.96	152.72
Interest and Finance Charges	**17**	3,100.47	339.45	135.49	34.67	0.13
Depreciation and Amortisation	**7**	59.41	23.64	17.19	1.68	0.41
Preliminary & Pre-Operative expenses W/o	**18**	-	-	-	-	76.53
TOTAL		**5,214.18**	**1,474.95**	**950.36**	**441.83**	**260.23**
PROFIT/ (LOSS) BEFORE EXTRA ORDINARY ITEM & TAXATION		11,754.65	1,659.02	561.28	417.64	(122.27)
Prior Period Income/(Expenses)		-	-	(0.93)	-	-
PROFIT/(LOSS) BEFORE TAXATION		11,754.65	1,659.02	560.35	417.64	(122.27)
Provision for Taxation						
Current Tax incl. Wealth Tax & Fringe Benefit Tax		1,601.65	595.01	113.49	70.49	-
Deferred Tax Liability/(Asset)		21.59	9.63	4.48	(4.52)	-
Total Tax Expense		**1,623.24**	**604.64**	**117.97**	**65.97**	**-**
PROFIT/(LOSS) FOR THE YEAR		**10,131.41**	**1,054.37**	**442.39**	**351.66**	**(122.27)**
Balance Brought Forward from Last Year		1,485.02	526.39	99.68	(122.27)	-
PROFIT AVAILABLE FOR APPROPRIATION		11,616.43	1,580.76	542.07	229.39	(122.27)
Appropriations						
Equity Dividend		-	-	-	-	-
Preference Dividend		168.00	92.86	13.75	113.76	-
Premium on Redemption of preference shares		-	-	-	-	-
Tax on Dividend		28.55	15.78	1.93	15.95	-
General Reserve		-	-	-	-	-
Transfer to Capital Reserve		-	-	-	-	-
Surplus/(Deficit) carried to Balance Sheet		11,419.88	1,472.12	526.39	99.68	(122.27)
Earning Per Share - Basic (Rs)		5.34	1.75	1.43	1.33	(3.87)
Diluted (Rs)		4.82	1.58	1.43	1.37	(2.00)
Significant Accounting Policies & Notes forming part of accounts	**Annexure IV**					

ANNEXURE – III

KSK ENERGY VENTURES LIMITED

RESTATED CASH FLOW STATEMENT

Rs. In Lakhs

Particulars	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year – 2006	Fiscal Year – 2005	Fiscal Year– 2004
CASH FLOW FROM OPERATING ACTIVITIES					
Net Profit Before taxation and extraordinary Item	11,754.65	1,659.02	560.35	417.64	(122.27)
Add:		-	-	-	-
Depreciation	59.41	23.64	17.19	1.68	0.41
Diminution in value of Investments	129.30	-	-	-	-
Less:					
Miscellaneous Expenses (Income) not adjusted	-	-	-	(0.01)	-
Profit on sale / Redemption of investment	(9,933.60)	(23.66)	(233.97)	-	-
Dividend received	(665.68)	(91.17)	(99.13)	-	-
Interest Expenses	(3,100.47	312.88	155.84	34.67	-
Interest Income	(1,301.26)	(1,283.74)	(599.84)	(254.45)	(137.96)
Gratuity	1.12	(6.08)	6.08	-	-
Foreign Exchange (Gain)/Loss (Net)	-	-	(20.41)	-	-
Assets Written Off	-	-	-	0.01	-
Bad Debts written off	-	-	-	105.65	-
Preliminary & Pre-Operative Expenses Written off	-	-	-	-	76.53
Taxes (IT / WT / FBT)	(1,812.07)	(48.03)	(3.40)		-
Operating profit before working capital changes	**1,332.33**	**542.87**	**(217.30)**	**305.20**	**(183.30)**
Adjustment for					
Decrease/(Increase) in Loans and Advances	(14,923.24)	(10,141.38)	(2,544.84)	(2,274.49)	(345.63)
Increase in Current Liabilities	28,860.81	(1,686.88)	1,756.53	12.94	61.71
Cash generated from Operations	**15,269.90**	**(11,285.39)**	**(1,005.61)**	**(1,956.35)**	**(467.22)**
CASH FLOW FROM INVESTING ACTIVITIES					
Purchase of Fixed Assets	(241.55)	(166.96)	(108.95)	(25.29)	(1.30)
Dividend received	665.68	91.17	99.13	-	-
Interest Income	1,301.26	1,283.74	599.84	254.45	137.96
Proceeds from Insurance claims	-	-	-	0.01	-
Increase in Investments	(88,163.22)	(3,244.00)	(592.41)	(921.28)	(1,115.13)
Sale of Investments	20,302.72	-	-	-	-
Net Cash used in Investing Activities	**(66,135.11)**	**(2,036.05)**	**(2.39)**	**(692.11)**	**(978.47)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from Issue of Share Capital	10,296.57	9,000.27	(70.14)	1,067.43	1,471.98
Share Premium	25,278.08	5,838.05	-	-	-
Interest Expenses	(3,100.47)	(312.88)	(155.84)	(34.67)	
Term Loan	25,098.10	7,217.48	(77.93)	1,530.87	-
Payment of Dividend and Dividend Tax	(108.65)	(15.68)	(129.71)	-	-
Proceeds from Inter Corporate Deposits	(6,257.33)	(197.42)	2,307.36	199.89	-
	51,206.30	**21,529.82**	**1,873.74**	**2,763.52**	**1,471.98**
Net Increase in Cash and Cash Equivalents	**341.09**	**8,208.38**	**865.75**	**115.06**	**26.29**
Cash and Cash Equivalents at the beginning of the year	9,216.21	1,007.82	142.07	27.01	0.72
Cash and Cash Equivalents at the end of the year	**9,557.30**	**9,216.20**	**1,007.82**	**142.07**	**27.01**

KSK ENERGY VENTURES LIMITED
SCHEDULES TO RESTATED BALANACE SHEET

Rs. In Lakhs

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	**SHARE CAPITAL**					
	Authorised:					
	500,00,00,,000 Equity Shares of Rs.10/- each	500,000.00	-	-	-	-
	46,000,000 Equity Shares of Rs.10/- each	-	-	4,600.00	4,600.00	-
	32,000,000 Equity Shares of Rs.10/- each	-				3,200.00
	2,000,000 11% Optionally convertible cumulative Preference Shares of Rs.10/- each	-	-	200.00	200.00	-
	2,000,000 11% Optionally convertible cumulative Preference Shares of Rs.10/- each					1,600.00
	120000000 Equity Shares of Rs.10/- each		12,000.00	-	-	-
	31500000 preference shares of Rs.10/- each	3,150.00	3,150.00	-	-	-
		503,150.00	**15,150.00**	**4,800.00**	**4,800.00**	**4,800.00**
	Issued, Subscribed and Paid-up:					
	91026602 Equity shares of Rs.10/ each		9,102.66	-	-	-
	30000000 7% Optionally convertible cumulative redeemable Preference shares of Rs.10/- each		3,000.00	-	-	-
	294,187,740 Equity Shares of Rs.10/- each fully paid	29,418.77	-	-	-	-
	29,773,850 Equity Shares of Rs.10/- each 2004 - 11,443,850 Equity Shares of Rs.10/-each		-	2,977.39	2,977.39	1,144.39
	1,250,000 -11% Optionally Convertible Cumulative Preference Shares of Rs.10/- each 2004 - 9,252,350- 11% Optionally Convertible Cumulative Preference Shares of Rs.10/- each		-	125.00	125.00	925.24
	TOTAL	**29,418.77**	**12,102.66**	**3,102.39**	**3,102.39**	**2,069.62**
2	**RESERVES & SURPLUS**					
	Share Premium					
	Opening balance	5,838.05	6,371.86	-	-	-
	Add: On Allotment of shares	25,278.08	-	-	-	-
	Less: Utilised for Bonus Issue of Shares	5,838.05	-	-	-	-
	(Less) : Share Issue Expenses	772.76	533.81	-	-	-
		24,505.33	5,838.05	-	-	-
	Profit and Loss account	1,485.02	526.39	99.68	(122.27)	-
	Add: Profit for the year	9,934.86	945.73	426.71	221.95	(122.27)
	Less: Utilised for Bonus Issue of Shares	1,181.49	-	-	-	-
		10,238.39	1,472.12	526.39	99.68	(122.27)
	TOTAL	**34,743.72**	**7,310.17**	**526.39**	**99.68**	**(122.27)**
3	**Share Application Money pending allotment**	-	-	-	70.14	35.48
	TOTAL	**-**	**-**	**-**	**70.14**	**35.48**
4	**SECURED LOANS**					
	Term loans :					
	Bank of India	10,096.75	-	-	-	-
	L&T Infrastructure Finance Company Limited	5,000.00				
	UCO Bank	10,011.07				
	Andhra Bank	-	-	701.52	725.67	-
	Bank of Maharashtra	-	-	-	50.15	-
	Indian Overseas Bank	-	-	-	752.13	-
	State Bank of India	-	-	2.71	-	-
	State Bank of India – FCNRB	-	-	731.83	-	-
	Sundaram Finance Limited	-	0.26	1.78	2.92	-
	ICICI Bank	-	9.46	15.11	-	-
	TOTAL	**25,107.82**	**9.72**	**1,452.94**	**1,530.87**	**-**
5	**UNSECURED LOANS**					
	Long Term Loans					
	From Banks	-	-	-	-	-
	From Others	2,300.00	2,300.00	2,300.00	-	-
	Short Term Loans					
	From Banks	703.24	8,660.70	-	-	-
	From Others	1,709.95	9.83	207.25	199.89	-
	TOTAL	**4,713.19**	**10,970.53**	**2,507.25**	**199.89**	**-**
6	**DEFERRED TAX LIABILITY/ (ASSET)**	37.16	9.59	(0.04)	(4.52)	-
	TOTAL	**37.16**	**9.59**	**(0.04)**	**(4.52)**	**-**

Rs. In Lakhs

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
8	**INVESTMENTS**					
	Short Term Investments					
	Equity Shares (quoted, Fully Paid-up)					
	Gujarat Mineral Development Corporation	8,239.01	-	-	-	-
	Bank of India	253.25	-	-	-	-
	Long Term Investments- Carried at Cost 'Equity Shares (Un quoted Fully Paid-up)					
	RVK Energy Private Limited	-	883.02	541.54	541.54	541.54
	Kasargod Power Corporation Limited	-	1,075.06	556.83	556.83	556.83
	MMS Steel and Power Limited	-	-	-	37.00	16.75
	Coromandal Electric Company Limited	-	35.93	13.00	13.00	-
	Sai Regency Power Corporation Limited	-	61.80	611.90	214.92	-
	Arasmeta Captive Power Company Private Limited	-	205.00	130.00	120.30	-
	VS Lignite Power Private Limited	-	240.00	143.98	120.00	-
	Sai Maithili Energy & Mining Private Limited	5.00	5.00	3.95	3.95	-
	Sitapuram Power Limited	-	-	49.00	-	-
	KSK Natural Resources Private Limited	-	1.05	-	-	-
	KSK Narmada Power Company Private Limited	1.05	1.05	-	-	-
	Bahur Power Company Private Limited	1.05	1.05	-	-	-
	Wardha Power Company Private Limited	-	10.00	-	-	-
	KSK Energy Company Private Limited	-	1.05	-	-	-
	Marudhar Mining Private Limited	-	0.74	-	-	-
	KSK Technology Ventures Private Limited	15.00	15.00	-	-	-
	Lakhpat Power Private Limited	1.05	1.05	-	-	-
	KSK Electricity Financing India Pvt Ltd	75,275.81	200.00	-	-	-
	Athena Project Private Limited	-	-	-	-	-
	KSK Dibbin Hydro Power Private Limited	1.00	-	-	-	-
	Kamengdam Hydro Power Private Limited	1.00	-	-	-	-
	KSK Surya Photovoltaic Venture Private Limited	1.00	-	-	-	-
	JR Power Gen Private Limited	1.04	-	-	-	-
	In Preference Shares (Unquoted, fully paid up):					
	Coromandel Electric Company Limited	-	500.00	500.00	300.00	-
	Marudhar Power Private Limited	-	2,490.00	-	-	-
	MMS Steel and Power Limited	-	-	-	75.00	-
	Sitapuram Power Limited	-	-	196.00	-	-
	Non Quoted in Units					
	SIB Class A	-	398.64	111.58	53.86	-
	SIB Class B	-	5.00	5.00	-	-
	TOTAL	**83,795.25**	**6,130.45**	**2,862.79**	**2,036.41**	**1,115.13**
	CURRENT ASSETS, LOANS & ADVANCES					
	Current Assets					
9	**CASH & BANK BALANCES**					
	Cash on Hand	1.73	0.74	0.85	0.35	2.20
	DD in Hand	-	-	-	-	24.81
	Balances with Scheduled Banks on:					
	a. Current Accounts	3,792.88	163.89	16.98	141.72	-
	b. Deposit Accounts	5,762.69	9,051.57	990.00	-	-
	TOTAL	**9,557.30**	**9,216.21**	**1,007.82**	**142.07**	**27.01**
10	**LOANS & ADVANCES**					
	(Unsecured, considered good except stated otherwise)					
	Inter Corporate Deposits	750.00	10,208.45	-	-	-
	Other Loans & Advances	19,607.24	1,981.75	4,432.33	362.99	316.01
	TOTAL	**20,357.24**	**12,190.20**	**4,432.33**	**362.99**	**316.01**
	Other Current Assets:					
	Towards Share Application Money					
	MMS Steel and Power Limited	-	-	-	-	85.00
	Sitapuram Power Limited	-	-	650.00	-	-
	Sai Maithili Energy & Mining Private Limited	-	-	40.50	22.90	23.64
	Coromandal Electric Company Limited	-	-	-	0.50	56.91
	Sai Regency Power Corporation Limited	-	-	-	1,195.61	-
	Arasmeta Captive Power Company Private Limited	-	-	-	1,105.27	-
	VS Lignite Power Private Limited	-	-	-	253.03	274.06
	Sai Regency Power Corporation Private Limited	-	-	-	-	40.46

Rs. In Lakhs

Sch no.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
	KSK Electricity Financing India Private Limited	-	1.00	-	-	-
	Athena Projects Private Limited	-	2,500.00	-	-	-
	Money Matters Properties Private Limited	-	-	-	-	-
	Dnyaneshwar Trading Investments Private Limited	-	-	-	-	-
	Intercontinental Infrastructure Ltd	-				
	S C Power Company Private Limited	70.00				
	Wardha Power Company Private Limited	-				
	Advance for Expenses & Others	4,326.62	407.16	141.46	-	-
	Advance for Capital Expenditure	1,679.47	-	-	0.33	-
	Loans and advances to Employees	7.16	2.89	5.37	3.38	0.99
	Income Tax / TDS Receivable	2,297.62	664.14	259.75	21.77	0.73
	Service Tax debit to extent not set off	-	-	-	-	1.29
	Deposits	2,759.49	10.88	105.50	103.88	101.73
	TOTAL	**11,140.37**	**3,586.08**	**1,202.58**	**2,706.67**	**584.81**
	Total Current Assets, Loans & Advances	**41,054.92**	**15,776.28**	**5,634.91**	**3,069.66**	**900.82**
11	**CURRENT LIABILITIES**					
	Creditors	28,717.49	138.00	103.27	-	-
	Statutory Liabilities	292.97	11.14	8.19	71.34	-
	Bank Overdraft	-	-	-	9.79	15.20
	Advance against sale of investments	-				
	Other Liabilities	-	1.63	1,726.20	-	52.99
	TOTAL	**29,010.46**	**150.77**	**1,837.65**	**81.13**	**68.19**
12	**PROVISIONS**					
	For Taxation	2,056.67	726.87	178.56	70.49	-
	For Retirement Benefits	1.12	-	6.08	-	-
	For Proposed Dividend	168.00	92.86	13.75	113.76	-
	For Tax on Proposed Dividend	28.55	15.78	1.93	15.95	-
	For Fringe Benefit Tax	13.17	0.54	2.03	-	-
	For Wealth Tax	0.40	0.16	-	-	-
	TOTAL	**2,267.91**	**836.22**	**202.35**	**200.20**	**-**
13	**MISCELLANEOUS EXPENDITURE**					
	(to the extent not written off or adjusted)					
	Preliminary & Pre-Operative Expenses	-	-	-	-	76.53
	Less:Written Off During the Year	-	-	-	-	76.53
	TOTAL	**-**	**-**	**-**	**-**	**-**

KSK ENERGY VENTURES LIMITED
SCHEDULES TO RESTATED PROFIT AND LOSS ACCOUNT

(Rs. in Lakhs)

Sch no.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
14	**OTHER INCOME**					
	Dividends from current investments	665.68	91.17	99.13	-	-
	Profit on Sale of Investments	9,933.60	23.66	233.97	-	-
	Miscellaneous Income	20.48	14.19	0.00	0.02	-
	TOTAL	**10,619.76**	**129.02**	**333.11**	**0.02**	**-**
15	**PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**					
	Salaries, Wages and Bonus, Incentives & Gratuity	510.45	362.59	142.49	59.66	29.06
	Staff Welfare Expenses	28.66	11.24	1.34	0.87	1.38
	Staff Recruitment Expenses	5.33	8.96	5.41	-	-
	Directors Remuneration	89.93	90.00	90.00	90.00	-
	TOTAL	**634.37**	**472.79**	**239.25**	**150.52**	**30.45**
16	**ADMINISTRATIVE & SELLING EXPENSES**					
	Rents	67.83	11.06	7.20	4.24	1.00
	Rates & Taxes	31.34	2.95	4.95	-	-
	Printing & Stationery	18.39	10.91	4.95	3.32	1.46
	Postage, Telegram & Telephones	44.02	28.24	15.08	8.46	12.57
	Insurance	8.33	3.71	2.74	0.40	-
	Legal & Professional Charges	237.13	181.42	70.64	63.46	82.72
	Directors sitting fees	3.80	4.20	3.40	0.25	-
	Software expenses	-	-	0.67	0.34	1.35
	Guest/ Business Promotion	5.48	9.08	-	7.87	2.15
	Selling and Advertisement expenses	129.21	1.65	25.89	-	-
	Travel & Conveyance	161.14	117.99	54.11	31.98	17.77
	Vehicle Maintenance Expenses	5.78	1.90	1.15	0.24	-
	Bad debts & Claims written off		0.05	0.29	105.67	-
	Books & Periodicals	4.60	1.29	0.73	1.61	2.64
	Seminar Expenses	54.85	5.34	0.78	1.43	0.04
	Donation & Gifts	19.54	13.21	35.50	5.80	-
	Security Charges		4.33	3.08	1.29	0.47
	Electricity expenses	18.17	12.55	7.56	4.54	3.76
	Audit Fees	5.00	1.88	0.50	0.50	0.16
	Office Expenses	28.78	22.62	9.10	5.92	1.78
	Repairs & Maintenance	7.07	-	0.29	4.23	-
	Filing Fees	0.20	0.17	0.19	3.40	24.86
	Tender Expenses	31.65	7.86	9.30	-	-
	Price Difference / Obligation on arrangement of Power	387.45	190.62	295.89	-	-
	Provision for diminution in value of current investments	129.30	-	-	-	-
	Miscellaneous Expenses	20.87	6.04	4.45	-	-
	TOTAL	**1,317.78**	**639.07**	**558.44**	**254.96**	**152.72**

(Rs. in Lakhs)

Sch no.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
17	**INTEREST AND FINANCE CHARGES**					
	Interest on Fixed Period Loans	2,459.69	286.36	133.49	26.63	-
	Interest on Other Loans		0.90	0.69	-	-
	Finance Charges	623.13	-	19.28	8.03	0.13
	Foreign Exchange Fluctuations(Cr.) (net)	-	26.57	(20.35)	-	-
	Bank Charges	6.87	9.07	-	-	-
	Bank Guarantee/Processing Charges	-	-	-	-	-
	Interest on Service Tax	0.07	13.01	0.25	-	-
	Interest on TDS	0.07	0.67	2.12	-	-
	Interest on Income tax	10.11	2.87	-	-	-
	TOTAL	**3,100.47**	**339.45**	**135.49**	**34.67**	**0.13**
18	**Preliminary/Pre-operative expenses written off**					
	Miscellaneous Expenditure Written Off	-	-	-	-	76.53
	Preliminary expenses written off	-	-	-	-	-
	TOTAL	**-**	**-**	**-**	**-**	**76.53**

Schedule "7" Fixed Assets for the Year ended March 31, 2008

Rs. in Lakhs

Particulars	Gross Block			Depreciation			Net Block	
	As on 01.04.2007	**Additions during the year**	**Total 31.03.2008**	**As on 01.04.2007**	**For the Year 31.03.2008**	**Upto 31.03.2008**	**As on 31.03.2008**	**As on 31.03.2007**
Furniture & Fixtures	79.12	16.14	95.26	4.42	7.41	11.83	83.43	74.70
Office Equipment	77.27	27.65	104.92	5.28	8.35	13.63	91.29	71.98
Computers	59.37	74.77	134.14	10.52	15.87	26.39	107.75	48.85
Vehicles	53.92	23.99	77.91	7.68	6.54	14.22	63.69	46.24
Electrical Works - Transformer	16.75	1.06	17.81	3.49	2.02	5.51	12.30	13.26
Computer Software	19.04	97.93	116.97	9.56	18.11	27.67	89.30	9.47
Capital Expenditure On Assets not owned by Company	4.44	-	4.44	2.22	1.11	3.33	1.11	2.22
Total	309.91	241.54	551.45	43.17	59.41	102.58	448.87	266.72
Corresponding Previous Period	142.94	166.96	309.90	19.52	23.64	43.17	266.72	-

KSK ENERGY VENTURES LIMITED

Schedule "7"
Fixed Assets

Rs. in Lakhs

	Gross Block			Depreciation			Net Block	
Particulars	**Opening Balance**	**Additions during the year**	**Total upto 31.03.2007**	**As on 01.04.2006**	**For the Year 31.03.2007**	**upto 31.03.2007**	**As on 31.03.2007**	**As on 31.03.2006**
Furniture & Fixtures	14.75	64.37	79.12	2.88	1.54	4.42	74.70	11.88
Office Equipment	24.37	52.89	77.27	2.65	2.63	5.28	71.98	21.72
Computers	29.60	29.76	59.37	3.64	6.87	10.52	48.85	25.96
Vehicles	45.06	8.86	53.92	3.23	4.46	7.68	46.24	41.84
Electrical Works - Transformer	15.05	1.69	16.75	2.81	0.68	3.49	13.26	12.25
Computer Software	9.66	9.38	19.04	3.22	6.35	9.56	9.47	6.44
Capital Expenditure On Assets not owned by Company	4.44	-	4.44	1.11	1.11	2.22	2.22	3.33
Total	142.94	166.96	309.90	19.53	23.64	43.17	266.72	123.41

KSK ENERGY VENTURES LIMITED

Schedule "7"
Fixed Assets

Rs. in Lakhs

Particulars	Gross Block				Depreciation				Net Block	
	Opening Balance	Additions upto 31.03.2006	Deletions upto 31.03.2006	Total upto 31.03.2006	As on 01.04.2005	Adjustments upto 31.03.2006	For the Year Upto 31.03.2006	upto 31.03.2006	As on 31.03.2006	As on 31.03.2005
Furniture & Fixtures	0.98	13.78	-	14.75	0.15	-	2.72	2.88	11.88	0.82
Office Equipment	4.30	20.08	-	24.37	0.29	-	2.36	2.65	21.72	4.01
Computers	7.12	22.48	-	29.60	0.78	-	2.86	3.64	25.96	6.34
Vehicles	6.19	38.87	-	45.06	0.47	-	2.76	3.23	41.84	5.72
Electrical Works - Transformer	5.65	9.40	-	15.05	0.65	-	2.15	2.81	12.25	5.00
Computer Software	-	9.66	-	9.66	-	-	3.22	3.22	6.44	-
Capital Expenditure On Assets not owned by Company	-	4.44	-	4.44	-	-	1.11	1.11	3.33	-
Total	24.24	118.70	-	142.94	2.34	-	17.19	19.53	123.41	21.90
Capital Work In Progress	9.74	-	9.74	-	-	-	-	-	-	-

KSK ENERGY VENTURES LIMITED

Rs. in Lakhs

Schedule "7"
Fixed Assets

	Gross Block				Depreciation				Net Block	
Particulars	**Opening Balance**	**Additions upto 31-03-05**	**Deletions upto 31-03-2005**	**Total on 31.03.2005**	**As on 01.04.2004**	**Adjustments upto 31.03.2005**	**For the Yr upto 31-03-2005**	**upto 31.03.2005**	**As on 31.05.2005**	**As on 31.03.2004**
Furniture & Fixtures	0.78	0.19	-	0.98	0.10	-	0.06	0.15	0.82	0.69
Office Equipment	2.06	2.26	0.02	4.30	0.14	0.00	0.15	0.29	4.01	1.92
Computers	-	7.12	-	7.12	-	-	0.78	0.78	6.34	-
Vehicles	0.22	5.97	-	6.19	0.02	-	0.45	0.47	5.72	0.20
Electrical Works -Transformer	5.65	-	-	5.65	0.40	-	0.25	0.65	5.00	5.25
Capital Working Progress	-	9.74	-	9.74	-	-	-	-	9.74	-
Total	8.72	25.29	0.02	33.98	0.66	0.00	1.68	2.34	31.64	8.06

Rs. in Lakhs

Schedule "7"

Fixed Assets

Particulars	Gross Block				Depreciation			Net Block	
	Opening Balance	Additions during the year	Deletions during the year	Total 31.03.2004	As on 01.04.2003	For the Year	Upto 31.03.2004	As on 31.03.2004	As on 31.03.2003
Furniture & Fixtures	0.68	0.11	-	0.78	0.05	0.04	0.10	0.69	0.62
Office Equipment	1.10	0.96	-	2.06	0.06	0.08	0.14	1.92	1.03
Vehicles	-	0.22	-	0.22	-	0.02	0.02	0.20	-
Electrical Works – Transformer	5.65	-	-	5.65	0.14	0.27	0.40	5.25	5.52
Total	7.42	1.29	-	8.72	0.25	0.41	0.66	8.06	7.17

ANNEXURE - IV

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ADJUSTMENTS TO RESTATED FINANCIAL STATEMENTS:

Notes on Adjustments to Restated Financial Statements:

i) Prior Period Adjustments:

1. Prior period adjustments for the material amount pertaining to Management Fees, Interest on Loans and Expenditure have been restated in the respective financial years to which they relate. The Impact of the same is given below:

Year/Period ended					Rs in Lakhs
Particulars	**Year ending 31.03.2008**	**Year ending 31.03.2007**	**Year ending 31.03.2006**	**Year ending 31.03.2005**	**Year ending 31.03.2004**
Impact on account of material adjustments and prior period items	31.80	68.00	(461.30)	223.50	138.00

ii) Current Tax Impact of Adjustments:

Current Tax impact of adjustments pertains to tax effect on restatement adjustments provided at the tax rate applicable in respective years.

STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

2. Accounting Convention:

The financial statements have been prepared under the historical cost convention under accrual method of accounting and as a "going concern", in accordance with the Generally Accepted Accounting Principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956.

3. Fixed Assets

i) Fixed Assets are stated at cost of acquisition.

ii) Assets costing up to Rs. 5,000/- are fully depreciated in the year of capitalization.

iii) Capital expenditure on assets not owned by the Company is reflected as a distinct item in Capital Work In Progress till the period of completion and thereafter in Fixed Assets.

iv) Impairment – The company evaluates the carrying amounts of the fixed assets at the end of every accounting year company evaluates the carrying amounts of fixed assets at the end of every accounting year to determine whether there is any indication of impairment loss. In the event of any such impairment, the present value is estimated and the loss if any is suitably dealt with in the Accounts.

4. Revenue Recognition:

i) Revenue in the form of Project Development Fees for Services rendered in relation to development work of potential power projects is recognized when such fees is assured and determinable under the terms of the respective contract.

ii) Revenue in the form of Management Fees is recognized when such fees is assured and determinable under the terms of the respective contract.

iii) Consultancy income is recognized proportionately with the degree of completion of contract.

(iii) Interest Income is recognized on time proportion basis taking into account the amount outstanding at the rate applicable.

(iv) Dividend Income is recognized when the right to receive the same is established.

(v) Corporate Support Service income is recognized when such income is assured and determinable under the terms of the respective contract.

5. Depreciation

i) Depreciation on fixed assets is charged on *Straight Line* Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

ii) Depreciation on additions/ deductions from fixed assets during the year is charged on pro-rata basis from/up to the date on which the asset becomes available for use.

iii) Capital expenditure on assets not owned by the Company under the head Fixed Assets is amortized over a period of life of the asset from the year in which the asset becomes available for use.

iv) Intangible assets, viz., Computer software is recognized as per the criteria specified in the Accounting Standard (AS) 26 "Intangible Assets" issued by the Institute of Chartered Accountants of India and is amortized over a period of three years.

6. Investments

Current Investments are carried individually at lower of cost or fair market value.

Long term investments are carried at cost. Provision is made for diminution, other than temporary, in the value of such investments.

7. Retirement Benefits

Retirement benefits are accounted for on accrual basis by the Company with contributions to recognized funds such as Provident Fund and Pension Fund charged against revenue each year. Liability for gratuity is accounted on actuarial valuation.

8. Foreign Currency Transaction

i) Transactions in foreign currency are recorded at the exchange rate prevailing on the date of transaction.

ii) Liability/receivables on account of foreign currency are converted at the exchange rates prevailing as at the end of period and gain/losses thereon are taken to the profit and loss account.

9. Borrowing Costs:

Borrowing costs are recognized as an expense in the period in which they are incurred.

10. Taxes on Income

Income Tax expense comprises Current Tax and Deferred Tax Charge or credit. Current Tax is the amount of tax payable on the taxable income in accordance with the applicable tax provisions. Deferred Tax is accounted for by computing the tax effect of timing differences, which arise during the year and reversed in subsequent period. Deferred Tax is recognized only when there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.

NOTES TO ACCOUNTS:

1. Contingent Liabilities:

(i) Claims against the Company not acknowledged as debt:

Rs in Lakhs

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Bank guarantees outstanding	33,250.00	-	-	-	-
Corporate Guarantees	-	-	750.00	-	-
Letters of Credit outstanding	-	-	-	-	-
Claims against the Company not acknowledged as debts	-	-	-	-	-

(ii) Estimated value of contracts to be executed on capital account and not provided for:

Rs. in Lakhs

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Capital Commitments	36.40	49.33	9.77	9.97	-

(iii) Arrears of Fixed Cumulative dividend on Preference Share Capital:

Rs. in Lakhs

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Dividend (including Dividend Tax)	--------	------------	------------	------------	37.03

2. Earning per Share is calculated in accordance with AS 20 issued by ICAI:

Rs. in Lakhs

Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Net Profit after Tax	10,131.41	1,054.37	442.39	351.66	(122.27)
Preference Dividend (including tax thereon)	196.55	108.65	15.68	129.71	-
Net Profit attributable to equity Shareholders – Basic EPS	9,934.86	945.72	426.71	221.95	(122.27)
Effect of Dilutive instruments	196.55	108.65	15.68	129.71	-
Net profit attributable to Shareholders – for Diluted EPS	10,131.41	1,054.37	442.39	351.66	(122.27)
Weighted Average number of shares outstanding during the year for the purpose of calculation of Basic EPS	1,861.37	540.44	297.74	166.87	31.61
Weighted Average number of shares outstanding during the year for the purpose of calculation of Diluted EPS	2,100.71	667.94	310.24	256.68	61.03
Earning Per Share – Basic (in Rs.)	5.34	1.75	1.43	1.33	(3.87)
Earning Per Share – Diluted (in Rs.).	4.82	1.58	1.43	1.37	(2.00)

3. Deferred Tax

Deferred Tax has been calculated in accordance with the Accounting Standard (AS 22) issued by the Institute of Chartered Accountants of India.

4. Segment Reporting

Segmental Reporting as per AS 17 issued by the Institute of Chartered Accountants of India is not applicable to the company as the company has one segment “Project Development ” and there are no other reportable segment.

5. Related Party Transactions (as per Accounting Standard 18 issued by the ICAI) :

The related party transactions for the Company are shown in Annexure:

(A) List of Related Parties

S No.	Name of the Related Party	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	KSK Energy Limited, Mauritius	Holding Company	Holding Company			
2	K & S Consulting Group Private Limited	Associate Company	Associate Company	Holding company	Holding company	Holding company
3	Coromandel Electric Company Limited *	Subsidiary	Subsidiary	Joint Venture	Joint Venture	--
4	RVK Energy Private Limited *	Joint Venture	Joint Venture	Joint Venture	Joint Venture	--
5	Kasargod Power Corporation Limited *	Joint Venture	Joint Venture	Joint Venture	Joint Venture	--

6	KSK Electricity Financing India Private Limited	Subsidiary	Subsidiary	--	--	--
7	Sai Regency Power Corporation Private Limited	Subsidiary (I)	Associate	Associate	Subsidiary	--
8	V S Lignite Power Private Limited	Subsidiary (I)	Associate	Subsidiary	Subsidiary	--
9	Sai Maithili Energy & Mining P Limited	Subsidiary	Subsidiary	Subsidiary	Subsidiary	--
10	Arasmeta Captive Power Company private Limited	Subsidiary (I)	Joint Venture	Joint Venture	Joint Venture	--
11	Marudhar Mining Private Limited *	Subsidiary	Subsidiary	--	--	--
12	KSK Energy Company Private Limited*	Subsidiary	Subsidiary	--	--	--
13	KSK Narmada Power Company Private Limited	Subsidiary	Subsidiary	--	--	--
14	Wardha Power Company Private Limited	Subsidiary (I)	Associate	--	--	--
15	Bahur Power Company private Limited	Subsidiary	Subsidiary	--	--	--
16	Lakhpat Power Company Private Limited	Subsidiary	Subsidiary	--	--	--
17	KSK Natural Resource Ventures Private Limited *	Subsidiary	Subsidiary	--	--	--
18	KSK Technology Ventures Private Limited	Subsidiary	Subsidiary	--	--	--
19	Sitapuram Power Limited	Joint Venture of Subsidiary	--	Joint Venture	--	--
20	MMS Steel & Power Private Limited	--	--	--	Joint Venture	Joint Venture
21	Kameng Dam Hydro Power Private Limited	Subsidiary	--	--	--	--
22	KSK Dibbin Hydro Power Private Limited	Subsidiary	--	--	--	--
23	KSKK Surya Photovoltaic Venture Private Limited	Subsidiary	--	--	--	--
24	JR Power Gen Private Limited	Subsidiary	--	--	--	--
25	KSK Energy Resources Private Limited	Subsidiary	--	--	--	--

*(*Represents entities disposed off during the year)*

(B) Key Management Personnel

Mr. S Kishore, Director

Mr. K A Sastry, Director

Mr. Tanmay Das (Appointed with effect from December 21, 2007)

Mr. K B Raju (Appointed with effect from December 21, 2007)

Mr.V Harikiran (Resigned with effect from November 8, 2007)

(C) Related party transactions during the year (net):

(Rs. in Lakhs)

S No.	Transaction	Holding Company				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Project Development fee	–	–	–	–	–
2	Interest Income	–	–	–	–	–
3	Share application Money	–	–	–	–	-587.65
4	Investments	–	–	–	–	–
5	Loans & Advances	–	1.63	–	–	-66.14
6	Receiving of services	–	–	3.00	–	–
7	Remuneration	–	–	–	–	–
8	Dividend	–	–	–	–	–
9	Interest paid	–	–	–	–	–
10	Equity Share Capital	7,019.54	9,102.66	–	–	2,059.62
11	Pref. Share Capital	–	3,000.00	–	–	–
12	Premium	–	5,838.05	–	–	–
13	Rent	–	–	–	–	1.00

Related party transactions during the year (net):

(Rs. in Lakhs)

S No.	Transaction	Subsidiaries					JV /Associates/Sub(I)				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
21.	Project Development fee	–	–	–	–	–	2,304.70	1558.64	417.95	374.00	
22.	Corporate Support Service	–	–	–	–	–	485.68	–	–	–	–
23.	Interest Income	124.30	–	432.82	–	–	574.22	932.66	443.32	90.13	
24.	Share application Money	(1.00)	40.50	17.60	1,133.38	–	–	1.00	650.00	963.86	224.21
25.	Investments	74,541.08	22.04	23.98	338.87	–	(4,964.88)	3,203.56	851.68	528.55	1,115.13
26.	Loans & Advances	10,329.85	75.29	1,854.15	–	–	161.44	6,551.55	1,870.20	199.89	
27.	Receiving of services	–	–	–	–	–	–	3.00	–	—	
28.	Remuneration	–	–	–	–	–	—	–	–	–	
29.	Dividend	–	–	–	–	–	485.68	91.17	99.13	–	
30.	Interest paid	72.64	–	–	–	–	–	–	–	–	

Related party transactions during the year (net):

(Rs. in Lakhs)

Sl.No.	Transaction	Key Management Personnel					Balance Outstanding				
		As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Share Capital/ Share application Money	–	–	–	–	—	19,122.20	1.00	690.50	2,577.31	–
2	Investments	–	–	–	–	–	75,303.00	5,726.80	2,746.21	1,870.55	–
3	Loans & Advances	–	–	–	–	–	18,756.89	10,268.65	3,724.35	199.89	–
4	Receiving of services	–	–	–	–	–	–	–	–	–	–
5	Remuneration	89.93	90.00	90.00	90.00	–	–	–	–	–	–
6	Dividend	–	–	–	–	–	–	–	–	–	—
7	Interest paid	–	–	–	–	–	–	–	–	–	–

6. **“Employee Benefits” AS 15 (Revised)**

i) Gratuity:

The Company has a defined benefit gratuity plan. Every employee who has rendered continuous service of five years or more is entitled to get gratuity on superannuation, resignation, termination, disablement or on death. Contributions are made to Life Insurance Corporation of India in accordance with the scheme framed by the Corporation. The Liability for the same is recognized on the basis of actuarial valuation.

ii) Leave encashment:

The Company has no leave encashment policy.

iii) Provident Fund:

The contribution to the fund is recognized as expenses and is charged to Profit and Loss account.

7. As required by Accounting Standard (AS) 28 ‘Impairment of Assets’ issued by the Institute of Chartered Accountants of India, the company has carried out the assessment of impairment of assets. There has been no impairment loss during the year.

8. There are no Micro, Small and Medium Enterprises to whom the company owes a sum of Rs.one lakh and above and is outstanding for a period of more than 30 days as on the date of Balance Sheet.

9. The Power Arrangement Agreement ceases on commencement of commercial operations by Sitapuram Power Limited with effect from 1st March 2008. Pursuant to the Share Subscription and Share Holders Agreement between the company, Zuari Cements Limited & Sitapuram Power Limited, the right to receive Rs.23 crores is established and hence the same is accounted as income during the current financial year.

10. Additional information pursuant to the provisions of paragraphs 3,4,4A,4B,4C and 4D of Part II of Schedule VI to the Companies Act, 1956 - Not Applicable.

11. Managerial Remuneration

(Rs. in Lakhs)

S No.	Particulars	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
1	Managerial Remuneration	89.93	90.00	90.00	90.00	Nil

12. Foreign Exchange inflow and outflow:

a). Foreign Exchange for the year ending:

Inflow:

(Rs. in Lakhs)

Sl.No.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
1	Unsecured Loan	-	-	9.83	68.92	NIL
2	Advance / Sale of Investments	1.04	1301.63	1726.20	--	--
3	Against dues	3.21	-	51.52	--	--
4	Share Capital (incl. SAM)	9,833.25	12102.66	--	--	--
5	Share Premium	24,140.66	6371.86	--	--	--
	T O T A L	**33,978.12**	**19776.15**	**1787.55**	**68.92**	**NIL**

Outflow:

(Rs. in Lakhs)

Sl.No.	Particulars	Fiscal Year- 2008	Fiscal Year- 2007	Fiscal Year- 2006	Fiscal Year- 2005	Fiscal Year-2004
1	Foreign Travel	11.17	16.49	0.74	0.17	NIL
2	Investment	41,774.65	844.89	--	--	--
3	Share Issue Expenses	113.03	277.29	--	--	--
4	Purchase of Assets	-	-	0.94	--	--
5	Un Secured Loan	-	70.62	--	--	--
6	Dividend Paid	84.57	-	-	-	-
7	Other Expenditure	28.35	0.07	--	--	--
	T O T A L	**42,011.77**	**1209.36**	**1.68**	**0.17**	**NIL**

13. Details of Security provided for various Credit Facilities as at March 31, 2008:

Entity	Type of loan		Name of Bank	Security
KSK Energy Ventures Limited	Term loan	(i)	L&T Infrastructure Finance Company Limited	Secured by Pledge of 30,00,000 Equity Shares of GMDC held by the company
	Term loan	(ii)	Bank of India	Securedy by Corporate guarantee given by KSK Power Ventur Plc.
	Term loan	(iii)	UCO Bank	Securedy by Corporate guarantee given by KSK Power Ventur ePlc.
	Bank Guarantee of Rs 32.50 Crores	(iv)	UCO Bank	Hypothecation of Furniture & Fixtures, office equipments, computers, vehicles, electrical works, transformers, computer software and current assets on pari-pasu basis and counter guarantee & indemnity by KSKEVL
	Bank Guarantee of Rs 100 Crores - o/s Rs. 49 crores plus Rs. 9 crores on 100% deposit	(v)	Indian Bank	First *pari-passu* charge on the Fixed Assets and the current assets including all receivables of the company and counter guarantee & indemnity by KSKEVL and corporate guarantee by KSK Power Ventur Plc.
	Bank Guarantee of Rs.100 Crores	(vi)	Bank of India	Hypothecation of all fixed assets and current assets including all receivables as per books of accounts of the company on pari-pasu basis.
	Bank Guarantee of Rs.100 Crores	(vii)	Dena Bank	First paripassu charge on all the goods and /or book debts and /or unencumbered movables and other assets of the company

14. The Company has discontinued the Asset Management Business of “Small is Beautiful” fund with effect from January 20, 2008

15. **Subsequent Events:**

    The Company sold 10,000 Equity Shares @ 10/- per share of KSK Surya Photovoltaic Venture Private Limited at a book value to KSK Energy Company Private Limited on 03rd May, 2008.

16. Previous year figures have been regrouped / reclassified to make them comparable where ever necessary.

17. All figures are in Rupees Lakhs.

ANNEXURE V: STATEMENT OF DIVIDEND PAID

(Rs. in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year - 2004
Equity Share Capital	29,418.77	9102.66	2977.39	2977.39	1144.39
Preference Share Capital	-	3000.00	125.00	125.00	925.24
Share Capital Deposit	-				
Total Share Capital	**29,418.77**	**12102.66**	**3102.39**	**3102.39**	**2069.63**
Face value (Rs)- Equity	10	10.00	10.00	10.00	10.00
Face value (Rs)- Preference	-	10.00	10.00	10.00	10.00
Nos. - Equity	2,941.88	910.27	297.74	297.74	114.44
Nos. - Preference	-	300.00	12.50	12.50	92.52
Rate of Dividend (%)-Equity					
Interim					
Final	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Amount of Dividend					
Interim					
Equity dividend	-				
Preference dividend *	168.00	92.86	13.75	113.76	
Total Dividend	168.00	92.86	13.75	113.76	-
Corporate Dividend Tax	-	15.78	**1.93**	**15.95**	-
Interim	-	-	-	-	-
Final	28.55	15.78	1.93	15.95	-

** Preference shares were converted into Equity shares from January 18, 2008.*

Annexure VI: ACCCOUNTING RATIOS

(Rs. in Lakhs)

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year – 2006	Fiscal Year – 2005	Fiscal Year – 2004
Basic EPS (Rs.)	5.34	1.75	1.43	1.33	(3.87)
Diluted EPS (Rs.)	4.82	1.58	1.43	1.37	(2.00)
Net Assets Value per share (Rs.)	21.81	18.03	11.77	10.33	8.93
Return on Net Worth (%)	15.79	6.42	12.63	11.43	(11.96)
Profit Available to Equity Shareholders	9,934.86	945.72	426.71	221.95	(122.27)
Weighted Average No.of Shares for Basic EPS	**1,861.37**	**540.44**	**297.74**	**166.87**	**31.61**
Weighted Average No. of Shares for Diluted EPS	**2100.71**	**667.94**	**310.24**	**256.38**	**61.03**
Dilutive Profits	196.55	108.65	15.68	129.71	-
No. of Equity Shares at the end of year (excluding Share Capital Deposit)	2,941.88	910.27	297.74	297.74	114.44
Net Worth	64,162.49	16,412.83	3,503.78	3,077.07	1,022.12

Notes:

1. The ratios have been computed as below

Basic Earnings per Share	Adjusted profit after tax – Preference Dividend -- Weighted average no of equity shares for Basic EPS
Diluted Earnings per Share	Adjusted profit after tax -- Weighted average no of equity shares for Diluted EPS
Net Asset value per Share	Networth --- Total number of equity shares as at the end of the year
Return on Networth	Adjusted profit after tax ----------------------------- Networth

2. The earning per share is calculated in accordance with the Accounting Standard 20 "Earnings per share" issued by the Institute of Chartered Accountants of India.

3. Networth means Equity Share Capital+ Free Reserves and Surplus excluding revaluation reserves-Misc. Expenditure not written off.

ANNEXURE VII : CAPITALISATION STATEMENT

Rs. In lakhs

Sl.No	Description	Pre-Issue as 31-Mar-2008	Post-Issue (*)
A	**Debt**		
	a) Short-Term Debt	27,521.01	
	b) Long -Term Debt	2,300.00	
	Total Debt	**29,821.01**	
B	a) Equity Share capital	29,418.77	
	b) Reserves and Surplus	34,743.72	
	c) Less: Misc.Exp.to the extent not written off	-	
	Total Equity (Net Worth)	**64,162.49**	
C	**Debt/ Equity Ratio**	**0.46**	
D	**Long Term Debt/ Equity Ratio**	**0.04**	

*To be completed on finalization of the Issue Price.

Annexure - VIII Details of Secured & Unsecured Loans

Rs. in Lakhs

Description	Fiscal Year ending March 31, 2008	Fiscal Year ending March 31, 2007	Fiscal Year ending March 31, 2006	Fiscal Year ending March 31, 2005	Fiscal Year ending March 31, 2004
A. SECURED LOANS					
Loans from Banks/ Financial Institutions	25,107.82	**9.72**	**1,452.94**	**1,530.87**	**-**
TOTAL SECURED LOANS	**25,107.82**	**9.72**	**1,452.94**	**1,530.87**	**-**
B. UNSECURED LOANS					
Long Term Loans					
From Banks	-	-	-	-	-
From Others	2,300.00	2,300.00	2,300.00	-	-
Short Term Lonas					
From Banks	703.24	8,660.70	-	-	-
From Others	1,709.95	9.83	207.25	199.89	-
TOTAL UNSECURED LOANS	**4,713.19**	**10,970.53**	**2,507.25**	**199.89**	**-**

ANNEXURE IX: DETAILS OF OPERATING REVENUES

Rs in Lakhs

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year – 2004
Management Fee	267.32	162.56	160.73	231.00	-
Project Development Fees	2,336.50	1,558.64	417.95	374.00	-
Corporate Support Services Fee	144.00	-	-	-	-
Power Arrangement Income	2,300.00	-	-	-	-
Total	**5,047.82**	**1,721.20**	**578.68**	**605.00**	**-**

ANNEXURE X: DETAILS OF OTHER INCOME

Rs. in Lakhs

Description	Fiscal Year - 2008	Fiscal Year - 2007	Fiscal Year - 2006	Fiscal Year - 2005	Fiscal Year – 2004
Interest received on:					
Loans	1,301.26	1283.74	599.84	254.45	137.96
Deposits and Overdue Bills	-	-	-	-	-
Other investments	-	-	-	-	-
Interest on Security Deposit	-	-	-	-	-
Interest on Tax Refund	-	-	-	-	-
Dividends	665.68	91.17	99.14	-	-
Profit on sale of Investments	9,933.60	23.66	233.97	-	-
Miscellaneous Income	20.48	14.19	-	0.02	-
Total	**11,921.02**	**1,412.76**	**932.95**	**254.47**	**137.96**

ANNEXURE XI: TAX SHELTER

(Rs in Lakhs)

PARTICULARS	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Profit before tax but after extraordinary items as per Restated Accounts (A)	1,659.02	560.35	417.64	(122.27)
Tax Rate	33.66%	33.66%	36.5925%	35.875%
Tax at notional rate on profits	11.22%	8.415%	7.8413%	7.6785%
Adjustments:				
Permanent Differences (B)				
Exempt Income				
Dividend	(91.17)	(99.13)	-	-
Preliminary & pre-operative exps writen off	-	-	-	76.53
Other Adjustments	(92.00)	227.25	(223.45)	(137.96)
Donations Less: Deduction u/s 80G	7.43	20.50	5.80	-
Deduction u/s 35(i) (ii)	-	(0.31)	-	-
Disallowance of interest on tax & others	15.92	2.69	1.81	-
Total Permanent Differences (B)	(159.82)	151.00	(215.84)	(61.43)
Timing Differences (C)				
Difference between tax depreciation and				
book depreciation	(28.33)	(16.41)	(5.08)	(0.48)
Disallowance u/s 43B	-	-	-	-
provision for Gratuity	-	6.08	-	-
Disallowance u/s 40(a) (ia)	-	(2.99)	2.99	-
Set off of carried forward loss/depreciation	-	-	(184.19)	184.19
Total Timing Differences (C)	(28.33)	(13.32)	(186.28)	183.71
Net Adjustments: D (B+C)	(188.15)	137.68	(402.12)	122.27
Tax Saving thereon {E} [D* Tax Rate]	63.33	(46.34)	147.14	(43.87)
Income from Capital Gains/Other Sources (F)	24.01	233.97	-	-
Total Taxable Income from business (G) = (A+D+F)	1,494.87	932.00	15.52	0.01
Taxable Business Income as per Return of Income	1,494.87	932.00	15.52	-
Tax on Business Income	495.21	234.96	15.19	-
Tax on Capital Gain	2.65	26.25	-	-
Tax on Income from other Sources	-	-	-	-
Normal Tax as per Return of Income tax	497.86	261.21	-	-
MAT as per Return of Income tax	-	-	15.19	-

Note:As the company has not filed its income tax return for the financial year 2007-08, the figures relating to 2007-08, has not been furnished

ANNEXURE - XII DETAILS OF LOANS & ADVANCES

Rs. in Lakhs

Description	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
a) Inter Corporate Deposits	750.00	10,208.45	-	-	-
b) Towards Share Application Money	70.00	2,501.00	690.50	2,577.31	480.07
c) Advances	1,679.47				
Advances recoverable in cash or in kind or for value to be received)	23,933.87	1,981.76	4,432.33	362.66	315.92
Contractors & Suppliers (Including Material issued on loan)	-	-	-	-	-
Employees	7.16	2.89	5.37	3.38	0.99
Others	-	407.16	141.46	0.33	1.29
Trade & Other Deposits	2,759.49	10.88	105.50	103.88	101.73
Advance Tax & TDS	2,297.62	664.14	259.75	21.77	0.73
Total	**31,497.61**	**15,776.28**	**5,634.91**	**3,069.66**	**900.73**

ANNEXURE - XIII DETAILS OF SUNDRY DEBTORS

(Rs. in Lakhs)

Description	As of March 31, 2008	As of March 31, 2007	As of March 31, 2006	As of March 31, 2005	As of March 31, 2004
Debts Outstanding					
exceeding Six Months					
Considered Good	-	-	-	-	-
Considered Doubtful	-	-	-	-	-
Others					
Considered Good	-	-	-	-	-
Considered Doubtful	-	-	-	-	-
Less: Provision for bad & doubtful debts	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**
Restatement	-	-	-	-	-
Sundry Debtors- As Restated	**-**	**-**	**-**	**-**	**-**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Unless indicated otherwise, the following discussion and analysis of our financial condition and results of operations is based on our restated consolidated financial statements beginning on page 227 of this Red Herring Prospectus. Also included below is a discussion of our standalone (unconsolidated) financial statements and is based on our restated standalone financial statements beginning on page 264 of this Red Herring Prospectus. You should also read the sections titled "Risk Factors" and "Forward-Looking Statements" beginning on page 11 and page 9, respectively, which discuss a number of factors and contingencies that could impact our financial condition and results of operations.

The financial statements presented and discussed in this Red Herring Prospectus are our audited consolidated financial statements restated in accordance with paragraph B of Part II of Schedule II of the Companies Act and the SEBI Guidelines, for the fiscal years 2008, 2007, 2006, 2005 and 2004 and our audited standalone financial statements restated in accordance with paragraph B of Part II of Schedule II of the Companies Act and the SEBI Guidelines, for the fiscal years 2008, 2007, 2006, 2005 and 2004. Our audited and restated consolidated financial statements and our audited and restated standalone financial statements are prepared in accordance with Indian GAAP, the accounting standards prescribed by the ICAI and the relevant provisions of the Companies Act. In accordance with Indian GAAP, the effects of the restatement are shown as restatements of individual line items in our income statement to arrive at the restated profit after tax.

Unless otherwise stated, "fiscal year" or "fiscal" refers to the twelve month period ending March 31 of that year.

Overview

We are a power project development company in India, with experience in developing and operating power plants. We are well positioned with long-term fuel access to all our operational power plants and many of our power projects are in the development or planning phase. We were established in 2001 to capitalize on the emerging opportunities in the Indian power sector and focus on developing, operating and maintaining power projects. We supply power to a combination of industrial and state-owned consumers in India.

Our Promoter company, KSK Energy Limited, is incorporated and registered in Mauritius, and is a wholly-owned subsidiary of KSK Power Ventur plc, an Isle of Man incorporated entity listed on the London Stock Exchange's Alternative Investment Market. Our individual Promoters, Mr. S. Kishore and Mr. K.A. Sastry have been involved in the development of power projects for over a decade in various advisory and consultant roles. For further details on our Promoters, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

We have operational power plants capable of generating 144 MW of power, and are currently constructing, developing or planning power projects capable of generating an aggregate of 8,993 MW of power, which we sell or intend to sell under a combination of long-term, medium-term and short-term power purchase agreements ("PPAs") to industrial and state-owned consumers. We currently have three power plants (aggregating 144 MW) that are fully operational, two power projects (aggregating 675 MW) that are under construction and expected to commission in December 2008 and December 2009, three power projects (aggregating 1,973 MW) under development for which we have either secured, or received term sheets for, debt financing and intend to commence construction in the near future and five power projects (including the Kameng Basin project which will comprise seven power stations) (aggregating 6,345 MW) that are planned.

Significant Factors Affecting our Results of Operations

As a power project development company, our financial condition and results of operations are affected by numerous factors, the following of which are of particular importance:

- ***General economic and business conditions***. As a company operating in India, we are affected by the general economic conditions in the country and in particular the factors affecting the power industry and the power projects we develop. The Indian economy has grown steadily over the past several years, with GDP growth of 7.5% in the fiscal year 2005, 9.0% in the fiscal year 2006, 9.4% in the fiscal year

2007 and 8.7% in the fiscal year 2008. Conditions outside India, such as slow downs in the economic growth of other countries or increases in the price of oil, have an impact on the growth of the Indian economy, and government policy may change in response to such conditions. We believe that growth in the overall economy in India will propel demand in the power industry in the future. We also believe that demand in this industry will continue to outpace domestic supply for the foreseeable future, causing Indian policy makers and domestic producers to focus their efforts on growth in this industry. The overall economic growth will therefore impact the results of our operations. The growth prospects of our business and our ability to implement our strategies will be influenced by macro-economic growth within India.

- ***Dependence on the regulatory framework***. The growth of the power industry in India as well as our business is dependent on stable government policies and prudent regulations. Power generation has historically been the domain of the central and state governments, and has been constrained by various factors such as shortages of public funding, political considerations and issues of transparency and accountability. Changes in government policies have facilitated the entry of private capital into the Indian power industry and have led to rapid growth in the sector. For example, the GoI has expressed a "Power for All by 2012" objective, and has enacted legislation in 1991, and again in 2003, designed to increase private sector participation in the Indian power sector. Further, the government's focus has also led to an increase in captive power generation capacity in India. For example, the Electricity Act exempts captive power generators from license requirements. For further details, see the section "The Indian Power Industry" beginning on page 90 of this Red Herring Prospectus. We believe that with the policy and regulatory reforms continuing to move in the right direction, our growth and financial condition and results of operations will be positively affected.

- ***Competition.*** We face competition both with respect to setting up new projects and selling excess power that we produce from our existing power plants that are not subject to long-term power purchase agreements. We expect competition to intensify due to possible new entrants in the market, expansion projects by existing competitors and our entry into new markets where we may compete with well-established power companies. We believe this may affect our financial condition and results of operations.

- ***Availability of cost effective funding.*** Our ability to grow in the power sector depends largely on cost effective avenues of funding and will be primarily met through funding by increased borrowing from external sources and the incurrence of new debt. Our debt service costs as well as our overall cost of funding depends on many external factors, including developments in the Indian credit market and, in particular, interest rate movements and the existence of adequate liquidity in the debt markets. With the growth of our operations, we have had to increasingly access commercial borrowings. We believe that going forward the availability of sources of cost effective funding will be crucial and the non-availability of such funding at favorable terms could affect our business, financial condition and results of operations.

- ***Availability, quality and price of fuel supply.*** The ability to source quality fuel at desirable prices, in light of electricity tariffs, is one of the key components in the success of our business. Our operational power plants and our power projects under development or planned rely on single fuel suppliers for their entire fuel requirements either through captive fuel supplies or through long-term contracts. Dependence on a single fuel supplier makes our operations dependent on factors such as depletion of reserves, contractual terms and the ability to obtain alternative fuel at short notice. In addition, our coal-based power plants utilize boilers for the production of steam which are configured for a certain grade of coal, making the success of our business dependent in part on our ability to source quality fuel.

- ***Availability and cost of land.*** The success of our business is dependent on, among other things, the availability and cost of procuring land for our planned power projects. Our financial condition depends in part on obtaining affordable land in close proximity to fuel sources and proper power evacuation facilities where we can construct and operate our power projects. Any government regulations that restrict the availability of land, local protests or other activities that prevent us from having access to land, or increased competition for land may therefore adversely affect our operations.

- ***Availability of water.*** Water is critical to the operations of our power projects. The amount of water that our operational and under development or planned power projects are entitled to consume, pursuant to water supply agreements we have entered into for such projects, is often subject to the availability of excess water. In the event of water shortages, our power projects may be required to reduce their water consumption, which would reduce their power generation capability.

- ***Availability of infrastructure for evacuation.*** Evacuation or "wheeling" power from each of our power plants to our consumers poses significant challenges due to transmission constraints. Evacuating power to the nearest sub-station is either our responsibility or the responsibility of a procurer, depending upon the arrangements made for a particular project. Further evacuation infrastructure from the sub-station to high voltage transmission lines needs to be made available by the relevant authorities. For example, our Sai Regency power plant was unable to supply power at optimum levels due to inadequate evacuation infrastructure from the sub-station to the high voltage transmission line at the time the power plant was commissioned. If such transmission lines are not made available by the time our power plants are ready to commence operation, it could adversely affect our financial position and results of operations.

- ***Availability of transportation network.*** We depend on various forms of transport, such as roadways, railways and pipelines to receive fuel, raw materials and water during the construction and operation of our power plants. For example, we are dependent on the uninterrupted supply of fuel and water to our power plants in order to generate power on a continuous basis. Similarly, during the construction of our power plants, we are dependent on the supply of cement, steel, plant and machinery and power in order to construct our various projects.

- ***Ability to enter into PPAs and the terms thereof.*** Mostly, we supply power under detailed power purchase agreements which provide for among other things, pre-determined tariff, amount of power we are obligated to sell and amount of power our consumers are obligated to purchase. There are restrictions on our ability to, among other things, increase tariffs at short notice, sell power to third parties or undertake expansion initiatives with other consumers. Tariff, in many cases, is also regulated and with limited price escalation provisions, which could adversely affect us if our expenditures increase. As a result, our margins and our results of operations are affected by the terms of our power purchase agreements.

- ***Breakdown of plants or equipment.*** The breakdown or failure of generation equipment, civil structure or other equipment, and the unavailability or costs of replacements, can disrupt generation of power and result in performance being below expected levels. Power generation facilities are also subject to mechanical failure and equipment shutdowns. In such situations, undamaged units may be dependent on or interact with damaged sections or units and, accordingly, are also subject to being shut down. We rely on sophisticated and complex machinery built by third parties that may be susceptible to malfunction. If such events occur, the ability of our power plants to supply electricity to off-takers may be adversely affected.

- ***Compliance with environmental laws and regulations.*** Our projects are subject to national and state environmental laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our operations. In case of any change in environmental or pollution laws and regulations, such as the imposition of carbon taxes and other such levies on power generation, we may be required to incur significant amounts on, among other things, environmental monitoring, pollution control equipment and emissions management. We may also be required to bear additional expenditure for the establishment of additional infrastructure, such as laboratory facilities for monitoring pollution impact and effluent discharge and effluent treatment or recycling plants. In addition, failure to comply with environmental laws may result in the assessment of penalties and fines against us by regulatory authorities.

- ***Tax holidays – 80IA benefit.*** In accordance with and subject to the condition specified in Section 80 IA of the Income Tax Act, 1961, we are entitled to deduction of 100% of profits derived from the generation, distribution or transmission of power for any 10 consecutive assessment years out of 15 years beginning from the year in which the undertaking generated power or commences transmission or distribution of power provided that this generation or transmission or distribution occurs before March 31, 2010. For details of the tax benefits available to us, see the section "Statement of Tax Benefits" beginning on page 83 of this Red Herring Prospectus. Eight of our under-development or planned power plants are scheduled for commissioning after March 31, 2010. As such, we will not be eligible to receive the tax benefits for a majority of our power plants that are scheduled to be commissioned after the designated date.

Recent Developments

Prior to January 20, 2008, pursuant to a joint venture agreement between us and LB India Holdings I Mauritius Limited ("LB India"), an affiliate of Lehman Brothers, dated November 18, 2005, we incorporated KSK Electricity Financing India Private Limited (the "SPV Holding Company" or "KEFIPL").

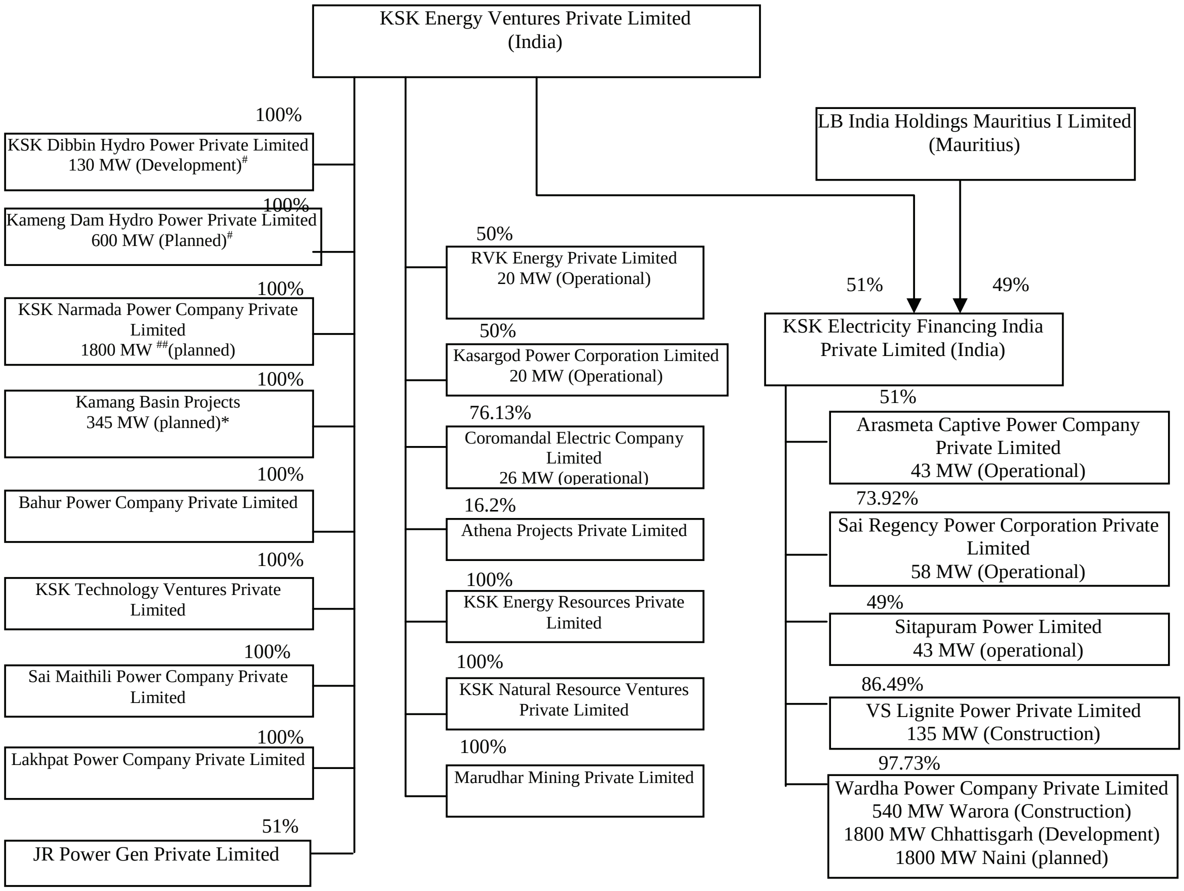
Together with the Promoter Group, in connection with our initial public offering, we completed a restructuring (the "Restructuring") under which (a) pursuant to a share purchase agreement, among us, LB India, the SPV Holding Company and KSK Energy, dated January 20, 2008, we purchased from LB India, all of LB India's equity interest in the SPV Holding Company for an aggregate purchase price of Rs. 695.75 crore of which Rs. 100.00 crore remains outstanding along with interest, (b) pursuant to a subscription agreement, between us and LB India, dated January 20, 2008, LB India has subscribed from us, 98,332,552 Equity Shares, amounting to 31.57% of our outstanding Equity Shares, for an aggregate subscription price of Rs. 339.74 crore, and we issued and allotted to Suyash Outsourcing Private Limited, 4,632,857 Equity Shares, amounting to 1.49% of our outstanding Equity Shares, for an aggregate subscription price of Rs. 16.01 crore, (c) we entered into a shareholders agreement and a voting agreement, each among LB India, KSK Energy and us, to provide for certain governance and voting rights with respect to our Company, (d) pursuant to a share purchase agreement, among KSK Energy Company Private Limited, LB India and us, we transferred to KSK Energy Company Private Limited, certain assets including the investment management agreement for the Small Is Beautiful Fund, a power plant focused investment fund, and all of our equity shares in Coromandel Electric Company Limited (the "Coromandel SPV"), RVK Energy Private Limited (the "RVK SPV") and Kasargod Power Corporation Limited (the "Kasargod SPV"), for an aggregate purchase price of Rs. 89.22 crore, (e) pursuant to a letter dated January 17, 2008, LB India has paid KSK Energy, US$7.6 million as a value development fee, and (f) pursuant to a development and support agreement, among our Company, KSK Energy, KSK Energy Company Private Limited, KSK plc (collectively, the "KSK Group"), the Wardha SPV, the Narmada SPV, the JRP SPV and Lakhpat Power Private Limited (the "Lakhpat SPV"), KSK Energy, KSK Energy Company Private Limited and KSK plc have agreed to provide on-going development and support activities to the Wardha SPV, the Narmada SPV, the JRP SPV and the Lakhpat SPV for an aggregate consideration of Rs. 0.0902 per kilowatt hour of power generated from coal supplied by any of the KSK Group companies to such SPVs. Such consideration is to be paid on a monthly basis by each such SPV to KSK Energy Company Private Limited.

We charge project development fees during the development and construction of the projects that are set up and deployed at the rate of one percent of the total project cost on the achievement of certain milestones. Pursuant to a resolution by our Board, we have increased this project development fee to two percent of the total project cost with effect from January 1, 2008, one-and-a-half percent of the project cost chargeable on financial closure of the project and the balance half percent of the total project cost chargeable on the declaration of commencement of commercial operation of the project.

The Company has issued 1,73,06,000 Equity Shares to certain investors in the Pre-IPO Placing, for cash at a price of Rs. 240.00 per Equity Share, aggregating Rs. 415.34 crore. This represents approximately 5% of the Company's outstanding and issued Equity Shares upon the completion of the Issue. Two of the BRLMs have also subscribed for Equity Shares in the Pre-IPO Placing. For further details on the Pre-IPO Placing, please see the section "Capital Structure" beginning on page 65 of this Red Herring Prospectus.

Basis of Presentation Prior to the Restructuring

Prior to the Restructuring, our corporate structure was as provided below:



* A group of seven hydroelectric power stations. The special purpose vehicle for this group of projects is yet to be incorporated.

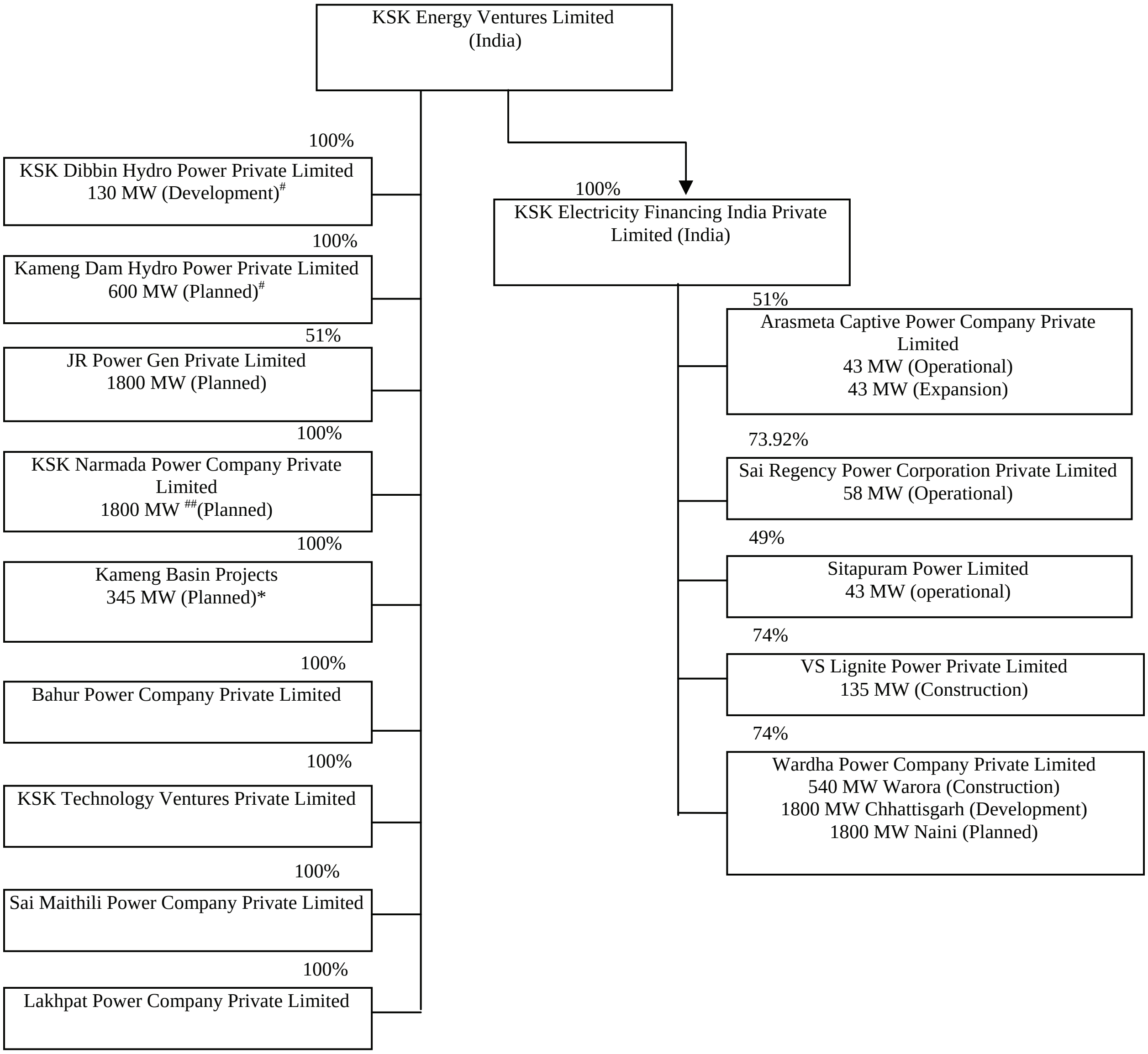
\# The Government of Arunachal Pradesh has retained an option to subscribe up to 11%

\#\# Infrastructure Development and Finance Company Limited has an option to invest in the equity shareholding of the SPV. All percentages in the chart represent the voting interest in those entities.

Our financial statements included in this Red Herring Prospectus consolidate the financial statements of joint ventures, associates and subsidiaries. For details, please refer to Note 2 of our restated consolidated financial statements beginning on page 243 of this Red Herring Prospectus.

Basis of Presentation Subsequent to the Restructuring

Subsequent to the completion of the Restructuring, our corporate structure is as provided below:



* A group of seven hydroelectric power stations. The special purpose vehicle for this group of projects is yet to be incorporated.

[#] The Government of Arunachal Pradesh has retained an option to subscribe up to 11%

[##] Infrastructure Development and Finance Company Limited has an option to invest in the equity shareholding of the SPV.
All percentages in the chart represent the voting interest in those entities.

After the Restructuring, the key changes in accounting with respect to our Subsidiaries and SPVs are as follows:

- KEFIPL, whose accounts had previously been consolidated as a joint venture, along with the SPVs owned by KEFIPL, have been consolidated as a subsidiary for the fiscal year 2008;

- The RVK and Kasargod SPVs, which had previously been accounted for as joint ventures, have not been included in our consolidated financial statements for the fiscal year 2008 since we have divested our equity interests in such SPVs;

- The Coromandel SPV, a subsidiary until the time of the Restructuring, has been accounted for as such up to the date of divestment of our equity interest in such SPV, which is January 20, 2008;

- We will no longer receive investment management fees, which we received until January 20, 2008 for providing investment management services to the Small Is Beautiful Fund; and

- Certain SPVs, specifically the Wardha SPV, the Narmada SPV, the JR Power SPV and the Lakhpat SPV, will pay development and support fees to KSK Energy Company Private Limited. Economic benefits of such payments will not accrue to us.

For further details on the impact of the Restructuring, including the entities consolidated according to the applicable accounting standards, please see "Financial Statements – Notes to Consolidated Accounts" beginning on page 243 of this Red Herring Prospectus.

Our Significant Accounting Policies

Our financial statements are prepared in accordance with Indian GAAP and the accompanying notes thereto included in this Red Herring Prospectus include information that is relevant to this discussion and analysis of our financial condition and results of operations. The financial statements require our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenditures, and the related disclosure of cash flows and contingent liabilities, among other items. Certain key accounting policies that are relevant and specific to our business and operations have been described in the section, "Financial Statements – Statement on Significant Accounting Policies", beginning on page 240 of this Red Herring Prospectus.

Our Results of Operations

Based on restated consolidated financials of our Company, the table below summarizes our consolidated results of operations, including as a percentage of total income, for the periods indicated:

	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2005	
	(Rs. in Crore)	% of Total Income	(Rs. in Crore)	% of Total Income	(Rs. in Crore)	% of Total Income	(Rs. in Crore)	% of Total Income
Income/Revenue:								
Sales	239.12	66.8	77.55	83.5	27.78	74.2	30.73	91.6
Other Income	118.82	33.2	15.27	16.5	9.65	25.8	2.82	8.4
Total Income	**357.94**	**100.0**	**92.82**	**100.0**	**37.43**	**100.0**	**33.55**	**100.0**
Expenditure:								
Raw Materials Consumed	74.79	20.9	23.96	25.8	6.81	18.2	7.37	22.0
Manufacturing Expenses	12.06	3.4	6.57	7.1	1.77	4.7	2.20	6.6
Payments to and Provisions for Employees	7.38	2.0	4.16	4.5	1.65	4.4	0.83	2.5
Administration and Selling Expenses	42.85	12.0	12.03	13.0	9.71	25.9	7.55	22.5
Interest and Finance Charges	62.71	17.5	9.97	10.7	3.94	10.5	2.96	8.8
Depreciation	22.35	6.2	8.98	9.7	4.46	11.9	4.49	13.4
Preliminary and Pre-Operative Expense Written-off	-	-	0.20	0.2	0.07	0.2	0.07	0.2
Total Expenditure	**222.16**	**62.0**	**65.86**	**71.0**	**28.42**	**75.9**	**25.48**	**75.9**
Gain / (Loss) on Sale of Subsidiary	(5.06)	(1.4)	-	-	0.02	0.1	-	-
Prior Period Income / (Expenses)	-	-	-	-	(0.01)	(0.2)	-	-
Profit/(Loss) Before Taxation	**130.72**	**36.5**	**26.96**	**29.0**	**8.97**	**24.0**	**8.07**	**24.1**
Provision for Taxation:								
Current Tax	18.91	5.2	6.57	7.1	1.46	3.9	1.00	3.0
Earlier Years Taxes	0.49	0.1	0.62	0.7	-	-	-	-
Deferred Tax	2.66	0.7	0.91	1.0	0.24	0.6	0.55	1.6
Total Tax Expense	**22.07**	**6.1**	**8.10**	**8.7**	**1.70**	**4.6**	**1.56**	**4.6**
Profit / (Loss) for the Year	**108.64**	**30.3**	**18.86**	**20.3**	**7.27**	**19.4**	**6.51**	**19.4**

Our restated consolidated financials for the fiscal year 2008 included the following:

	Coromandel SPV	KEFIPL

Our Proportionate Share of Interest	71.9%	100%
Our Proportionate Shares of Total Income (Rs. in Crore)	20.44	162.71
Our Proportionate Share of Net Profit after Taxation (Rs. in Crore)	3.34	14.06

On January 20, 2008, while our investments in the RVK SPV, the Kasargod SPV and the Coromandel SPV were transferred to KSK Energy Company Private Limited, one of our Promoter Group Companies, the proportionate share of our voting interest in KEFIPL increased from 51.0% to 100.0%. Moreover, we received Rs. 2.67 crore of income as investment management fees for the Small Is Beautiful Fund for the fiscal year 2008 (up to January 20, 2008). The investment management agreement was terminated as part of the Restructuring. The Restructuring has had and will have a significant impact on the profitability of our Company. In addition, our historical consolidated financials cannot be viewed as indicative or representative of the future profitability of our Company.

The tables below summarize the results of operations for the periods indicated for the Kasargod SPV, the RVK SPV and the Coromandel SPV, which were operational during such periods but for which we have since January 20, 2008 divested our equity interest as part of the Restructuring.

The Kasargod SPV

Based on restated financial statements of the Kasargod SPV, the table below summarizes its results of operations, including as a percentage of total income, for the periods indicated. These results are presented for the periods such entity's results and financial condition were consolidated in our financial statements:

	Fiscal Year 2007		**Fiscal Year 2006**		**Fiscal Year 2005**	
Particulars	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**
Income/Revenue:						
Sales	28.24	95.8	19.70	96.7	22.77	97.8
Other Income	1.24	4.2	0.68	3.3	0.52	2.2
Total Income	**29.48**	**100.0**	**20.38**	**100.0**	**23.29**	**100.0**
Total Expenditure	**25.07**	**85.0**	**16.16**	**79.3**	**17.73**	**76.1**
Profit Before Taxation	**4.41**	**15.0**	**4.22**	**20.7**	**5.56**	**23.9**
Net Profit After Taxation	**3.89**	**13.2**	**3.77**	**18.5**	**5.11**	**21.9**

The RVK SPV

Based on restated financial statements of the RVK SPV, the table below summarizes its results of operations, including as a percentage of total income, for the periods indicated. These results are presented for the periods such entity's results and financial condition were consolidated in our financial statements:

	Fiscal Year 2007		**Fiscal Year 2006**		**Fiscal Year 2005**	
Particulars	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**
Income/Revenue:						
Sales	26.77	96.9	34.82-	98.5	44.74	99.0
Other Income	0.86	3.1	0.52	1.5	0.43	1.0
Total Income	**27.63**	**100.0**	**35.34**	**100.0**	**45.17**	**100.0**
Total Expenditure	**25.22**	**91.3**	**33.59**	**95.1**	**41.66**	**92.2**
Profit Before Taxation	**2.41**	**8.7**	**1.67**	**4.7**	**3.50**	**7.8**
Net Profit After Taxation	**2.13**	**7.7**	**1.50**	**4.2**	**3.42**	**7.2**

The Coromandel SPV

Based on restated financial statements of the Coromandel SPV, the table below summarizes its results of operations, including as a percentage of total income, for the periods indicated. These results are presented for the periods such entity's results and financial condition were consolidated in our financial statements:

	Fiscal Year 2007		**Fiscal Year 2006**		**Fiscal Year 2005**	
Particulars	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**
Income/Revenue:						
Sales	44.37	99.7	30.80	99.9	8.60	99.0
Other Income	0.13	0.3	0.04	0.1	0.09	1.0
Total Income	**44.50**	**100.0**	**30.84**	**100.0**	**8.69**	**100.0**
Total Expenditure	**34.37**	**77.2**	**23.90**	**77.4**	**6.27**	**72.2**

	Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2005	
Profit Before Taxation	**10.13**	**22.8**	**6.94**	**22.6**	**2.42**	**27.9**
Net Profit After Taxation	**8.98**	**20.2**	**6.32**	**20.6**	**2.23**	**25.7**

The tables below summarize the results of operations for the periods indicated for the Arasmeta, Sai Regency and Sitapuram SPVs, which were operational during such periods and in which we continue to hold an equity interest after the Restructuring. For additional information on the SPVs for which we will retain interests after the Restructuring, see the section "History and Certain Corporate Matters" beginning on page 171 of this Red Herring Prospectus.

The Arasmeta SPV

Based on restated financial statements of the Arasmeta SPV, the table below summarizes its results of operations, including as a percentage of total income, for the periods indicated:

	Fiscal Year 2008		Fiscal Year 2007	
Particulars	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**
Income/Revenue:				
Sales	73.91	99.0	22.99	99.9
Other Income	0.75	1.0	0.03	0.1
Total Income	**74.66**	**100.0**	**23.02**	**100.0**
Total Expenditure	**64.39**	**86.2**	**20.19**	**87.7**
Profit Before Taxation	**10.28**	**13.8**	**2.83**	**12.3**
Net Profit After Taxation	**7.63**	**10.22**	**1.33**	**5.8**

The Sai Regency SPV

Based on restated financial statements of the Sai Regency SPV, the table below summarizes the results of its operations, including as a percentage of total income, for the periods indicated:

	Fiscal Year 2008		Fiscal Year 2007	
	(Rs. in Crore)	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**
Income/Revenue:				
Sales	84.79	99.8	0.19	100.0
Other Income	0.18	0.2	0.00	0.0
Total Income	**84.97**	**100.0**	**0.19**	**100.0**
Total Expenditure	**74.46**	**87.6**	**0.27**	**142.1**
Profit/(Loss) Before Taxation	**10.51**	**12.4**	**(0.08)**	**(42.1)**
Net Profit/(Loss) After Taxation	**9.07**	**10.7**	**(0.23)**	**(121.0)**

The Sitapuram SPV

Based on restated financial statements of the Sitapuram SPV, the table below summarizes its results of operations, including as a percentage of total income, for the period indicated:

	Fiscal Year 2008	
	(Rs. in Crore)	**% of Total Income**
Income/Revenue:		
Sales	5.32	100.0
Other Income	0.00	0.0
Total Income	**5.32**	**100.0**
Total Expenditure	**6.76**	**127.1**
Profit/(Loss) Before Taxation	**(1.44)**	**(27.1)**
Net Profit/(Loss) After Taxation	**(1.91)**	**(35.9)**

Our shareholders agreement with Zuari Cement Limited ("ZCL") for the Sitapuram SPV gives ZCL the option to require us to sell our entire shareholding of 49% in the Sitapuram SPV to ZCL or its nominees after the third anniversary of commercial operations of the Sitapuram power plant, which is March 1, 2011.

Our Consolidated Results of Operations

Income. Our total income is comprised of sales income and other income.

Sales Income. Our sales income comprises of revenue from sales of power to external customers, project developments fees, power arrangement income, management fees and corporate support services income.

Sales to External Customers. We derive our sales income primarily from the sale of power generated by our operational power plants to our external customers.

Project Development Fees. We charge fees during the development and construction of the projects that are set up as SPVs and deployed by us, based on achievement of certain milestone. This fee was one percent of the total project cost with respect to each of such project and the Board of Directors has increased it to two percent of the total project cost with effect from January 1, 2008, one-and-a-half percent of the total project cost chargeable on financial closure of the project and the remaining half percent of the total project cost chargeable on the declaration of commencement of commercial operations of the project.

Power Arrangement Income. Pursuant to the share subscription and the shareholders agreement ZCL paid us a one-time lump sum fee of Rs. 23.00 crore upon the commencement of commercial operations of the Sitapuram SPV on March 1, 2008.

Corporate Support Services Income. We charge our SPVs running operational power plants a fee of Rs. 1.00 lakh per MW per annum of power that the power plant is able to generate from the commencement of commercial operations of the power plants on an annual basis.

Management Fees. We collect quarterly management fees for providing asset management services to the Small Is Beautiful Fund. These fees varied depending on the percentage of the funds deployed and the percentage of the funds committed but not deployed. As part of the Restructuring, we discontinued providing such asset management services and will therefore not obtain these management fees in the future.

Segment Information: Our financial results are prepared and presented in two business segments, Project Development and Power Generation, pursuant to AS 17. The table below provides our segment-wise income for the periods indicated:

	Fiscal Year 2008		**Fiscal Year 2007**		**Fiscal Year 2006**		**Fiscal Year 2005**	
	(Rs. in Crore)	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**	**(Rs. in Crore)**	**% of Total Income**
Segments:								
Project Development	49.03	13.69	17.21	18.54	5.79	15.47	6.05	18.03
Power Generation	189.65	52.98	60.32	64.99	21.99	58.77	24.68	73.55

Other Income. Our other income comprises of interest received on loans to our SPVs, deposits and overdue bills, capital gains from investments, security deposits and tax refunds, as well as dividends received from current investments, profits from sale of investments and miscellaneous income.

Expenditure. Our total expenditure consists of raw material consumed, manufacturing expenses, payments to and provisions for employees, administrative and selling expenses, interest and finance charges, depreciation and preliminary and pre-operative expenses written-off.

Raw Materials Consumed. Our raw materials consumed generally comprise of expenses incurred towards providing fuel for our operating power plants.

Manufacturing Expenses. Our manufacturing expenses comprise of expenses incurred towards consumption of stores and spares, lubes and fluids, carriage inward, factory maintenance and operation and maintenance expenses.

Payments to and Provisions for Employees. Payments to and provisions for employees are on account of salaries, wages and bonus we pay to employees, relocation expenses, contributions we make to provident fund and other funds, retirement benefits we provide to employees and staff welfare and recruitment expenses we incur.

Administrative and Selling Expenses. Administrative and selling expenses are generally on account of generation and transmission charges, price difference on arrangement of power, foreign exchange fluctuation costs, rents, rates and taxes, fees paid to legal and other professionals, auditor's fees, directors sitting fees and remuneration, insurance premiums, selling and advertising expenses, travel and conveyance expenses, communication expenses and office expenses.

Interest and Finance Charges. Interest and finance charges consist of interest paid on term loans and working capital loans availed by us and our SPVs and also includes upfront fees, bank guarantee costs, letter of credit commissions, bank charges and finance and processing charges related to such borrowings.

Depreciation. Depreciation is provided on a straight line method on depreciable assets. For further information, see "Notes on Accounts" beginning on page 243 of this Red Herring Prospectus.

Preliminary and Pre-operative Expenses Written-off. We generally write-off preliminary expenses incurred as a result of incorporating our SPVs.

Taxation. Our provision for taxation includes current taxes payable, including wealth and fringe benefit taxes, taxes payable from earlier years and deferred taxes due.

Fiscal Year 2008 Compared to Fiscal Year 2007

Income. Our total income increased by 285.7% to Rs. 357.95 crore for the fiscal year 2008 from Rs. 92.82 crore for the fiscal year 2007, primarily due to an increase in our sales income and profit from sale of investments.

Sales. Our sales income increased by 208.4% to Rs. 239.13 crore for the fiscal year 2008 from Rs. 77.55 crore for the fiscal year 2007. This increase was primarily attributable to greater sales to external customers due to a full year of commercial operations of the Arasmeta and Sai Regency power plants and the commencement of commercial operation of the Sitapuram power plant in March 1, 2008, an increase in project development fees paid to us by the Wardha SPV of Rs. 18.22 crore and VS Lignite SPV of Rs. 4.83 crore as well as a one time power arrangement income relating to the Sitapuram SPV of Rs. 23.00 crore.

On a segment basis, our income from project development increased by 184.9% to Rs. 49.03 crore for the fiscal year 2008 from Rs. 17.21 crore for the fiscal year 2007, primarily due to receipt of project development fees from the Wardha SPV of Rs. 18.22 crore and VS Lignite SPV of Rs. 4.83 crore as well as a one time power arrangement income relating to the Sitapuram SPV of Rs. 23.00 crore. Our income from power generation increased by 214.4% to Rs. 189.65 crore for the fiscal year 2008 from Rs. 60.32 crore for the fiscal year 2007, primarily due to greater sales to external customers due to a full year of commercial operations of the Arasmeta and Sai Regency power plants and the commencement of commercial operation of the Sitapuram power plant on March 1, 2008.

Other Income. Our other income increased to Rs. 118.82 crore for the fiscal year 2008 from Rs. 15.27 crore for the fiscal year 2007. This increase was primarily due to profits on the sale of investments and dividends from investments. Our other income represented 33.20% of our total income for the fiscal year 2008.

Expenditure. Our total expenditure increased by 237.3% to Rs. 222.16 crore for the fiscal year 2008 from Rs. 65.86 crore for the fiscal year 2007, primarily attributable to an increase in our manufacturing expenses, interest and finance charges, administrative and selling expenses and depreciation. Our total expenditure represented 62.07% of our total income for the fiscal year 2008.

Raw Materials. Our expenditure on raw material increased by 212.2% to Rs. 74.80 crore for the fiscal year 2008 from Rs. 23.96 crore for the fiscal year 2007. This increase was primarily attributable to an increase in cost of raw material consumed at our operational power plants in which we held an equity interest, i.e., Arasmeta, Sai Regency, Sitapuram and Coromandel.

Manufacturing Expenses. Our manufacturing expenses increased by 83.7% to Rs. 12.06 crore for the fiscal year 2008 from Rs. 6.57 crore for the fiscal year 2007. This increase was primarily attributable to an increase in operation and maintenance expenses.

Payments to and Provisions for Employees. Our expenses for employee remuneration increased by 77.4% to Rs. 7.38 crore for the fiscal year 2008 from Rs. 4.16 crore for the fiscal year 2007. This increase was primarily due to increased salaries, wages and bonuses and due to recruitment of an additional 113 employees during the period.

Administrative and Selling Expenses. Our administrative and selling expenses increased by 256.1% to Rs. 42.85 crore for the fiscal year 2008 from Rs. 12.03 crore for the fiscal year 2007. This increase in our administrative expenses was generally attributable to higher legal and professional charges, travel and conveyance expenses, rent, rates, taxes and selling and advertisement expenses.

Interest and Finance Charges. Our interest and finance charges increased by 529.3% to Rs. 62.71 crore for the fiscal year 2008 from Rs. 9.97 crore for the fiscal year 2007. This increase in our interest cost was primarily due to an increase in outstanding borrowings resulting in an increase in interest costs and finance charges.

Depreciation. Our depreciation costs increased by 149.1% to Rs. 22.35 crore for the fiscal year 2008 from Rs. 8.97 crore for the fiscal year 2007. This is mainly on account of the full year of commercial operations of the Arasmeta and Sai Regency power plants and the commencement of commercial operations of the Sitapuram power plant.

Preliminary and Pre-Operative Expenses Written Off. Our preliminary and pre-operative expenses written off decreased to Rs. 0.36 lakh for the fiscal year 2008 from Rs. 20 lakh for the fiscal year 2007, which was primarily due to the write off of pre-incorporation expenses by the Sai Regency SPV.

Taxation. Our provision for taxation increased to Rs. 22.08 crore for the fiscal year 2008 from Rs. 8.10 crore for the fiscal year 2007. Our effective tax rate, calculated as provision for taxation divided by profit before taxation, for the fiscal year 2008 was lower at 16.9% as compared to 30.0% for the fiscal year 2007. The effective tax rate was lower due to lower rate on profits on sale of investments which constituted a substantial portion of our other income. The increase in taxation was primarily due to an increase in our profits for fiscal year 2008.

Profit for the Year. Our profit for the year increased by 476.0% to Rs. 108.65 crore for the fiscal year 2008 from Rs. 18.86 crore for the fiscal year 2007, primarily due to the reasons mentioned above.

Fiscal Year 2007 Compared to Fiscal Year 2006

Income. Our total income increased by 148.0% to Rs. 92.82 crore for the fiscal year 2007 from Rs. 37.43 crore for the fiscal year 2006, primarily due to an increase in our sales income.

Sales. Our sales income increased by 179.2% to Rs. 77.55 crore for the fiscal year 2007 from Rs. 27.78 crore for the fiscal year 2006. This increase was primarily attributable to an increase in our controlling interests in the Coromandel SPV, which increased from 26.0% to 71.86%, the RVK SPV, which increased from 25.5% to 50.0% and the Kasargod SPV, which increased from 25.9% to 50.0%, increased power generation by the Coromandel power plant as a result of it beginning its second phase of commercial operations in January 2006, commencement of commercial operations of the Arasmeta power plant and increased project development fees of Rs. 11.4 crore paid to us by the Wardha SPV and the VS Lignite SPV.

Other Income. Our other income increased by 58.3% to Rs. 15.27 crore for the fiscal year 2007 from Rs. 9.65 crore for the fiscal year 2006. This increase was primarily due to receipt of interest on loans we provided to the VS Lignite SPV, the Wardha SPV and the Arasmeta SPV in the fiscal year 2007.

Expenditure. Our total expenditure increased by 131.7% to Rs. 65.86 crore for the fiscal year 2007 from Rs. 28.42 crore for the fiscal year 2006, primarily attributable to increases in our equity interests in the RVK SPV, the Kasargod SPV and the Coromandel SPV, an increase in fuel expenses on account of higher generation of power, increased employee costs, selling and distribution expenses and traveling and communication costs in the fiscal year 2007.

Raw Materials Consumed. Our expenses for raw materials consumed increased to Rs. 23.96 crore for the fiscal year 2007 from Rs. 6.81 crore for the fiscal year 2006. This increase was generally attributable to increases in the price of fuel consumed by the Kasargod SPV, by about 20.0%, and by the Coromandel SPV, by about 15.0%.

Manufacturing Expenses. Our manufacturing expenses increased to Rs. 6.57 crore for the fiscal year 2007 from Rs. 1.77 crore for the fiscal year 2006. This increase was primarily attributable to increases in our equity interests in the RVK SPV, the Kasargod SPV and the Coromandel SPV.

Payments to and Provisions for Employees. Our expenses for payments to employees increased by 151.7% to Rs. 4.16 crore for the fiscal year 2007 from Rs. 1.65 crore for the fiscal year 2006. This increase in the fiscal year 2007 was primarily due to increases in salaries, wages and benefits and due to recruitment of 22 new employees, primarily at senior levels, as our operations increased.

Administrative and Selling Expenses. Our administrative and selling expenses increased by 23.9% to Rs. 12.03 crore for the fiscal year 2007 from Rs. 9.71 crore for the fiscal year 2006. This increase in our administrative expenses was generally attributable to increased legal and professional charges, travel and conveyance expenses and selling and advertisement expenses.

Interest and Finance Charges. Our interest and finance costs increased by 152.9% to Rs. 9.97 crore for the fiscal year 2007 from Rs. 3.94 crore for the fiscal year 2006. This increase in our interest costs was primarily due to an increase in fixed period loans incurred by us on account of the increases in our equity interests in the Coromandel SPV, the RVK SPV and the Kasargod SPV.

Depreciation and Amortization. Our depreciation and amortization costs increased by 101.3% to Rs. 8.98 crore for the fiscal year 2007 from Rs. 4.46 crore for the fiscal year 2006. This increase in depreciation and amortization costs was generally attributable to higher depreciation in the fiscal year 2007 for a full year of phase two operations of the Coromandel power plant.

Preliminary/Pre-Operative Expenses Written Off. Our preliminary or pre-operative expense write-offs increased by 172.7% to Rs. 0.20 crore for the fiscal year 2007 from Rs. 0.07 crore for the fiscal year 2006. This increase was primarily due to the change in our equity interest in the RVK SPV.

Taxation. Our provision for taxation increased to Rs. 8.10 crore for the fiscal year 2007 from Rs. 1.70 crore for the fiscal year 2006. Our effective tax rate, calculated as provision for taxation divided by profit before taxation, for the fiscal year 2007 was 30.0% as compared to 19.0% for the fiscal year 2006. The increase in taxation was primarily due to an increase in our profits in the fiscal year 2007.

Profit for the Year. Our profit for the year increased by 159.5% to Rs. 18.86 crore for the fiscal year 2007 from Rs. 7.27 crore for the fiscal year 2006, primarily due to the reasons mentioned above, including on account of our increased profits and our greater equity interest in the Coromandel SPV, the RVK SPV and the Kasargod SPV.

Fiscal Year 2006 Compared to Fiscal Year 2005

Income. Our total income increased by 11.6% to Rs. 37.43 crore for the fiscal year 2006 from Rs. 33.55 crore for the fiscal year 2005, due to an increase in our other income.

Sales. Our sales income decreased by 9.6% to Rs. 27.78 crore for the fiscal year 2006 from Rs. 30.73 crore for the fiscal year 2005. This decrease was primarily attributable to reduced sales of power to external customers due to our divesting our equity interest in MMS Steel & Power Private Limited (the "MMS SPV") in April 2005. We also received reduced investment management fees from the Small Is Beautiful Fund in the fiscal year 2006.

Other Income. Our other income increased by 242.2% to Rs. 9.65 crore for the fiscal year 2006 from Rs. 2.82 crore for the fiscal year 2005. This increase was primarily due to receipt of interest on loans we provided to the Arasmeta SPV, the Sai Regency SPV and the Sitapuram SPV and profits on our sale of interest in the MMS SPV.

Expenditure. Our total expenditure increased by 11.5% to Rs. 28.42 crore for the fiscal year 2006 from Rs. 25.48 crore for the fiscal year 2005, primarily attributable to an increase in administrative and selling expenses, increases in employee costs and interest and finance charges.

Raw Materials Consumed. Our expenses for raw materials consumed decreased by 7.6% to Rs. 6.81 crore for the fiscal year 2006 from Rs. 7.37 crore for the fiscal year 2005. This decrease was attributable to reduced power generation by the RVK and Kasargod power plants, as well as the divestment of our equity interest in the MMS SPV.

Manufacturing Expenses. Our manufacturing expenses decreased by 19.6% to Rs. 1.77 crore for the fiscal year 2006 from Rs. 2.20 crore for the fiscal year 2005. This decrease was generally due to reduced power generation by the RVK and Kasargod power plant, as well as the divestment of our equity interest in the MMS SPV.

Payments to and Provisions for Employees. Our expenses for payments to employees increased by 98.8% to Rs. 1.65 crore for the fiscal year 2006 from Rs. 0.83 crore for the fiscal year 2005. This increase in the fiscal year 2006 was primarily due to increases in salaries, wages and benefits and recruitment of new employees as our operations increased.

Administrative and Selling Expenses. Our administrative and selling expenses increased by 28.6% to Rs. 9.71 crore for the fiscal year 2006 from Rs. 7.55 crore for the fiscal year 2005. This increase in our administrative expenses was generally attributable to increased selling and advertisements expenses and, price difference and obligations incurred on the arrangement of power for a consumer.

Interest and Finance Charges. Our interest and finance costs increased by 33.1% to Rs. 3.94 crore for the fiscal year 2006 from Rs. 2.96 crore for the fiscal year 2005. This increase in our interest costs was primarily due to an increase in term loans incurred by us, as well as finance charges associated with such loans.

Depreciation and Amortization. Our depreciation and amortization costs decreased by 0.79% to Rs. 4.46 crore for the fiscal year 2006 from Rs. 4.49 crore for the fiscal year 2005, mainly on account of a full year of operation of phase one of the Coromandel power plant and two months of operation of phase two of such power plant, as well as divestment of our equity interest in the MMS SPV.

Taxation. Our provision for taxation increased to Rs. 1.70 crore for the fiscal year 2006 from Rs. 1.56 crore for the fiscal year 2005. This increase was primarily due to an increase in our current taxation attributable to our enhanced revenue and tax on the profit we realized from our divesting our equity interest in the MMS SPV.

Profit for the Year. Our profit for the year increased by 11.7% to Rs. 7.27 crore for the fiscal year 2006 from Rs. 6.51 crore for the fiscal year 2005.

Our Standalone Results of Operation for Fiscal 2008, Fiscal 2007 and Fiscal 2006.

Based on restated standalone (unconsolidated) financials of our Company, the table below summarizes our unconsolidated results of operations, including as a percentage of total income, for the periods indicated:

	Fiscal Year 2008		Fiscal Year 2007		Fiscal Year 2006		Fiscal Year 2005	
	(Rs. in Crore)	% of Total Income	(Rs. in Crore)	% of Total Income	(Rs. in Crore)	% of Total Income	(Rs. in Crore)	% of Total Income
Income/Revenue:								
Sales	50.48	29.7%	17.21	54.9%	5.79	38.3%	6.05	70.4%
Other Income	119.21	70.3%	14.13	45.1%	9.33	61.7%	2.54	29.6%
Total Income	**169.69**	**100.0%**	**31.34**	**100.0%**	**15.12**	**100.0%**	**8.59**	**100.0%**
Expenditure:								
Payments to and Provisions for Employees	6.34	3.7%	4.73	15.1%	2.39	15.8%	1.51	17.5%
Administration and Selling Expenses	14.20	8.4%	6.39	20.4%	5.58	36.9%	2.55	29.7%
Interest and Finance Charges	31.00	18.3%	3.39	10.8%	1.35	9.0%	0.35	4.0%
Depreciation	0.59	0.4%	0.24	0.8%	0.17	1.1%	0.02	0.2%
Preliminary and Pre-Operative Expense Written-off		0.0%		0.0%	0.00	0.0%	0.00	0.0%
Total Expenditure	**52.14**	**30.7%**	**14.75**	**47.1%**	**9.50**	**62.9%**	**4.42**	**51.4%**
Profit/(Loss) Before Taxation	**117.55**	**69.3%**	**16.59**	**52.9%**	**5.60**	**37.1%**	**4.18**	**48.6%**
Provision for Taxation:								
Current Tax	16.02	9.4%	5.95	19.0%	1.13	7.5%	0.70	8.2%
Earlier Years Taxes	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
Deferred Tax	0.22	0.1%	0.10	0.3%	0.04	0.3%	(0.05)	(0.5)%
Total Tax Expense	**16.23**	**9.6%**	**6.05**	**19.3%**	**1.18**	**7.8%**	**0.66**	**7.7%**
Profit / (Loss) for the Year	**101.31**	**59.7%**	**10.54**	**33.6%**	**4.42**	**29.3%**	**3.52**	**40.9%**

Fiscal Year 2008 Compared to Fiscal Year 2007

Income. Our total income increased by 441.5% to Rs. 169.69 crore for the fiscal year 2008 from Rs. 31.34 crore for the fiscal year 2007, primarily due to an increase in our other income.

Sales. Our sales income increased by 193.3% to Rs. 50.48 crore for the fiscal year 2008 from Rs. 17.21 crore for the fiscal year 2007. This increase was primarily attributable to an increase in project development fees paid to us by the Wardha SPV of Rs. 18.22 crore and the VS Lignite SPV of Rs. 4.83 crore, as well as a one time power arrangement income amount relating to the Sitapuram SPV of Rs. 23.00 crore.

Other Income. Our other income increased by 743.8% to Rs. 119.21 crore for the fiscal year 2008 from Rs. 14.13 crore for the fiscal year 2007. This increase was primarily due to profits on the sale of investments and dividends from investments.

Expenditure. Our total expenditure increased by 253.5% to Rs. 52.14 crore for the fiscal year 2008 from Rs. 14.75 crore for the fiscal year 2007, primarily attributable to increases in interest costs and administration costs in the fiscal year 2008.

Payments to and Provisions for Employees. Our expenses for payments to employees increased by 34.2% to Rs. 6.34 crore for the fiscal year 2008 from Rs. 4.73 crore for the fiscal year 2007. This increase was primarily due to increases in salaries, wages and benefits.

Administrative and Selling Expenses. Our administrative and selling expenses increased by 122.2% to Rs. 14.20 crore for the fiscal year 2008 from Rs. 6.39 crore for the fiscal year 2007. This increase in our administrative expenses was generally attributable to increased legal and professional charges, travel and conveyance expenses and advertisement expenses.

Interest and Finance Charges. Our interest and finance charges increased by 813.4 % to Rs. 31.00 crore for the fiscal year 2008 from Rs. 3.39 crore for the fiscal year 2007. This increase in our interest charges was due to an increase in loans.

Depreciation and Amortization. Our depreciation and amortization costs increased by 151.3% to Rs. 0.59 crore for the fiscal year 2008 from Rs. 0.24 crore for the fiscal year 2007.

Taxation. Our provision for taxation increased by 168.5% to Rs. 16.23 crore for the fiscal year 2008 from Rs. 6.05 crore for the fiscal year 2007. Our effective tax rate for the fiscal year 2008 was 13.81% as compared to 36.47% for the fiscal year 2007. The increase in taxation was primarily due to the increase in our profits in the fiscal year 2007.

Profit for the year. Our profit for the year increased by 860.9% to Rs. 101.31 crore for the fiscal year 2008 from Rs. 10.54 crore for the fiscal year 2007.

Fiscal year 2007 Compared to Fiscal year 2006

Income. Our total income increased by 107.3% to Rs. 31.34 crore for the fiscal year 2007 from Rs. 15.12 crore for the fiscal year 2006, primarily due to an increase in our project development income and interest income.

Sales. Our sales income increased by 197.4% to Rs. 17.21 crore for the fiscal year 2007 from Rs. 5.79 crore for the fiscal year 2006. This increase was primarily due to increased project development fees of Rs. 11.4 crore paid to us by the Wardha SPV and the VS Lignite SPV.

Other Income. Our other income increased by 51.4% to Rs. 14.13 crore for the fiscal year 2007 from Rs. 9.33 crore for the fiscal year 2006. This increase was primarily due to interest on loans we provided to the VS Lignite SPV, the Wardha SPV and the Arasmeta SPV in the fiscal year 2007.

Expenditure. Our total expenditure increased by 55.2% to Rs. 14.75 crore for the fiscal year 2007 from Rs. 9.50 crore for the fiscal year 2006, primarily attributable to increased employee costs, selling and distribution expenses and traveling and communication costs in the fiscal year 2007.

Payments to and Provisions for Employees. Our expenses for payments to employees increased by 97.6% to Rs. 4.73 crore for the fiscal year 2007 from Rs. 2.39 crore for the fiscal year 2006. This increase in the fiscal year 2007 was primarily due to increases in salaries, wages and benefits.

Administrative and Selling Expenses. Our administrative and selling expenses increased by 14.4% to Rs. 6.39 crore for the fiscal year 2007 from Rs. 5.58 crore for the fiscal year 2006. This increase in our administrative expenses was primarily attributable to increased travel and conveyance expenses and legal and professional expenses.

Interest and Finance Charges. Our interest and finance costs increased by 150.5 % to Rs. 3.39 crore for the fiscal year 2007 from Rs. 1.35 crore for the fiscal year 2006. This increase in our interest costs was primarily due to an increase in fixed period loans.

Depreciation and Amortization. Our depreciation and amortization costs increased by 37.5% to Rs. 0.24 crore for the fiscal year 2007 from Rs. 0.17 crore for the fiscal year 2006.

Taxation. Our provision for taxation increased by 412.5% to Rs. 6.05 crore for the fiscal year 2007 from Rs. 1.18 crore for the fiscal year 2006 . Our effective tax rate for the fiscal year 2007 was 36.47% as compared to 21.07% for the fiscal year 2006. The increase in taxation was primarily due to the increase in our profits in the fiscal year 2007.

Profit for the year. Our profit for the year increased by 138.4% to Rs. 10.54 crore for the fiscal year 2007 from Rs. 4.42 crore for the fiscal year 2006.

Financial Condition, Liquidity and Capital Resources

Cash Flows

The table below summarizes our cash flows on a standalone basis for the periods indicated:

(Rupees in Crore)

	For Fiscal Year 2008	For Fiscal Year 2007	For Fiscal Year 2006	For Fiscal Year 2005
Net Cash Flow From/(Used In) Operating Activities	152.70	(112.85)	(10.06)	(19.56)
Net Cash Flow From/(Used In) Investing Activities	(661.35)	(20.36)	(0.02)	(6.92)
Net Cash Flow From/(Used In) Financing Activities	512.06	215.30	18.74	27.64
Net Increase/(Decrease) In Cash And Cash Equivalents	3.41	82.08	8.66	1.15

The table below summarizes our cash flows on a consolidated basis for the periods indicated:

(Rupees in Crore)

	For Fiscal Year 2008	For Fiscal Year 2007	For Fiscal Year 2006	For Fiscal Year 2005
Net Cash Flow From/(Used In) Operating Activities	221.46	(118.19)	5.23	4.08
Net Cash Flow From/(Used In) Investing Activities	(1,824.44)	13.33	(48.85)	(33.90)
Net Cash Flow From/(Used In) Financing Activities	1,765.27	193.13	56.41	31.98
Net Increase/(Decrease) In Cash And Cash Equivalents	162.29	88.27	12.79	2.16

Cash in the form of bank deposits, current account balances and cash on hand represents our cash and cash equivalents.

Operating Activities. Net cash from operating activities was Rs. 221.46 crore for the fiscal year 2008, and consisted of net profit before taxation of Rs. 135.78 crore, as adjusted for a number of non-cash items, primarily depreciation of Rs. 22.36 crore, and other items, primarily profit on sale of investments of Rs. 99.34 crore, interest expenses of Rs. 62.71 crore and interest income of Rs. 11.79 crore and changes in working capital, specifically an increase in current assets, loans and advances of Rs. 425.66 crore, an increase in current liabilities of Rs. 569.81 crore and an income tax payment of Rs. 19.02 crore. Our net cash used in operating activities for the fiscal year 2007 was Rs 118.19 crore, and consisted of net profit before taxation of Rs. 26.96 crore as adjusted for a number of non-cash items, primarily depreciation of Rs. 8.97 crore, and other items, primarily profit on sale of investments of Rs. 23.66 lakhs, interest expenses of Rs. 9.97 crore and interest income of Rs. 13.51 crore and changes in working capital, specifically an increase in current assets loans and advances of Rs. 137.14 crore, an increase in current liabilities of Rs. 4.17 crore and an income tax payment of Rs. 8.09 crore.

Investing Activities. Net cash used in investing activities was Rs. 1,824.44 crore for the fiscal year 2008, primarily as a result of a increase in capital work in progress of Rs. 635.70 crore and fixed assets of Rs. 185.22 crore on account of Wardha Warora, VS Lignite, Sitapuram and Sai Regency power projects and purchase of investments of Rs. 1,225.31 crore, primarily due to the purchase of equity shares in GMDC and KEFIPL. Net cash used in investing activities was Rs. 13.33 crore for the fiscal year 2007, primarily as a result of an increase in capital work in progress of Rs. 33.51 crore and fixed assets of Rs. 7.85 crore on account of VS Lignite, Sitapuram and Sai Regency power projects and purchase of investments of Rs. 24.39 crore, primarily due to investments in the VS Lignite, Arasmeta, RVK and Kasargod SPVs, KEFIPL and the Small is Beautiful Fund.

Financing Activities. Net cash generated from financing activities was Rs. 1,765.27 crore for the fiscal year 2008, primarily as a result of proceeds from issuance of equity shares of Rs. 1,122.40 crore and proceeds from borrowings of Rs. 706.67 crore. Net cash generated from financing activities was Rs. 193.12 crore for the fiscal year 2007, primarily as a result of proceeds from issuance of equity shares of Rs. 96.59 crore and proceeds from borrowings of Rs. 91.34 crore.

Capital Expenditures

As per our restated consolidated financials, the incremental gross fixed assets and capital work in progress during the fiscal years 2008, 2007, 2006, and 2005, was Rs. 1,279.80 crore, Rs. 42.81 crore, Rs. 47.55 crore and Rs. 37.61 crore, respectively. As per our restated standalone financials, the incremental gross fixed assets and capital work in progress during the fiscal years 2008, 2007, 2006, and 2005, was Rs. 2.42 crore, Rs. 1.86 crore, Rs. 1.09 crore and Rs. 0.24 crore, respectively. These expenditures were incurred to develop our power projects. We believe that we will have sufficient capital resources from our operations, the net proceeds of this offering of equity shares and other financings from banks, financial institutions and other lenders to meet our capital requirements for at least the next 12 months.

Our Investments

We have investments in subsidiaries, joint ventures and associates in addition to other investments. Our total investments as per the restated consolidated financials were Rs. 84.92 crore, Rs. 32.19 crore and Rs. 7.57 crore as of March 31, 2008, March 31, 2007 and March 31, 2006, respectively. Our total investments as per the restated standalone financial information were Rs. 837.95 crore, Rs. 61.30 crore and Rs. 28.63 crore as of March 31, 2008, March 31, 2007 and March 31, 2006, respectively.

Indebtedness

The following table summarizes our outstanding indebtedness, on a consolidated and standalone basis as of March 31, 2008. For details, see the section "Our Indebtedness" beginning on page 313 of this Red Herring Prospectus.

(Rs. in crore)

Type of Indebtedness	**Outstanding as of March 31, 2008 (Consolidated)**	**Outstanding as of March 31, 2008 (Standalone)**
Secured Term Loans from Banks	1,099.45	251.08
Cash Credit from Secured Loans	22.19	-
Unsecured Loans (Including Interest Accrued and Due)	130.59	47.13
Total Indebtedness	1,252.23	298.21

Contractual Obligations and Commercial Commitments

As per our restated consolidated and standalone financials, the following table summarizes our contractual obligations and commercial commitments on capital accounts which are not provided for as of the periods indicated and the effect such obligations and commitments are expected to have on our liquidity and cash flows in future periods:

(Rs. in Crore)

Particulars	**As of March 31, 2008**	**As of March 31, 2007**	**As of March 31, 2006**	**As of March 31, 2005**	**As of March 31, 2004**
Contractual Obligations on Capital Accounts Not Provided For					
- Consolidated	1,288.45	6.62	78.11	209.35	0.09
- Standalone	0.36	0.49	0.10	0.10	--

Arrears of Fixed Cumulative Dividend on Preference Share Capital

As per our restated consolidated financial statements, the arrears of fixed cumulative dividend on preference share capital as of the end of fiscal years 2008, 2007, 2006, and 2005, were Rs. 17.19 crore, Rs. 0.36 crore, Rs. 0.09 crore and Nil, respectively. As per our restated standalone financial statements, the arrears of fixed cumulative dividend on preference share capital as of the end of fiscal years 2008, 2007, 2006, and 2005 are Nil for each of those fiscal years. These have not been provided in the accounts in accordance with Schedule VI of the Companies Act.

Contingent Liabilities

The following table provides our contingent liabilities as of the periods indicated:

(Rs. in Crore)

Particulars	**As At March 31, 2008 (Consolidated)**	**As At March 31, 2008 (Standalone)**
Letter of Credit / Claims not acknowledged as debt	4.20	-
Guarantees Issued by Banks	351.43	332.50
Corporate Guarantees	-	-
Fuel Related Minimum Guaranteed Off-take (MGO) Liability	-	-
Estimated amount of contracts remaining to be executed on capital account	1,288.44	0.36
Arrears of fixed cumulative dividend on preference share capital	17.18	-
Total	**1,661.25**	**332.86**

Transactions with Related Parties

We have certain transactions with our Promoter Group Companies. For details, please refer to the section "Related Party Transactions" beginning on page 223 of this Red Herring Prospectus.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements, derivative instruments or other relationships with unconsolidated entities that would have been established for the purpose of facilitating off-balance sheet arrangements.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate risk, foreign exchange risk, inflation and commodity risk. We are exposed to different degrees of these risks in the normal course of our business.

Interest Rate Risk

We currently have floating rate indebtedness and also maintain deposits of cash and cash equivalents with banks and other financial institutions and thus are exposed to market risk as a result of changes in interest rates. As of March 31, 2008, Rs. 764.62 crore of our indebtedness consisted of floating rate indebtedness. Upward fluctuations in interest rates increase the cost of both existing and new debts. It is likely that in the current fiscal year and in future periods our borrowings will rise substantially given our growth plans. We do not currently use any derivative instruments to modify the nature of our exposure to floating rate indebtedness or our deposits so as to manage interest rate risk.

Foreign Exchange Risk

We are exposed to changes in the fair value of our foreign exchange rate sensitive financial instruments and borrowings, including forward foreign exchange swaps which we own.

Inflation

Until recently, India has not experienced significant inflation since fiscal 2005 and accordingly inflation did not materially affect our business and results of operations. According to the CIA World Factbook, inflation in India was approximately 4.2%, 4.2% and 5.9% in fiscal years 2005, 2006 and 2007 (estimated), respectively. Inflation has increased in calendar year 2008 and there are Government estimates that inflation was at approximately 8.10% towards the end of May 2008. Although the GoI has initiated measures to curb the rise in inflation rates, it is unclear at this stage whether these measures will have the desired effect. This rise in inflation rates may adversely affect growth in the Indian economy and our results of operations.

Price of Fuel

As our power projects enter commercial operation, we will be dependent upon our suppliers for our coal and natural gas requirements. With respect to those PPAs where fuel is not a complete pass through expense, we will be subject to fluctuations in the price of coal and natural gas at rates fixed by such companies, despite the fact that we have entered into long-term fuel supply arrangements with multiple state mineral development corporations that own captive blocks.

Other Qualitative Factors

Unusual or Infrequent Events or Transactions

Except as described in this Red Herring Prospectus, there have been no events or transactions to our knowledge which may be described as “unusual” or infrequent”.

Known Trends or Uncertainties

Other than as described in the sections titled “Risk Factors”, and this section and elsewhere in this Red Herring Prospectus, to the best of our knowledge there are no known trends or uncertainties that have had, or are expected to have, a material adverse impact on our revenues or income from continuing operations.

Total Turnover of Each Major Industry Segment

We report industry segments under Accounting Standard 17 in our consolidated financial statements prepared in accordance with Indian GAAP. We report along two industry segments, project development and power generation, as described in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section.

New Product or Business Segment

Other than as described in the section “Our Business” beginning on page 105 of this Red Herring Prospectus, to our knowledge, there are no new products or business segments.

Seasonality of Business

Our revenues and results may be affected by seasonal factors. For example, inclement weather, including during monsoon season, may delay or disrupt development of our power projects undergoing construction at such times. Further, some of our power consumers have businesses which are seasonal in nature and a downturn in demand for power by such consumers could reduce our revenue during such periods.

Dependence on a Single or Few Suppliers/Customers

As described in the sections “Risk Factors” and “Business” beginning on pages 11 and 105 of this Red Herring Prospectus, we depend on the operations of the Arasmeta, Sai Regency and Sitapuram power plants for a substantial portion of our current revenues.

Competitive Conditions

For further details, please refer to the discussions of our competition in the sections “Risk Factors” and “Business” beginning on pages 11 and 105 of this Red Herring Prospectus, respectively.

OUR INDEBTEDNESS

Our aggregate borrowings as of March 31, 2008 are as follows:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	1,121.64
Unsecured borrowings	130.60
Bank guarantees	351.43

Company

Set forth below is a summary of the aggregate borrowings of the Company as of March 31, 2008:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	251.08
Unsecured borrowings	47.13
Bank guarantees	332.50

Set forth below is a summary of the secured borrowings and guarantees of the Company as of March 31, 2008:

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
Bank of India	Sanction letter dated July 16, 2007 for a performance guarantee of Rs.100.00 crore.	100	1.00% p.a. Margin: 10.00%	Valid up to July 15, 2008.	1. First *pari passu* charge on the fixed assets and current assets of the Company including all receivables. 2. Counter-guarantee and indemnity by the Company. 3. Corporate guarantee by KSK plc.
Dena Bank	Sanction letter dated August 16, 2007 for a performance guarantee of Rs.100.00 crore.	100	1.00% p.a. Margin: 10.00%	Valid up to August 15, 2008.	1. First *pari passu* charge on the fixed assets and current assets of the Company including all receivables. 2. Counter-guarantee and indemnity by the Company. 3. Counter-guarantee and indemnity by KSK plc.
UCO Bank	Sanction letter dated November 8, 2007, for performance guarantee limit of Rs.32.50 crore.	32.50	1.50% p.a. Margin: 15.00%	Valid up to November 7, 2008.	1. First *pari passu* charge on the fixed assets and current assets of the Company including all receivables. 2. Counter-guarantee and indemnity by the Company. 3. Corporate guarantee by KSK plc.
Indian Bank	Sanction letter dated October 26, 2007, for a performance guarantee limit of Rs.100.00 crore.	100	1.00% p.a. Margin: 10.00%	Valid up to October 25, 2008.	1. First *pari passu* charge on the fixed assets and current assets of the Company including all receivables. 2. Counter-guarantee and indemnity by the Company. 3. Corporate guarantee by KSK plc.

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
L&T Infrastructure Company Limited	Facility agreement dated March 26, 2008 for a corporate loan of Rs.50.00 crore.	50.00	13.00% p.a.	The loan has to be repaid in 3 equal installments at the end of the 18th month, 21st month and 24th month from the date of the first disbursement.	1. Pledge of 30,00,000 of the GMDC shares held by the Company.
Bank of India	Agreement dated February 19, 2008 for a corporate loan of Rs.400.00 crore.	100.97	1.75% p.a. less than the bank prime lending rate with the minimum interest rate being 11.50% p.a	Bullet repayment after 6 months from the date of the disbursement of the loan.	1. Corporate guarantee by KSK plc.
UCO Bank	Pursuant to a corporate guarantee by KSK plc dated March 29, 2008, UCO Bank has sanctioned a corporate loan of Rs.100 crore.	100.11	13.00% p.a.	Bullet repayment after 6 months from the date of the disbursement of the loan.	1. Corporate guarantee by KSK plc.

Subsidiaries

KSK Dibbin Hydro Power Private Limited

Pursuant to a letter dated February 11, 2008, Axis Bank has given an in-principle sanction for a term loan of Rs.519.00 crore for the proposed 130 MW power plant at West Kameng, Arunachal Pradesh. The rate of interest is the bank prime lending rate.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has entered into power purchase agreements.

(ii) The borrower has acquired the entire land for the project.

Arasmeta Captive Power Company Private Limited

Set forth below is a summary of the aggregate borrowings of Arasmeta Captive Power Company Private Limited as of March 31, 2008:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	92.54
Unsecured borrowings	30.09
Bank guarantees	20.50

Set forth below is a summary of the secured borrowings and guarantees of Arasmeta Captive Power Company Private Limited as of March 31, 2008:

Name of the Lender(s)	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
IDFC and State Bank of India ("SBI")	Common Rupee loan agreement dated February 10, 2005 for a term loan aggregating Rs.122.50 crore.	86.79	IDFC: a) Interest Rate: 0.12% p.a. above IDFC prime lending rate prevailing on the date of each disbursement. b) Prepayment Fee: According to the formula specified in the loan agreement. SBI: a) Interest Rate: 1.25% p.a. below State Bank Advance Rate ("SBAR"). b) Prepayment Fee: 2.00% of the amount prepaid.	a) An initial repayment of Rs.17.50 crore to IDFC on June 25, 2006 or the first anniversary of the date of the first disbursement under the loan agreement, whichever is earlier; and b) 28 quarterly instalments of Rs.3.75 crore each commencing from March 31, 2007.	1. First charge, through a mortgage, on all immovable properties of the borrower. 2. First charge, through a hypothecation, on all movable properties of the borrower. 3. First charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. First charge, through an assignment, or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. First charge on all intangible properties of the borrower. 6. First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. 7. First charge, through a pledge, on the shareholding of KSK Electricity Financing India Private Limited in the borrower.
SBI	Renewal letter dated May 12, 2008 for: 1. Cash credit facility of Rs.5.00 crore; and 2. Bank guarantee limit of Rs.7.50 crore.	Cash Credit facility: 5.03 Bank Guarantee limit: 5.50	Cash Credit facility: a) SBAR, with effective rate on the date of sanction of the facility, being 12.75% p.a., with periodic resets b) Prepayment Fee: 2.00% of the amount outstanding under the facility. c) Margin: 25.00% on raw materials, stock in process, finished goods and receivables. Bank guarantee limit: Margin: 15.00% Commission: 50.00% of the	Valid up to March 31, 2009.	1. Hypothecation of all current assets of the borrower. 2. Second charge, through a mortgage, on all immovable properties of the borrower. 3. Second charge, through a hypothecation, on all movable properties of the borrower. 4. Second charge on the borrower's cash flows, book debts, receivables and any other revenue. 5. Second charge, through an assignment or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 6. Second charge on all intangible properties of the borrower.

Name of the Lender(s)	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
			applicable commission calculated on the basis of the lender's standard rates.		7. Second charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower.
IDFC	Letter of intent dated May 26, 2006 for a performance guarantee of Rs.15.00 crore.	15.00	Commission: 2.00% p.a.	Valid up to January 31, 2009.	1. First charge, through a mortgage, on all immovable properties of the borrower. 2. First charge, through a hypothecation, on all movable properties of the borrower. 3. First charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. First charge, through an Assignment of or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. First charge on all intangible properties of the borrower. 6. First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. 7. First charge, through a pledge, on the shareholding of KSK Electricity Financing India Private Limited in the borrower.

In addition to the above, Arasmeta Captive Power Company Private Limited has been sanctioned the following credit facility:

1. Pursuant to a non-binding term sheet dated March 6, 2007, GE Energy Financial Services has sanctioned an aggregate loan of Rs.192.00 crore for repayment of existing loans of Arasmeta Captive Power Company Private Limited and expansion of the power plant.

   Certain pre-disbursement conditions under the sanction letter are as follows:

   (a). satisfaction of customary conditions precedents such as satisfactory due diligence by the lender;

   (b). receipt of all investment and other appropriate committee approvals by lenders; and

   (c). execution of documentation relating to this facility to the satisfaction of the lender.

Sai Regency Power Corporation Private Limited

Set forth below is a summary of the aggregate borrowings of Sai Regency Power Corporation Private Limited as of March 31, 2008:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	141.96
Unsecured borrowings	56.60
Letter of Credit	5.23

Set forth below is a summary of the secured borrowings and guarantees of Sai Regency Power Corporation Private Limited as of March 31, 2008:

Name of the Lender(s)	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
SBI, State Bank of Hyderabad ("SBH"), State Bank of Travancore ("SBT"), State of Bank of Patiala ("SBP"), State Bank of Bikaner and Jaipur ("SBBJ"), State Bank of Patiala ("SBP"), State Bank of Saurashtra ("SBS") and State Bank of Mysore ("SBM")	Common rupee term loan agreement dated August 3, 2005 for a term loan aggregating Rs.130.00 crore.	119.18	SBI: 1.25% below SBAR with a minimum rate of 9.00% p.a. compounded at monthly intervals. SBH: 2.00% below SBH prime lending rate with a minimum rate of 9% p.a. compounded at monthly intervals. SBT: 3.00% below SBT prime lending rate with a minimum rate of 9.00% p.a. compounded at monthly intervals. SBBJ: 1.75% below SBBJ prime lending rate with a minimum rate of 9.00% p.a. compounded at monthly intervals. SBP: 1.50% below SBP prime lending rate with a minimum rate of 9.00% p.a. compounded at monthly intervals. SBS: 2.00% below SBS prime lending rate with a minimum rate of 9.00% p.a. compounded at monthly intervals. SBM: 2.00% below SBM prime lending rate	28 quarterly instalments commencing from June 30, 2007, in the following manner: a) 8 quarterly instalments of Rs.4.00 crore each; b) 12 quarterly instalments of Rs.4.50 crore each; and c) 8 quarterly instalments of Rs.5.50 crore each.	1. First charge, through a mortgage, on all immovable properties of the borrower. 2. First charge, through a hypothecation, on all movable properties of the borrower. 3. First charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. First charge, through an assignment of or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. First charge on all intangible properties of the borrower. 6. First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. 7. First charge, through a pledge, on the 26% shareholding.

Name of the Lender(s)	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
			with a minimum rate of 9.00% p.a. compounded at monthly intervals.		
Indian Overseas Bank ("IOB")	Term loan agreement dated July 28, 2006 for a subordinated term loan of Rs.7.5 crore.	6.98	1% more than the bank prime lending rate	28 quarterly instalments commencing from June 30, 2007, in the following manner: a) 8 quarterly instalments of Rs.0.20 crore each; b) 12 quarterly instalments of Rs.0.27 crore each; and c) 8 quarterly instalments of Rs.0.30 crore each.	1. Second charge on all movable properties of the borrower. 2. Second charge on the entire current assets of the company. 3. Second charge on all income from the disposition of the above assets. 4. Second charge on any letter of credit, guarantee or performance bond in favor of the borrower. 5. Second charge on insurance policies and reinsurance policies. 6. Second charge on all amounts outstanding in any bank account. 7. Second charge on all intangible assets of the borrower. 8. Personal guarantees by the promoter- directors.*
Andhra Bank	Composite loan agreement dated September 26, 2006 for a subordinated loan of Rs.7.50 crore.	6.99	Benchmark prime lending rate plus term premia lending and 1.25% p.a., with periodic resets.	28 quarterly instalments commencing from June 30, 2007, in the following manner: a) 8 quarterly instalments of Rs.0.20 crore each; b) 12 quarterly instalments of Rs.0.27 crore each; and c) c) 8 quarterly instalments of Rs.0.30 crore each.	1. Second charge, through a mortgage, on all immovable properties of the borrower. 2. Second charge, through a hypothecation, on all movable properties of the borrower. 3. Second charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. Second charge, through an assignment or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. Second charge on all intangible properties of the borrower. 6. Second charge on the trust

Name of the Lender(s)	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
					and retention account, debt service reserve, other reserves and any other bank account of the borrower. 7. Second charge, through a pledge, on the 26% shareholding. 8. Personal guarantees by the promoter -directors.*
IOB	Sanction letter dated April 25, 2007 for the following: a) Cash credit facility of Rs.10.00 crore; b) Standby Letter of Credit of Rs.5.35 crore; and c) Letter of Guarantee of Rs.0.10 crore.	Cash Credit facility: 8.77 Letter of Credit: 5.23 Letter of Guarantee The guarantee has been discharged.	Cash Credit facility: a) 1.00% less than the bank prime lending rate; and b) Margin: 25% Standby Letter of Credit: a) Commission: As per the guidelines issued by IOB from time to time; and b) Margin: 10% Letter of Guarantee a) Commission: As per the guidelines issued by IOB from time to time; and b) Margin: 10%.	November 18, 2006.**	Cash Credit facility: a) First charge on the entire assets of the borrower. Standby Letter of Credit: a) First charge on the entire assets of the borrower. Letter of Guarantee a) First charge on the entire assets of the borrower; and b) Counter-indemnity by the borrower.

* *Pursuant to an application dated November 19, 2007, the borrower has applied for the release of the personal guarantee given by the promoter-directors. The application for extension is currently pending.*

** *Pursuant to a letter dated December 10, 2007, the borrower has applied for an extension of these facilities. The application for extension is currently pending.*

In addition to above, Sai Regency Power Corporation Private Limited has received two vehicle loans from Sundaram Finance Limited ("Sundaram Finance") at an average interest rate of 9.49% p.a. As on March 31, 2008, an aggregate amount of approximately Rs.3.88 lakhs was outstanding under these facilities.

VS Lignite Power Private Limited

Set forth below is a summary of the aggregate borrowings of VS Lignite Power Private Limited as of March 31, 2008:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	330.20
Unsecured borrowings	29.42
Bank guarantees	11.38

Set forth below is a summary of the secured borrowings and guarantees of VS Lignite Power Private Limited as of March 31, 2008:

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
IDFC, Rural Electrification Corporation Limited ("REC"), UCO Bank, Housing and Urban Development Corporation Limited ("HUDCO"), L&T Infrastructure Finance Company Limited ("L&T") and Bank of Baroda	Senior Rupee agreement dated March 22, 2007 between IDFC and the borrower, Senior Rupee agreement dated September 22, 2007 between UCO bank and the borrower and the Common Rupee loan agreement dated November 21, 2007 for a an aggregate term loan of Rs.485.80 crore.	330.19	IDFC: a) 1.75% p.a. more than the IDFC benchmark rate; and b) Prepayment: On any prepayment except in the manner specified in the sanction letter, the right to impose specific terms and conditions for any prepayment. REC: a) Prior to the commercial operations date: 11.00% p.a.; b) Post commercial operations date: 10.75% p.a.; and c) Pre-payment: The lender has the right to impose specific terms and conditions for any prepayment. UCO Bank: a) 2.62% p.a. less than the bank prime lending rate; and b) Prepayment Fee: On any prepayment except in the manner specified in the sanction letter, the prepayment penalty shall be as per the guidelines specified by the lender from time to time. HUDCO: a) The highest common rate of interest of the consortium partners or the highest rate of interest of the lender for the government projects as per the financial norms of the lender at the time of the	40 quarterly instalments of Rs.12.14 crore each commencing from 12 months after the commercial operations date or 42 months from the date of financial closure, whichever is earlier.	1. First charge, through a mortgage, on all immovable properties of the borrower. 2. First charge, through a hypothecation, of all movable properties of the borrower. 3. First charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. First charge, through an assignment of or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. First charge on all intangible properties of the borrower. 6. First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. 7. First charge, through a pledge, on the 51% shareholding.

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
			disbursement. L&T: a) 1.75% p.a. less than the SBI prime lending rate; and b) Prepayment Fee: On any prepayment except in the manner specified in the sanction letter, the prepayment penalty shall be 2.00% of the amount outstanding under the facility or as per the formula specified by the lender. Bank of Baroda: a) 2.25% p.a. less than the bank prime lending rate; and b) Prepayment Fee: On any prepayment except in the manner specified in the sanction letter, the prepayment penalty shall be 2.00% of the amount outstanding under the facility or as per the formula specified by the lender.		
UCO Bank	Sanction letter dated October 4, 2007 for a bank guarantee of Rs.6.65 crore.	6.65	Rs.170 plus 2.20% p.a.	Valid up to September 29, 2008.	1. Counter-guarantee of the borrower. 2. Second charge on the fixed assets of the borrower.
IDFC	Sanction letter dated February 22, 2007 for a subordinated term loan of Rs.34.70 crore.	No disbursement has been made under this facility.	Interest Rate: 3.30% p.a. more than the three-year IDFC benchmark rate. Prepayment Fee: On any prepayment except in the manner specified in the sanction letter, the prepayment penalty shall be 2.00% of the amount outstanding under the facility.	40 quarterly instalments commencing from 12 months after the commercial operations date or 42 months from the date of financial closure, whichever is earlier.	1. Second charge, through a mortgage, on all immovable properties of the borrower. 2. Second charge, through a hypothecation, on all movable properties of the borrower. 3. Second charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. Second charge, through an assignment or creation of a security interest, on the borrower's right, title and interest in all documents related to

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
					the project that has been financed through this term loan. 5. Second charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. 6. Second charge, through a pledge, the 51% shareholding.
IOB	Letter Guarantee No. 108/07 dated June 14,2007	4.73	1.75 % p.a.	Valid up to May 13, 2009	1. Supported by a comfort letter from IDFC.

In addition to above, VS Lignite Power Private Limited has received a vehicle loan from Sundaram Finance at an interest rate of 7.78% p.a. As on March 31, 2008, an amount of approximately Rs.1.21 lakhs was outstanding under this facility.

Wardha Power Company Private Limited

Set forth below is a summary of the aggregate borrowings of Wardha Power Company Private Limited as of March 31, 2008:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	245.55
Unsecured borrowings	30.64
Bank guarantees	-

Set forth below is a summary of the secured borrowings and guarantees of Wardha Power Company Private Limited as of March 31, 2008:

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
REC, HUDCO and IOB	Term loan agreement dated May 12, 2007 and Common loan agreement dated January 24, 2008 for a term loan of Rs.887.50 crore.	95.38	REC: a) The interest rate payable by the borrower will be as per REC's guidelines; and b) Pre-payment: The lender has the right to impose specific terms and conditions for any prepayment. HUDCO: a) The interest	40 quarterly equal instalments of Rs. 22.19 crore each.	First charge, through a mortgage, on all immovable properties of the borrower. First charge, through a hypothecation, of all movable properties of the borrower. First charge on the borrower's cash flows, book debts, receivables and any other revenue. First charge, through an assignment of or creation of a security interest, on the

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
			rate payable by the borrower will be as per HUDCO's guidelines; and b) Pre-payment: The lender has the right to impose specific terms and conditions for any prepayment. IOB: a) 2.50% p.a. less than the benchmark lending rate; and b) Pre-payment penalty: 1% p.a.		borrower's right, title and interest in all documents related to the project that has been financed through this term loan. First charge on all intangible properties of the borrower. First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. First charge, through a pledge, on the 51% shareholding in the borrower.

In addition to the above, Wardha Power Company Private Limited has been sanctioned the following credit facilities:

Power plant at Warora, Maharashtra

(a) A term loan of Rs.150.00 crore from Bank of India pursuant to a sanction letter dated October 30, 2007. The interest rate payable by the borrower will be 1.50% less than bank prime lending rate with the minimum interest rate being 11.75% p.a. The loan has to be repaid in 40 quarterly installments. The following security is required to be created for this credit facility:

(i) First charge, through a mortgage, on all immovable properties of the borrower;

(ii) First charge, through a hypothecation, on all movable properties of the borrower;

(iii) First charge, through an assignment of or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan.;

(iv) First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower; and

(v) First charge, through a pledge, on the shareholding of KSK Electricity Financing India Private Limited in the borrower.

A bridge loan of Rs.150.00 crore from the Bank of India pursuant to an agreement dated December 28, 2007. The interest rate payable by the borrower is 0.75% less than bank prime lending rate and the loan has to be repaid within six months or execution of the all funding documentation. The following security has been created for this credit facility:

(i) First charge, through a mortgage, on all immovable properties of the borrower; and

(ii) First charge, through a hypothecation, on all movable properties of the borrower.

(b) A term loan of Rs.150.00 crore from UCO Bank of India pursuant to a sanction letter dated December 12, 2007. The interest rate payable by the borrower will be 2.00% less than bank prime lending. The loan has to be repaid in 40 quarterly installments. The following security is required to be created for this credit facility:

(i) First charge, through a mortgage, on all immovable properties of the borrower; and

(ii) First charge, through a hypothecation, on all movable properties of the borrower.

A bridge loan of Rs.75.00 crore from the UCO Bank pursuant to an omnibus agreement dated April 1, 2008. The interest rate payable by the borrower is 13.50% p.a. and the loan has to be repaid within one year from the date of the first disbursement. The sanctioned amount was disbursed on March 31, 2008. As of March 31, 2008, an amount of Rs.75.00 crore was outstanding under this facility:

(i) First charge, through a mortgage, on all immovable properties of the borrower; and

(ii) First charge, through a hypothecation, on all movable properties of the borrower.

(c) A term loan of Rs.350.00 crore from HUDCO pursuant to a sanction letter dated April 25, 2008. The interest rate payable by the borrower is (i) 11.50% p.a. with periodic resets, (ii).75% p.a. less than the bank lending rate, or (iii) the highest interest rate charged by any member of the lenders consortium, whichever is higher. The loan has to be repaid in 40 quarterly installments. The following security is required to be created for this credit facility:

(i) First charge, through a mortgage, on all immovable properties of the borrower;

(ii) First charge, through a hypothecation, on all movable properties of the borrower;

(iii) First charge, through an assignment of or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan;

(iv) Assignment of all government approvals, insurance policies and uncalled capital of the project company;

(v) First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower; and

(vi) First charge, through a pledge, on the 51% shareholding of KSK Electricity Financing India Private Limited in the borrower.

Power plant at Nariayara, Chhattishgarh

(a) Pursuant to a letter dated January 29, 2008, IDFC has sanctioned a term loan of Rs.1,000.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is 2.75% p.a. above the 3 year IDFC benchmark rate prevailing on the date of each disbursement.

This letter does not give rise to any binding obligation on the part of the lender unless the borrower has sent a communication to it within 30 days from the date of receipt of this letter accepting the terms and conditions set forth therein and a rupee loan.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has tied the entire financing for the project.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute key project documents including the fuel supply agreement, the EPC contract, major equipment supply agreements, major services contracts, power evacuation arrangements and an agreement for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited or Gujarat Urja Vikas Nigam Limited for the sale of power generated by the proposed plant.

(iii) The borrower has to execute a memorandum of understanding with the Government of Chhattisgarh for implementation of the proposed power project.

(iv) The borrower has to obtain (i) mega power plant status from the Ministry of Power, Government of India; (ii) short term interim coal linkage for a period of at least three years from the Ministry of Coal or Coal India Limited; (iii) approval from the Chhattisgarh State Investment Promotion Board; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water and (vi) other necessary statutory and regulatory approvals.

(v) The borrower has to execute a fuel management fee subordination agreement with the Company and KSK Electricity Financing India Private Limited for subordination of the fuel management fees payable to them.

(vi) The borrower has to achieve financial closure for the proposed special purpose vehicle for transport of coal by rail from Morga II block to the project site.

(vii) The borrower has to obtain no-objection certificate from its existing lenders for availing this credit facility.

(viii) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(ix) The sponsors have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the sponsors.

(x) The sponsors have to provide an undertaking that (i) they will maintain a minimum of 51% equity interest in the borrower during the tenure of this facility, and (ii) the repayment or repayment of any contribution brought by the sponsors in a form other than equity shall be subordinate to the servicing of this facility and such repayment or redemption shall not be done without the prior written approval of the lender.

(xi) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a Shareholders Agreement.

(xii) The borrower has completed all formalities for acquisition of the land for the proposed project.

(b) Pursuant to a letter dated January 14, 2008, Axis Bank has sanctioned a term loan of Rs.1,000.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is the bank prime lending rate.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute project documents such as the fuel supply agreement, the EPC contract, power purchase agreement, the equipment supply agreement and an agreement for construction of a railway track for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to obtain applicable statutory approvals such as permission for evacuation of power, environmental clearances and allotment of forest land from the relevant forest department.

(iii) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(iv) The borrower has to acquire the entire land required for the project.

(v) The promoters have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the its promoters.

(c) Pursuant to a letter dated February 7, 2008, Axis Bank has granted an in-principle approval an additional rupee term loan of Rs.1000.00 crore for the proposed power plant at Nariayara, Chhattishgarh on the same terms and conditions as the previous sanction letter.

(d) Pursuant to a letter dated February 1, 2008, UCO Bank has sanctioned a term loan of Rs.500.00 crore for the proposed power plant at Nariayara, Chhattishgarh. The rate of interest is 2.00% less than bank prime lending rate during the construction period and subsequently 2.25% less than bank prime lending rate.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute the power purchase agreement.

(ii) The borrower has to achieve financial closure for the project.

(iii) The borrower has to obtain all necessary statutory, regulatory and administrative clearances.

(iv) The borrower has to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the borrower or its promoters.

(v) The borrower has to ensure that the promoters have subscribed to 50% of the total equity component of the project.

(e) Pursuant to a letter dated February 28, 2008, Bank of India has sanctioned a term loan of Rs.500.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is (i) 1.00% p.a. below the bank prime lending rate with the minimum rate being 11.75% p.a.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a shareholders agreement.

(ii) The borrower has tied the entire financing for the project.

(iii) The borrower has to obtain short term interim coal linkage for at least 80% PLF.

(iv) The borrower has to ensure that there is no preference capital in its proposed capital structure.

(v) The borrower has to obtain an undertaking from Lehman Brothers (USA) that it shall not divest its equity interest in LB India without the prior written approval of the lenders during the currency of the loan.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute the EPC contract with a suitable minimum liquidated damages clause.

(ii) The borrower has to execute a contract for assured spares parts supply for a minimum period of 15 years and assurance of supply for another 10 years.

(iii) The borrower or the Gujarat Mineral Development Corporation Limited has tied the entire financing for the development of the mine.

(iv) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited for the sale of power generated by the proposed plant.

(v) The borrower has to put a cap on the price of the coal n the fuel supply agreement or ensure that the power delivery agreement passes the increased cost of the coal through increased tariffs to the consumer.

(vi) The borrower has to obtain (i) for railway siding arrangement and agreement for transportation of coal; (ii) short term interim coal linkage for a period of at least two years from the commercial operations date; (iii) required environmental approvals; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water, v) approval from the relevant civil aviation authority for the construction of the chimney, and (vi) other necessary statutory and regulatory approvals.

(vii) The borrower has to obtain an undertaking from the sponsors and LB India that any shortfall in the resources of the borrower due to the failure of the Gujarat Mineral Development Corporation Limited/other customers to subscribe to its equity shall be met by the sponsors and LB India.

(viii) The borrower has to obtain an undertaking from the sponsors and LB India that they will maintain a minimum of 26% equity interest in the borrower and retain its management control at all times during the tenure of this facility.

(f) Pursuant to a letter dated June 2, 2008, the Bank of India has sanctioned an additional term loan of Rs.250.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The terms and conditions contained in the sanction letter dated February 28, 2008, for the term loan of Rs.500.00 crore, are also applicable to this additional term loan.

(g) Pursuant to a letter dated March 27, 2008, Union Bank of India has sanctioned a term loan of Rs.200.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is (i) 1.25% p.a. below the bank prime lending rate, or (ii) the highest interest rate charged by any member of the lenders consortium, whichever is higher.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has tied the entire financing for the project.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute key project documents including the fuel supply agreement, the EPC contract, major equipment supply agreements, major services contracts, power evacuation arrangements and an agreement for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited or Gujarat Urja Vikas Nigam Limited for the sale of power generated by the proposed plant.

(iii) The borrower has to execute a memorandum of understanding with the Government of Chhattisgarh for implementation of the proposed power project.

(iv) The borrower has to obtain (i) mega power plant status from the Ministry of Power, Government of India; (ii) short term interim coal linkage for a period of at least three years from the Ministry of Coal or Coal India Limited; (iii) approval from the Chhattisgarh State Investment Promotion Board; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water and (vi) other necessary statutory and regulatory approvals.

(v) The borrower has to execute a fuel management fee subordination agreement with the sponsors for subordination of the fuel management fees payable to them.

(vi) The borrower has to execute a fuel supply agreement with Coal India Limited and a tripartite agreement with Coal India Limited and Indian Railways for the transportation of fuel.

(vii) The borrower has to achieve financial closure for the proposed special purpose vehicle for transport of coal by rail from Morga II block to the project site.

(viii) The borrower has to obtain no-objection certificate from its existing lenders for availing this credit facility.

(ix) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(x) The sponsors have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the sponsors.

(xi) The sponsors have to provide an undertaking that (i) they will maintain a minimum of 51% equity interest in the borrower during the tenure of this facility, and (ii) the repayment or repayment of any contribution brought by the sponsors in a form other than equity shall be subordinate to the servicing of this facility and such repayment or redemption shall not be done without the prior written approval of the lender.

(xii) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a shareholders agreement.

(xiii) The borrower has executed all financing agreements for the project.

(xiv) The borrower has completed all formalities for acquisition of the land for the proposed project.

(h) Pursuant to a letter dated April 2, 2008, Life Insurance Corporation of India has granted an in-principle approval for a term loan of Rs.250.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is 11.75% p.a.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has tied the entire financing for the project.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute key project documents including the fuel supply agreement, the EPC contract, major equipment supply agreements, major services contracts, power evacuation arrangements and an agreement for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited or Gujarat Urja Vikas Nigam Limited for the sale of power generated by the proposed plant.

(iii) The borrower has to execute a memorandum of understanding with the Government of Chhattisgarh for implementation of the proposed power project.

(iv) The borrower has to obtain (i) mega power plant status from the Ministry of Power, Government of India; (ii) short term interim coal linkage for a period of at least three years from the Ministry of Coal or Coal India Limited; (iii) approval from the Chhattisgarh State Investment Promotion Board; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water and (vi) other necessary statutory and regulatory approvals.

(v) The borrower has to execute a fuel management fee subordination agreement with the sponsors for subordination of the fuel management fees payable to them.

(vi) The borrower has to execute a fuel supply agreement with Coal India Limited and a tripartite agreement with Coal India Limited and Indian Railways for the transportation of fuel.

(vii) The borrower has to achieve financial closure for the proposed special purpose vehicle for transport of coal by rail from Morga II block to the project site.

(viii) The borrower has to obtain no-objection certificate from its existing lenders for availing this credit facility.

(ix) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(x) The sponsors have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the sponsors.

(xi) The sponsors have to provide an undertaking that (i) they will maintain a minimum of 51% equity interest in the borrower during the tenure of this facility, and (ii) the repayment or repayment of any contribution brought by the sponsors in a form other than equity shall be subordinate to the servicing of this facility and such repayment or redemption shall not be done without the prior written approval of the lender.

(xii) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a shareholders agreement.

(xiii) The borrower has executed all financing agreements for the project.

(xiv) The borrower has completed all formalities for acquisition of the land for the proposed project.

(i) Pursuant to a letter dated April 21, 2008, Bank of Baroda has sanctioned a term loan of Rs. 300.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is (i) 1.25% p.a. below the bank prime lending rate with the minimum rate being 11.50% p.a, or (ii) the highest interest rate charged by any member of the lenders consortium, whichever is higher.

Certain pre-commitment conditions under the sanction letter are as follows:

The borrower has tied the entire financing for the project.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute key project documents including the fuel supply agreement, the EPC contract, major equipment supply agreements, major services contracts, power evacuation arrangements and an agreement for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited or Gujarat Urja Vikas Nigam Limited for the sale of power generated by the proposed plant.

(iii) The borrower has to execute a memorandum of understanding with the Government of Chhattisgarh for implementation of the proposed power project.

(iv) The borrower has to obtain (i) mega power plant status from the Ministry of Power, Government of India; (ii) short term interim coal linkage for a period of at least three years from the Ministry of Coal or Coal India Limited; (iii) approval from the Chhattisgarh State Investment Promotion Board; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water and (vi) other necessary statutory and regulatory approvals.

(v) The borrower has to execute a fuel management fee subordination agreement with the sponsors for subordination of the fuel management fees payable to them.

(vi) The borrower has to execute a fuel supply agreement with Coal India Limited and a tripartite agreement with Coal India Limited and Indian Railways for the transportation of fuel.

(vii) The borrower has to achieve financial closure for the proposed special purpose vehicle for transport of coal by rail from Morga II block to the project site.

(viii) The borrower has to obtain no-objection certificate from its existing lenders for availing this credit facility.

(ix) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(x) The sponsors have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the sponsors.

(xi) The sponsors have to provide an undertaking that (i) they will maintain a minimum of 51% equity interest in the borrower during the tenure of this facility, and (ii) the repayment or repayment of any contribution brought by the sponsors in a form other than equity shall be subordinate to the servicing of this facility and such repayment or redemption shall not be done without the prior written approval of the lender.

(xii) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a shareholders agreement.

(xiii) The borrower has executed all financing agreements for the project.

(xiv) The borrower has completed all formalities for acquisition of the land for the proposed project.

(j) Pursuant to a letter dated May 8, 2008, Central Bank of India has sanctioned a term loan of Rs.300.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is 1.00% p.a. below the bank prime lending rate.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has tied the entire financing for the project.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute key project documents including the fuel supply agreement, the EPC contract, major equipment supply agreements, major services contracts, power evacuation arrangements and an agreement for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited or Gujarat Urja Vikas Nigam Limited for the sale of power generated by the proposed plant.

(iii) The borrower has to execute a memorandum of understanding with the Government of Chhattisgarh for implementation of the proposed power project.

(iv) The borrower has to obtain (i) mega power plant status from the Ministry of Power, Government of India; (ii) short term interim coal linkage for a period of at least three years from the Ministry of Coal or Coal India Limited; (iii) approval from the Chhattisgarh State Investment Promotion Board; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water and (vi) other necessary statutory and regulatory approvals.

(v) The borrower has to execute a fuel management fee subordination agreement with the sponsors for subordination of the fuel management fees payable to them.

(vi) The borrower has to execute a fuel supply agreement with Coal India Limited and a tripartite agreement with Coal India Limited and Indian Railways for the transportation of fuel.

(vii) The borrower has to achieve financial closure for the proposed special purpose vehicle for transport of coal by rail from Morga II block to the project site.

(viii) The borrower has to obtain no-objection certificate from its existing lenders for availing this credit facility.

(ix) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(x) The sponsors have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the sponsors.

(xi) The sponsors have to provide an undertaking that (i) they will maintain a minimum of 51% equity interest in the borrower during the tenure of this facility, and (ii) the repayment or repayment of any contribution brought by the sponsors in a form other than equity shall be subordinate to the servicing of this facility and such repayment or redemption shall not be done without the prior written approval of the lender.

(xii) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a shareholders agreement.

(xiii) The borrower has executed all financing agreements for the project.

(xiv) The borrower has completed all formalities for acquisition of the land for the proposed project.

(k) Pursuant to a letter dated May 23, 2008, Indian Bank has sanctioned a term loan of Rs.100.00 crore for the proposed 1,800 MW power plant at Nariayara, Chhattishgarh. The rate of interest is 1.50% p.a. below the bank prime lending rate and the tenor premium.

Certain pre-commitment conditions under the sanction letter are as follows:

(i) The borrower has tied the entire financing for the project.

Certain pre-disbursement conditions under the sanction letter are as follows:

(i) The borrower has to execute key project documents including the fuel supply agreement, the EPC contract, major equipment supply agreements, major services contracts, power evacuation arrangements and an agreement for transportation of coal from the Morga II block to the project site.

(ii) The borrower has to execute a power purchase agreement with the Gujarat Mineral Development Corporation Limited or Gujarat Urja Vikas Nigam Limited for the sale of power generated by the proposed plant.

(iii) The borrower has to execute a memorandum of understanding with the Government of Chhattisgarh for implementation of the proposed power project.

(iv) The borrower has to obtain (i) mega power plant status from the Ministry of Power, Government of India; (ii) short term interim coal linkage for a period of at least three years from the Ministry of Coal or Coal India Limited; (iii) approval from the Chhattisgarh State Investment Promotion Board; (iv) approval for open access to the relevant power grid for evacuation of power; (v) approval for drawal of water and (vi) other necessary statutory and regulatory approvals.

(v) The borrower has to execute a fuel management fee subordination agreement with the sponsors for subordination of the fuel management fees payable to them.

(vi) The borrower has to execute a fuel supply agreement with Coal India Limited and a tripartite agreement with Coal India Limited and Indian Railways for the transportation of fuel.

(vii) The borrower has to achieve financial closure for the proposed special purpose vehicle for transport of coal by rail from Morga II block to the project site.

(viii) The borrower has to obtain no-objection certificate from its existing lenders for availing this credit facility.

(ix) The borrower has to ensure that 100% of the equity component of the project has been paid-up.

(x) The sponsors have to provide an undertaking that in the event the project cost exceeds the estimated budget then the additional cost shall be borne by the sponsors.

(xi) The sponsors have to provide an undertaking that (i) they will maintain a minimum of 51% equity interest in the borrower during the tenure of this facility, and (ii) the repayment or repayment of any contribution brought by the sponsors in a form other than equity shall be subordinate to the servicing of this facility and such repayment or redemption shall not be done without the prior written approval of the lender.

(xii) The borrower has to ensure that the sponsors of the borrower and its other shareholders have entered into a shareholders agreement.

(xiii) The borrower has executed all financing agreements for the project.

(xiv) The borrower has completed all formalities for acquisition of the land for the proposed project.

Please also see the section "Risk Factors" beginning on page 11 of this Red Herring Prospectus.

Sitapuram Power Limited

Set forth below is a summary of the aggregate borrowings of Sitapuram Power Limited as of March 31, 2008:

Nature of Borrowing	Amount (Rs. in crores)
Secured borrowings	121.53
Unsecured borrowings	10.80
Bank Guarantee	-

Set forth below is a summary of the secured borrowings and guarantees of Sitapuram Power Limited as of March 31, 2008:

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
IDFC	Rupee loan agreement dated July 22, 2006 for a term loan of Rs.55.00 crore.	51.00	2.02% above the IDFC benchmark rate. <u>Prepayment Fee</u>: According to the formula specified in the loan agreement.	36 quarterly instalments of Rs.1.53 crore each commencing from December 15, 2007.	1. First charge, through a mortgage, on all immovable properties of the borrower. 2. First charge, through a hypothecation, on all movable properties of the borrower. 3. First charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. First charge, through an assignment of or creation of

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
					a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. First charge on all intangible properties of the borrower. 6. First charge on the trust and retention account, debt service reserve, other reserves and any other bank account of the borrower. 7. First charge, through a pledge, on the shareholding of KSK Electricity Financing India Private Limited in the borrower.
IDBI	Rupee loan agreement dated September 28, 2006, for a term loan of Rs.30.00 crore	28.34	5 year Government of India securities plus 232 basis points to be fixed on each disbursement. Prepayment Fee: 1.00% of the amount prepaid.	35 quarterly instalments commencing from January 1, 2008 of Rs.0.83 crore and a final instalment of Rs.0.95 crore.	1. First charge, through a mortgage, on all immovable properties of the borrower. 2. First charge, through a hypothecation, on all movable properties of the borrower. 3. First charge on the borrower's cash flows, book debts, receivables and any other revenue. 4. First charge, through an assignment of or creation of a security interest, on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan. 5. First charge on all intangible properties of the borrower. 6. First charge on the trust and retention account. 7. First charge, through a pledge, on the shareholding of KSK Electricity Financing India Private Limited in the borrower.
IOB	Rupee loan agreement dated May 18, 2006 crore and Rupee loan agreement dated September 7, 2006 for an aggregate term loan of Rs.26.00 crore.	24.81	1.5% below bank prime lending rate* Prepayment Fee: 1.00% of the amount prepaid.	36 quarterly instalments approximately Rs.0.72 crore each commencing from the first anniversary of the commercial operations date*	1. First charge on the immovable and movable assets of the borrower. 2. An assignment on the borrower's right, title and interest in all documents related to the project that has been financed through

Name of the Lender	Loan Documentation	Amount outstanding as of March 31, 2008 (Rs. in crores)	Interest Rate	Repayment Schedule/Validity	Security
					this term loan.
IOB	Sanction letter dated April 25, 2007 for: a) Cash credit facility of Rs.15.00 crore; and b) Inland Letter of Credit of Rs.5.00 crore	Cash Credit facility: 12.08	Cash Credit facility: 1.5% below bank prime lending rate Letter of Credit: 50% of the applicable commission calculated on the basis of the lender's standard rates.	Valid up to April 24, 2008	1. First charge on the immovable and movable assets of the borrower. 2. An assignment on the borrower's right, title and interest in all documents related to the project that has been financed through this term loan.

* *Pursuant to the letter dated April 25, 2007, the lender has revised the interest rate from 2% below bank prime lending rate to the present rate and notified a combined repayment schedule for the aggregate amount outstanding under both the agreements.*

In addition to above, Sitapuram Power Limited has received a vehicle loan of Sundaram Finance Limited ("Sundaram Finance") at an interest rate of 7.74% p.a. As of March 31, 2008, an amount of approximately Rs.1.27 lakhs was outstanding under this facility.

Sitapuram Power Limited has also received a short term loan from UCO Bank of Rs.5.03 crore at an interest rate of 0.75% p.a. above the fixed deposit rate. The amount is payable on demand. The following security has been created for this credit facility:

(i) Charge on certain fixed deposits of the Company and Wardha Power Company Private Limited.

In general, under the terms of the secured term loans and sanction letters:

1. The Company or the relevant Subsidiary or the Sitapuram SPV is under an obligation not to permit any change in ownership or control or undertake new projects or create any additional charge, lien or other encumbrances on the secured assets or create any interest in such security in favor of any other party, mobilize additional funds through borrowings or a securities offering or make further investments in subsidiaries or group companies in the form of equity or loans, without the prior consent of the lender.

2. The Company or the relevant Subsidiary or the Sitapuram SPV has certain restrictions on declaration of dividends during the term of the loan.

3. If the Company or the relevant Subsidiary or the Sitapuram SPV commits a default in payment, the lenders have the right to convert the whole or part of the defaulted amount into fully paid-up equity shares or other securities of the borrower.

4. The Company or the relevant Subsidiary or the Sitapuram SPV is required to maintain a specified debt to equity ratio and specified debt service coverage ratio.

5. The Company or the relevant Subsidiary or the Sitapuram SPV has certain obligations in respect of the project that has been financed by the lender such as not to change the scope of the project or abandon the project.

6. The lender may appoint a nominee on the board of directors of the borrower.

As stated above, the Company has availed of working capital facilities from several banks and financial institutions. For further information on such working capital facilities, see the section “Financial Statements” beginning on page 227 of this Red Herring Prospectus.

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Subsidiaries, the Sitapuram SPV, our Promoters and our Promoter Group and there are no defaults, non payment of statutory dues, over-dues to banks/financial institutions, defaults against banks/financial institutions, defaults in dues payable to holders of any debenture, bonds and fixed deposits and arrears of preference shares issue by the Company, its Subsidiaries and the Sitapuram SPV, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of the Company, its Subsidiaries and the Sitapuram SPV and no disciplinary action has been taken by SEBI or any stock exchanges against the Company, its Subsidiaries, the Sitapuram SPV, its Promoters, Promoter Group and Directors.

I. Litigation involving the Company

Cases against the Company

Accident Claim

Reshma Vilas Bamne and Rukmini Vithal Bamne (dependents of the deceased) filed an application No. 954 of 2007 on April 9, 2007 before the Motor Vehicles Claims Tribunal at Greater Mumbai claiming Rs. 6.00 lakh as compensation under section 166 of the Motor Vehicles Act, 1988 for the death of Vilas Vithal Bamne. The Applicants have alleged that the death of Vilas Vithal Bamne was caused due to the rash and negligent driving of a vehicle that belonged to our Company and by a driver who was an employee of the Company acting in the course of employment. The complainants are also seeking a deposit of Rs.50,000 out of the compensation claimed as no fault liability under section 140 of the Motor Vehicles Act. The Company has filed its counter denying all of the allegations made under the Application by the Applicants stating (i) that the driver of the car belonging to the Company was not negligent and that the deceased was negligent while crossing the road; (ii) that the Applicants had accepted Rs. 1,00,000 in two installments of Rs. 50,000 each on April 13, 2007 and July 31, 2007 from the Company; and (iii) such payment was made by the Company purely on humanitarian grounds and in lieu of the same the Applicants stated that they would refrain from initiating any litigation. It has been submitted by the Company under its counter affidavit that the two installments were accepted by the Applicants after the filing of the case, and that the Application had been filed before the Motor Vehicles Claims Tribunal at Greater Mumbai had not been disclosed to the Company and hence in light of the same the Application should be dismissed. Moreover, the Company claims that since the insurance company has not been impleaded as a party the Application should be dismissed on account of non-joinder of proper and necessary party. The next date of hearing is July 23, 2008.

Cases by the Company

Nil

Contingent Liabilities of the Company as of March 31, 2008:

(Rupees in crores)

Particulars	As At March 31, 2008 (Consolidated)	As At March 31, 2008 (Standalone)
Letter of Credit / Claims not acknowledged as debt	4.20	-
Guarantees Issued by Banks	351.43	332.50
Corporate Guarantees	-	-
Fuel Related Minimum Guaranteed Off-take (MGO) Liability	-	-
Estimated amount of contracts remaining to be executed on capital account	1,288.44	0.36
Arrears of fixed cumulative dividend on preference share capital	17.18	-
Total	**1,661.25**	**332.86**

II. Litigation involving the Subsidiaries

<u>Cases against the Subsidiaries</u>

1) Sai Regency Power Corporation Private Limited (formerly Regency Power Corporation Private Limited)

A writ petition no. 12850 of 2006 was filed on June 26, 2006 by one M.V.B. Reddy, in his capacity as a shareholder of Regency Ceramics Limited ("RCL"), in the High Court of Andhra Pradesh, Hyderabad challenging the transfer to Regency Power Corporation Private Limited ("Regency Power") of natural gas allocated by GAIL to RCL. The petitioner impleaded six respondents including Regency Power.

The petitioner has alleged, *inter alia*, that (i) the gas had been allocated to RCL for the purpose of manufacturing cement products and (ii) as per the captive plant power plant policy issued by the Ministry of Power, all the captive end users should collectively hold 26% of the share capital of the generating company and should be able to consume at least 51% of the power generated to qualify as a captive power plant, that RCL is not even a shareholder of Regency Power and that the transfer of gas allocation was obtained by Regency Power by making false statements. The Petitioner is seeking a writ declaring the action of the respondents in disregarding the representations of the petitioner to take action against RCL and Regency Power to be arbitrary and illegal and seeking restoration of the gas allocation in favor of RCL.

Regency Power, through its director Mr. K.A. Sastry, filed a counter affidavit on August 6, 2006, in which it stated that (i) the petitioner has no *locus standi* since he is not a shareholder of Regency Power, (ii) the High Court of Andhra Pradesh does not have any jurisdiction in the matter as the courts of Delhi shall have exclusive jurisdiction and no part of the cause of action arises in Andhra Pradesh, (iii) Regency Power is the special purpose vehicle incorporated by RCL for implementing the power project for which purpose the gas was allocated by the Central Government, (iv) the gas allocation and transfer of gas to Regency Power was permissible under Article 12 of the gas supply contract dated February 21, 2002 between GAIL and RCL and that under the tripartite agreement dated August 4, 2004 between GAIL, RCL and Regency Power, all contractual rights and obligations of RCL would stand transferred in favor of Regency Power, and (v) no fraud has been committed by transfer of the gas allocation since the end use, namely, power generation, has not changed.

The writ petition has been admitted and the matter is to be listed before the High Court and no date has yet been fixed for hearing.

Contingent Liabilities of Sai Regency Power Corporation Private Limited as of March 31, 2008:

(Rupees in lakhs)

Particulars	Amount
Letter of Credit Outstanding	523.11
Estimated amount of contracts executed and not provided for	2.87

2) Arasmeta Captive Power Company Private Limited ("Arasmeta")

O.P. No.690 of 2007 was filed by Thermax Limited ("Thermax") against Arasmeta before the Vacation Civil Judge, City Civil Courts, Hyderabad. Thernax and Arasmeta entered into *inter alia* a boiler and balance of plant agreement dated January 24, 2005 for procurement and supply of equipment, components and machinery for the 43 MW captive power plant (the "Supply Agreement"). In terms of the Supply Agreement, Thermax provided a performance bank guarantee furnished by Union Bank of India for Rs. 698.07 lakh valid up to May 4, 2007. Arasmeta sent a letter to Thermax on April 28, 2007 invoking the bank guarantee. Thermax alleged breach of the supply agreement alleging, *inter alia*, that the bank guarantee has been invoked, just six days before its expiry, though there was no shortfall in performance and invoked the arbitration clause under the Supply Agreement. An injunction was sought restraining Arasmeta from encashing the bank guarantee and the Union Bank of India from crediting any amount on the basis of the bank guarantee until the arbitration proceedings are completed. Thermax also issued a legal notice to Arasmeta on May 2, 2007 invoking arbitration proceedings and appointing an arbitrator as provided for in the supply agreement.

Arasmeta filed a response to the petition on May 12, 2007, stating that Thermax had failed to perform its obligations under the Supply Agreement and had abandoned its work, that there were flaws in the equipment which was delivered and that the court may not interfere with the invocation of a bank guarantee which is a private contract between the banker and the owner of the guarantee. Arasmeta also contended that Thermax had not followed the procedure specified in the Supply Agreement for invocation of arbitration. Arasmeta replied to the notice for invocation of arbitration on June 1, 2007 stating that the pre-arbitration procedure has not been followed by Thermax.

Pursuant to an order dated June 15, 2007, the II Additional Chief Judge of the City Civil Court directed maintenance of status quo in respect of the bank guarantee amount. Union Bank of India was directed not to make any payment under the bank guarantee and Thermax was directed to extend the bank guarantee for three months at its own expense. The O.P is posted for hearing on June 16, 2008.

Arasmeta filed an appeal C.M.A. No. 578/2007 on August 6, 2007 against this order before the High Court of Andhra Pradesh contending that injunction cannot be issued in matters of bank guarantee as they would directly interfere with commercial transactions and that in the instant case, the court had erroneously concluded that Thermax had fulfilled its obligations under the Supply Agreement.

Simultaneously, Thermax had filed Arbitration Application No. 48 of 2007 before the High Court of Andhra Pradesh on July 3, 2007, asking the High Court to appoint the second arbitrator as Arasmeta had not appointed such person as per the terms of the Supply Agreement. The application was dismissed by the High Court on October 23, 2007 on the grounds that proper pre-arbitration procedure prescribed under the Supply Agreement was not followed by Thermax. Thermax then filed a Special Leave Petition No 100 of 2008 before the Supreme Court of India on January 3, 2008 challenging the order of the High Court and praying for interim relief and stay of the High Court order. Arasmeta filed its counter on March 7, 2008 wherein it stated that Thermax had not followed the procedure for arbitration under the Supply Agreement as it did not serve a written notice on Arasmeta prior to approaching the High Court, and submitted that the written notice of the dispute has been sent by Thermax only on January 21, 2008. It was submitted that the arbitration application should be dismissed and the interim relief should not be granted. The next date of hearing is in the second week of July, 2008.

Contingent Liabilities of Arasmeta Captive Power Company Private Limited as of March 31, 2008

(Rupees in lakhs)

Particulars	**Amount**
Bank/ Corporate Guarantees Outstanding	2,060.00
Estimated amount of Contracts remaining to be executed on capital account not provided for	11,178.76

3) **VS Lignite Private Limited (formerly Marudhar Power Private Limited)**

a) Gain Singh and others filed a writ petition S.B. Civil Writ Petition No. 6555 of 2007 on October 9, 2007 in the High Court of Rajasthan at Jodhpur. The petitioners are residents of the village Bandhas 1, 2, 3 and 4 of Tehsil Kolayat in Bikaner district. They have contended that the power plant set up by VS Lignite Private Limited ("VS Lignite") has broken the 'bandha' or water reservoir/dam without conversion of the nature of the land and without payment of the charges of conversion, though land which is catchment area cannot be converted for any other purpose. The petitioners have also stated that the crops are not getting adequate water for irrigation and the villagers are not getting sufficient drinking water. The petitioners state that State Government has issued a notification on June 16, 2003 prohibiting construction in 'angore lands' to preserve the catchment area. Alleging infringement of Articles 14 and 21 of the Constitution of India, the petitioners are seeking a direction to VS Lignite not to destroy the dam, not to close the entry and exit to the petitioners' fields and not to dig any tube wells in the area that would affect the water levels.

In its reply VS Lignite stated that the land of the dam/pond was not registered in the revenue records and that it had taken all necessary permits and licenses from the State Government before undertaking the project, including the commencement of land acquisition proceedings. Even a public hearing was conducted to ensure compliance with environmental standards. The Gram Panchayat had also accorded its consent and appointed a committee for the development of the village under the power plant project. It was prayed that the petition should be dismissed with exemplary costs. The next date of hearing is July 9, 2008.

b) A batch of 102 people have filed independent Civil Writ Petitions against the State of Rajasthan and VS Lignite Power Private Limited ("VS Lignite") before the High Court of Rajasthan, challenging the land acquisition proceedings initiated by the Government of Rajasthan in favor of VS Lignite and seeking a stay on the land acquisition proceedings on the grounds that the Government of Rajasthan does not have the power to acquire land for a private limited company unless it is for a public purpose. The petitioners have, as an alternative prayer, claimed that the valuation of the land should be enhanced from the amounts stated by the Government of Rajasthan in its notification of May 2, 2007. The cumulative amount claimed by them is Rs. 19.30 crore. The petitioners have prayed that the Government of Rajasthan provide the petitioners with irrigated land or compensation in lieu thereof, and have also prayed for the stay of the acquisition proceedings. VS Lignite filed detailed counters independently in each of the cases stating that: (i) the acquisition of the land in question is solely for a public purpose of generation of electricity and that power generation is a public purpose as mentioned in the National Electricity Policy, 2005 declared by the Central Government; (ii) that the land acquired has been declared a mining area; and will be used for the purpose of excavation of lignite which in turn would be used for the generation of electricity; (iii) the Mining Department of the Government of Rajasthan and the Ministry of Coal, Government of India have not been impleaded as respondents and the writ petitions are not maintainable as they are necessary parties to the dispute; (iv) that the land in question was allotted to VS Lignite by the Ministry of Coal and the Mining Department of the Government of Rajasthan, and that the writ petitions do not challenge this allotment; (v) that the petitioners cannot claim both stay on acquisition proceedings and compensation for the acquisition; and (vi) that the petitions are devoid of merits and filed only to have unjust enrichment. VS Lignite has prayed for the petitions to be dismissed summarily with costs. The next date of hearing is July 9, 2008.

c) Mr. Sunil Kumar Gehlot filed a writ petition S.B. Civil Writ Petition No. 8198/ 2007 challenging the land acquisition proceedings initiated by the State Government and impleaded the State of Rajasthan, the Land Acquisition Officer cum Sub Divisional Officer, Bikaner and VS Lignite. The petitioner purchased adjoining pieces of agricultural land aggregating 39 bighas. The petitioner then applied for conversion of an aggregate of 8 bighas of land for the purposes of setting up a brick kiln, which permission was granted. He also obtained a license from the Mining Engineer, Bikaner and the consent of the Rajasthan State Pollution Control Board to operate the kiln. The State Government issued a declaration dated September 28, 2007 for acquiring his land in order to set up a lignite based power plant there. The petitioner contended that the Government can acquire the land for a private company under Chapter VII of the Land Acquisition Act, 1894, only for the purpose of erection of dwelling houses for the workmen employed by the company or for the provision of amenities directly connected therewith and that in the instant case, the land was being acquired to set up the power plant. The petitioner also contended that in the event of the acquisition, the petitioner would be deprived of his source of livelihood and sought a direction quashing the declaration of the State Government and to restrain the respondent from interfering with the petitioner's peaceful possession.

VS Lignite filed its counter stating that the acquisition of the land in question is solely for a public purpose of generation of electricity and that power generation is a public purpose as mentioned in the National Electricity Policy 2003 declared by the Central Government. The next date of hearing is July 9, 2008.

Contingent Liabilities of VS Lignite Private Limited as of March 31, 2008:

Particulars	(Rupees in lakhs) Amount
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Bank/ Corporate Guarantees Outstanding	1,138.00
Arrears of dividend on cumulative redeemable preference shares	1,942..28
Estimated value of contracts entered into and not provided for	17,454.60

Contingent Liabilities of Wardha Power Company Private Limited as of March 31, 2008:

Estimated value of contracts executed and not provided for amount to Rs. 144,927.53 lakh.

Cases by the Subsidiaries

1) **Sai Regency Power Corporation Private Limited**

a) Sai Regency ("Assessee") filed an appeal on December 3, 2007 before the Commissioner of Income Tax (Appeals), Hyderabad. Sai Regency is in the process of setting up of a power plant and is presently in the pre-operative stage. The return of income for the Assessment Year 2005-06 was filed declaring "Nil" income.

The Assessee entered into a contract dated February 21, 2002 with GAIL. As per the terms of the contract, the Assessee was required to make a security deposit of Rs. 94,87,500 and furnish a bank guarantee for Rs.28,46,250 and GAIL would pay 7% simple interest on the security deposit. The security deposit and guarantee would be refunded on commencement of supply of gas. In order to obtain the bank guarantee, the Assessee made a bank guarantee deposit of Rs. 28,46,250 in a bank. The aggregate interest income of Rs. 7,10,173. Interest on security deposit amounted to Rs. 6,64,125. Thus the aggregate interest income from the security deposit and the bank guarantee deposit was Rs. 13,74,298. A demand notice was served on the Assessee on November 15, 2007 for an amount of Rs.6,23,831.

The Assessee filed an appeal on the ground that the Income Tax Officer had erred in assessing the interest income under the head "Other Sources"; the entire interest income directly arose from business commitments and that therefore, the project cost stood reduced to the extent of interest receipts, as the Assessee was yet to commence its business; the earning of interest was inextricably linked with the project and that it was substantially dependent on the carrying on of the business and that it was not a case of earning interest on investment of surplus funds but a case of feeding the project and therefore was not taxable. The matter was heard and pending for pronouncement of Order.

Sai Regency has also filed an appeal on April 28, 2008 before the Commissioner of Income Tax (Appeals) for the Assessment Year 2006-07 against the order under section 143(3) of the Income Tax Act, 1961, of the Income Tax Officer, Ward 3(1), Hyderabad, dated March 31, 2008, by which he determined that a sum of Rs. 4,35,380 was taxable on the Assessee. The return of income for the Assessment Year 2006-07 was filed on November 23, 2006 by the Assessee, in which it declared "Nil" income towards income from business and Rs. 2,50,068 under other sources.

The Assessee had received an interest of Rs. 14,94,628 from UCO Bank and State Bank of India, Bangalore for obtaining the bank guarantee and on the security deposit of Rs. 94,87,500 made with GAIL, in accordance with the contract with GAIL dated February 21, 2002. The Assessee claims in the appeal that it had not started the business operations and the interest amount which has been received by it is on account of the pre-operative expenses which may be allowed before the start of the business, and should not be considered in the computation of income of the Assessee for the Assessment Year 2006-07. The Assessee claims that the Income Tax Officer, Ward 3(1), Hyderabad had erred in passing the said order. The next date of hearing is yet to be fixed by the Appellate Authority.

b) Sai Regency has filed Writ Petition No. 56 of 2007 before the Madurai Bench of the Madras High Court against the Tamil Nadu Electricity Board ("TNEB"), the Tamil Nadu Electricity Regulatory Commission ("TNERC") and the Chief Engineer (Distribution), Madurai Region, TNEB. Sai Regency has challenged sub-clauses (e), (f) and (g) of Regulation 7 of the Tamil Nadu Electricity Regulatory Commission Intra-State Open Access Regulations, 2005 as illegal, arbitrary, discriminatory, unconstitutional and ultra vires the provisions contained under the Electricity Act, 2003.

Sai Regency applied for evacuation of the electricity generated at its captive power plant for transmitting the power to the captive consuming industries and the TNEB provided the evacuation facility through the Valathur 230 KV sub-station. Sai Regency even gave a deposit of Rs.1.34 crore and completed all other formalities, despite which the TNEB delayed the approval for synchronizing and paralleling operations.

Eventually, the TNEB permitted Sai Regency to wheel the power generated by its unit to the captive consumers on a temporary basis pursuant to an order dated May 25, 2006. The petitioner was allowed to evacuate power on 15 days rotational basis with Arkay Energy (Rameswaram) Limited ("Arkay" till the establishment of the Valathur 230KV station.

TNEB subsequently entered into separate agreements with Sai Regency and Arkay in respect of evacuation of power on a temporary basis. Even though Arkay had signed the agreement and given an undertaking in respect of the arrangement, it filed a dispute resolution petition DRP No. 1 of 2006 before the TNERC questioning the arrangement. Sai Regency impleaded itself and filed a counter-affidavit. The TNERC accepted Arkay's plea and granted it total access, doing away with the power sharing arrangement pursuant to an order dated June 9, 2006.

Sai Regency then appealed before the Appellate Authority in Appeal No. 137 of 2006 under section 111 of the Electricity Act, 2003 and the same was dismissed on January 22, 2007. Sai Regency has filed this writ petition contending that the Regulation 7 of the Tamil Nadu Electricity Regulatory Commission Intra-State Open Access Regulations, 2005, which deals, *inter alia*, with the priority of allotment of open access capacity, is illegal.

The sub-station at Valathur sub-station has since been commissioned and all parties are evacuating power to full capacity without restriction. The Writ Petition is to be listed for hearing before the High Court and no date has yet been fixed for hearing

2) **KSK Narmada Power Company Private Limited** (formerly known as Satna Power Corporation Private Limited)

KSK Narmada Power Company Private Limited ("KSK Narmada") has filed Letters Patent Appeal. No. 1028 of 2006 against the order of the Single Judge Bench of the Delhi High Court dated May 2, 2006 in Writ Petition No. 2477 of 2006. The original writ petition was filed by KSK Narmada before the Delhi High Court challenging the allotment of four coal blocks – Kerandari, Chhati Bariatu, Chhatrasal and Dulanga, by the Government of India to the National Thermal Power Corporation ("NTPC"). The Union of India and NTPC were named respondents in that petition, wherein KSK Narmada had claimed that the provisions of the Coal Mines (Nationalization) Act, 1973 had been violated. It had also sought the issue of a writ of mandamus seeking placing the issue of the specified captive blocks allotted to the NTPC under the scrutiny of a Screening Committee, as required by the guidelines with respect to allocation of captive mining blocks. It was further contended that the Central Government allocated the four blocks to NTPC without advertising them as captive coal mining blocks and without the recommendation of the Screening Committee. The writ petition was dismissed by the Single Judge. KSK Narmada then filed the present appeal before the Division Bench of the Delhi High Court, stating *inter alia*, that the Single Judge had erred in recognizing that NTPC was engaged in power generation and required the coal blocks for its power plants and not for commercial mining, a condition to be eligible for allocation of coal blocks under the government dispensation route and that therefore the allocation necessarily had to be through the Screening Committee. The next date of hearing is September 10, 2008.

III. Litigation Involving the Sitapuram SPV

A writ petition W.P. No. 20732 of 2007 dated October 1, 2007 was filed by the Sitapuram SPV before the Andhra Pradesh High Court against the Central Power Distribution Company of Andhra Pradesh Limited, the Central Power Distribution Company of Andhra Pradesh Limited, the Superintending Engineer (Operation Circle) Central Power Distribution Company of Andhra Pradesh Limited and the Transmission Corporation of Andhra Pradesh Limited. A 43 MW coal based power plant at Sitapuram in Nalgonda District in Andhra Pradesh commenced its activities in June 2007 and was billed Rs. 8,86,919 for the period from June 22, 2007 to July 21, 2007, which was paid on August 9, 2007. The bill for the month of August was Rs 1,18,26,046 which included penal charges of Rs. 90,81,250. It was contended that the electricity consumed was only 3,26,000 units for which the bill should have been only Rs.19,19,710. The Sitapuram SPV alleged that the Central Power Distribution Company failed to implement the Reverse Power Relay which shall not allow the Sitapuram SPV to draw power in excess of 3,125 KVA. The Sitapuram SPV sought a direction from High Court to the respondents not to ask for payment for more than the prescribed 3,125 KVA, and to prevent them from discontinuing power supply to the power plant. The High Court asked the respondents to show cause as to why the application should not be allowed, and directed them not to disconnect the power supply, provided the Sitapuram SPV paid Rs.30 lakh towards penal demand charges within three weeks of the order. The respondents filed a counter-affidavit in November 2007 stating *inter alia* that the Sitapuram SPV had agreed not to sell electrical energy without the permission of the Central Power Distribution Company of Andhra Pradesh in the HT Supply Agreement, but it sold power to Sri Vishnu Cements Limited (at Sitapuram, Nalgonda District) and that parallel operation of the two sources is not acceptable. The next date of hearing has not yet been fixed.

IV. Litigation involving the Directors

1) **Mr. S. Kishore**

(a) Twelve cases 211/02, 1324/02, 94/2000, 2459/02, 2460/02, 2461/02, 368/4/02, 1323/2000, 1319/02, 1320/02, 1321/02, 1322/02 have been filed before the Additional Chief Metropolitan Magistrate at New Delhi.

DCM Financial Services Limited ("DCM") filed a complaint before the Additional Sessions Judge, Patiala House, New Delhi against Nucor Wires Limited, which had approached them for taking plant and machinery on lease basis. The accused company had given DCM 12 post-dated cheques, one for each periodical lease installment. Upon dishonor of the cheques, DCM issued a legal notice asking the accused company to cure the defect within 15 days. Upon failure of the accused company to do so, DCM filed a complaint under sections 138 and 141 of the Negotiable Instruments Act, 1938, impleading the directors of the accused company as respondents.

Mr. Kishore has filed an application dated November 24, 2003 seeking exemption from appearing in person in the matter as he was not a director of the company as of the date of entering into the lease agreement, pursuant to which the post-dated cheques were issued. Mr. Kishore resigned on September 24, 1996. The resignation was accepted by the accused company on November 27, 1996. The accused Company paid the cheque amounts to DCM and as it is a compoundable offence, the cases have to be dismissed and therefore six cases have been transferred from the regular court to the Lok Adalat for settlement and the next date of hearing is July 3, 2008.

(b) A shareholder of K & S Consulting Group Private Limited ("K & S"), Raajratna Metal Industries Limited filed a petition CP No. 81/APB/2007 under Sections 397 and 398 of the Companies Act before the Company Law Board, Additional Principal Bench, Chennai ("CLB") against K & S, Mr. S. Kishore, Mr. K.A. Sastry, Mr. V.H. Kiran, Andhra Fuels Limited, Mr. Karra Sastry, Kosha Investments Limited and Sri Avantika Contractors. The petitioner challenged two allotments of shares made by K & S in 2002 and 2003, which resulted in the shareholding of K & S being reduced from 12.11% to 5.92% on the grounds that it amounts to oppression and mismanagement of K & S. It was alleged that the respondents allotted themselves fresh equity shares of K & S at cheap prices without offering them to the petitioner and thereby reduced his economic interest in K & S. He further contended that he had offered to pay Rs.115 lakhs as share application money in the belief that K & S required further capital, but the money was returned to him on the pretext that there would be no alteration of the paid up share capital. The petitioner is seeking cancellation of the two allotments, reduction of the share capital and a direction to K & S to make a fresh offer of shares to the existing shareholders.

Mr. Kiran Vadlamani, who was one of the shareholders and had exited K&S on November 8, 2007 by selling his shares to Mr. S. Kishore and Mr. K.A. Sastry filed a counter to the petition dated December 15, 2007. He contended that the petitioner had acted in collusion with Mr. S. Kishore and Mr. K.A. Sastry and that the petition was malafide. He alleged that the return of allotment in Form 2 filed in 2002 shows an incorrect representation of the shares held by Mr. Kiran Vadlamani.

In an ad-interim order dated September 7, 2007, the CLB has restrained K & S from issuing any further shares without the leave of the CLB. The next date of hearing is July 17, 2008.

2) **Mr. K.A. Sastry**

For details regarding litigation involving Mr. K.A. Sastry, please refer to case no. (1) (b) above.

3) **Mr. T.L. Sankar**

Nil

4) **Mr. Subramaniam Ramachandran Iyer**

Nil

5) **Mr. Abhay Mahadeo Nalawade**

Nil

6) **Mr. Girish Nilkanth Kulkarni**

Nil

7) **Mr. Tanmay Das**

Nil

8) **Mr. K.B. Raju**

Nil

9) **Mr. Anil Kumar Kutty**

Nil

10) **Mr. Henry Klein**

Nil

V. Litigation involving the Promoters

Cases against Mr. S. Kishore

For details regarding litigation involving Mr. S. Kishore, please refer to section titled "Outstanding Litigation and Material Developments – Litigation involving Directors" on page 342 of this Red Herring Prospectus.

Cases against Mr. K.A. Sastry

For details regarding litigation involving Mr. K.A. Sastry, please refer to section titled "Outstanding Litigation and Material Developments – Litigation involving Directors" on page 342 of this Red Herring Prospectus.

Cases against KSK Energy

Nil

VI. Litigation against the Promoter Group

KSK Power Ventur plc

Contingent liability as of March 31, 2007:

Particulars	Rs. in lakh
Bank Guarantees Outstanding	4,264.56
Corporate Guarantees	195.08
Letter of Credit Outstanding	418.53

Claims against the Company not acknowledged as debt	2,642.44
Fuel related Minimum guaranteed Obligation Liability	2,456.43

K&S Consulting Group Private Limited

For details regarding litigation involving K&S, please refer to section titled "Outstanding Litigation and Material Developments – Litigation involving Directors" under case no. (1)(b) on page 342 of this Red Herring Prospectus.

VII. Amounts owed to Small Scale Undertakings as on April 30, 2008 exceeding Rs. 1 lakh which is outstanding more than 30 days

Nil

VIII. Amounts owed to any other creditors as on April 30, 2008 exceeding Rs. 1 lakh which is outstanding more than 30 days

Name of Creditor	Sum Owed (in Rs.)
Sri Vishnu Cements Limited	1,59,195.00
Umamaheshwara Rao & Co.	5,00,639.00
Zuari Cements Limited	77,48,408.00
LB India Holding Mauritius I Limited	1,00,00,00,000.00
Poyry Energy Limited	2,39,253.00

Material Developments since the Last Balance Sheet Date

In the opinion of the Board, other than as disclosed in the notes to our financial statements on page 243 and in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 294 of this Red Herring Prospectus, there has not arisen, since the date of the last financial statements set out herein, any circumstance that materially or adversely affects our profitability taken as a whole or the value of our consolidated assets or our ability to pay our material liabilities over the next 12 months.

GOVERNMENT AND OTHER APPROVALS

On the basis of the indicative list of approvals provided below, the Company can undertake this Issue and its current business activities and no further major approvals from any Government or regulatory authority are required to undertake the Issue or continue these activities. Unless otherwise stated, these approvals are valid as of the date of this Red Herring Prospectus. The Company will obtain any licenses, approvals, registrations and permissions as may be required from time to time in connection with its activities.

Approvals for the Issue

The following approvals have been obtained in connection with the Issue:

1. The Board of Directors has, pursuant to a resolution adopted at its meeting held on January 19, 2008, authorized the Issue, subject to the approval of the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

2. The shareholders of the Company have, pursuant to a resolution under Section 81(1A) of the Companies Act, adopted at a general meeting held on February 7, 2008, authorized the Issue.

3. The Company has obtained in-principle listing approvals dated April 8, 2008 and March 17, 2008 from the BSE and the NSE, respectively.

The Company has also obtained necessary contractual approvals required for the Issue.

Pursuant to a letter dated February 7, 2008, along with an amendment letter dated March 20, 2008, the Company has received the approval of the FIPB for 100% foreign equity participation amounting to Rs. 284.19 crore to be subscribed in the following manner:

KSK Energy	: 19,12,21,952 Equity Shares
Mr. Denis Sek Sum (nominee of KSK Energy)	: 79 Equity Shares
LB India	: 9,83,32,552 Equity Shares
Resident shareholders	: 46,33,457 Equity Shares

In connection with the Issue and the Pre-IPO Placing, it was clarified by the FIPB in its letter dated February 7, 2008 that the approval of the FIPB was not required.

Approvals obtained by the Company

The Company requires various approvals to carry on its business in India. The approvals required by the Company include the following:

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AACCK0220B under the I.T. Act	Commissioner of Income Tax	January 27, 2007	Valid until canceled
2.	TAN HYDK00871D under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
3.	Registration No. PJT/10/1/R/1673/2005-2006 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Profession Tax Officer	December 6, 2005	Valid until canceled
4.	SIC No. AACCK0220BST001	Superintendent, Customs and Central Excise	September 22, 2004	Valid until canceled
5.	Code No. 52-27251-101 under the Employees' State Insurance Act, 1948	Assistant Director, Employees' State Insurance Corporation	May 14, 2007	Valid until canceled

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
6.	Provident Fund ("PF") Code. AP/HY/52098 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Provident Fund Commissioner	August 24, 2005	Valid until canceled

The Company has also obtained the approval of the FIPB pursuant to a letter dated October 19, 2006, as amended by letters dated December 5, 2006, February 14, 2007, December 26, 2007, February 7, 2008 and March 20, 2008, approving foreign equity participation in the Company for downstream investment into power generating companies. The FIPB approval is subject to certain conditions, including that the downstream investment shall be as per the provisions of Press Note 9 of 1999 issued by the Department of Industrial Policy and Promotion.

Approvals obtained by the Subsidiaries

KSK Electricity Financing India Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AACCK7257L under the I.T. Act	Commissioner of Income Tax	January 19, 2006	Valid until canceled
2.	TAN HYDK02925G under the I.T. Act	Commissioner of Income Tax	January 28, 2006	Valid until canceled
3.	PTIN 28174268681 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	November 29, 2007	Valid until canceled

Lakhpat Power Company Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AABCL1465A under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDL01365A under the I.T. Act	Commissioner of Income Tax	February 1, 2006	Valid until canceled
3.	PTIN 28359560174 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	October 10, 2006	Valid until canceled

KSK Narmada Power Company Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AAJCS5573Q under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDS15445D under the I.T. Act*	Commissioner of Income Tax	February 1, 2006	Valid until canceled
3.	PTIN 28216826968 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	October 9, 2007	Valid until canceled

* The TAN was issued in the name of Satna Power Company Private Limited. Subsequently, the company's name was changed to KSK Narmada Power Company Private Limited.

Bahur Power Company Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AACCB7713J under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDB02752B under the I.T. Act	Commissioner of Income Tax	February 1, 2006	Valid until canceled
3.	PTIN 28557046353 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	October 4, 2007	Valid until canceled

KSK Technology Ventures Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AABCK8760D under the I.T. Act*	Commissioner of Income Tax	-	Valid until canceled
2.	Registration No. PJT/10/1/R/1683/2005-2006 under Rule 3(2) of A.P. Tax on Professions, Trades, Callings and Employments Rules, 1987*	Profession Tax Officer	December 6, 2005	Valid until canceled

* The PAN was issued in the name of K&S Management Consultants Private Limited. Subsequently, the company's name was changed to KSK Technology Ventures Private Limited.

KSK Dibbin Hydro Power Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AADCK1086E under the I.T. Act	Commissioner of Income Tax	July 18, 2007	Valid until canceled
2.	TAN HYDK03592B under the I.T. Act	Commissioner of Income Tax	July 13, 2007	Valid until canceled
3.	Letter No. J - 12011/93/2007-IA.I permitting pre-construction activities for the Dibbin hydel power project	Additional Director, MoEF, Government of India	February 28, 2008	Valid until canceled
4.	PTIN 28878200102 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	October 9, 2007	Valid until canceled

Kameng Dam Hydro Power Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AADCK1087F under the I.T. Act	Commissioner of Income Tax	July 18, 2007	Valid until canceled
2.	TAN HYDK03638F under the I.T. Act	Commissioner of Income Tax	August 17, 2007	Valid until canceled
3.	Letter No. J-12011/80/07-1A.1 permitting pre-construction activities for the Kameng dam hydel power project*	Additional Director, MoEF, Government of India	August 14, 2007	Valid until canceled

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
4.	PTIN 28882126294 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	September 21, 2007	Valid until canceled

∗ The letter was issued in the name of KSK Electricity Financing India Private Limited. Kameng Dam Hydro Power Private Limited is a wholly-owned subsidiary of KSK Electricity Financing India Private Limited.

Sai Maithili Power Company Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AADCM7668J under the I.T. Act*	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDM02634C under the I.T. Act*	Commissioner of Income Tax	September 30, 2004	Valid until canceled
3.	Registration No. PJT/10/1/R/1679/2005-2006 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987*	Profession Tax Officer	December 6, 2005	With effect from September 1, 2005 Valid until canceled

∗ The PAN, the TAN and the professional tax registration certificate were issued in the name of Maithili Energy and Mining Private Limited. Subsequently, the company's name was changed to Sai Maithili Power Company Private Limited.

Arasmeta Captive Power Company Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AAECA9893J under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDA04174C under the I.T. Act	Commissioner of Income Tax	February 3, 2005	Valid until canceled
3.	Importer Exporter Code Number 0306068141 under the Foreign Trade (Development and Regulation) Act, 1992	Foreign Trade Development Officer	December 29, 2006	Valid until canceled
4.	CST Registration No. 10/04/8375-C under the Central Sales Tax Act, 1956	Commercial Tax Officer	February 12, 2005	Valid until canceled
5.	Registration No. 10/04/10069-S under the Madhya Pradesh Commercial Tax Act, 1994	Commercial Tax Officer	February 10, 2005	Valid until canceled
6.	TIN 22321304262 under the Chhattisgarh Value Added Tax Act, 2005	Commercial Tax Officer	October 19, 2006	Valid until canceled
7.	Registration No. PJT/10/1/R/1676/2005-2006 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Profession Tax Officer	December 6, 2005	Valid until canceled
8.	Approval No. 6/9/6013/13/567 for installing transformers under the Electricity Rules, 1956	Chief Electricity Supervisor, Government of Chhattisgarh	October 10, 2005	Valid until canceled
9.	Approval for wheeling up to 19	Chief Engineer, CSEB	November 27, 2004	Valid until canceled

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
	MW of power through the CSEB transmission network			
10.	Letter No. 02-02/SE-1/244 allocating 3125 kVA as start up power	Superintending Engineer, CSEB	April 26, 2005	Valid until canceled
11.	Letter No. 02-02/ACE-1/12/121-01/3298 permitting the synchronization and operation of the power plant with CSEB's grid	Additional Superintending Engineer, CSEB	November 11, 2005	Valid until canceled
12.	Letter No. 02-02/SE-1/12/121-01/2089 allocating 1,75,000 CuM of water per month from the Lilagarh river	Secretary, Department of Irrigation, Government of Chhattisgarh	June 23, 2005	Valid up to February 19, 2036
13.	Approval No. AAI/20012/1418/2004 – ARI(NOC) for construction of a chimney up to a height of 85 meters above ground level	Assistant General Manger, AAI	February 7, 2005	Valid up to February 6, 2009
14.	No-objection certificate for construction of the power plant	Sarpanch, Gram Panchayat, Arasmeta, Chhattisgarh	November 17, 2004	Valid until canceled
15.	PF Code. AP/HY/53132 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Provident Fund Commissioner	February 24, 2006	Valid until canceled
16.	Registration No. 92/J.C/2005 under the Contract Labor (Regulation and Abolition) Act, 1970	Labor Commissioner	February 17, 2005	Valid until canceled
17.	Boiler registration No. C4/128 under the Indian Boilers Act, 1923	Inspector of Boilers	May 3, 2007	Valid up to July 13, 2008
18.	Boiler Registration C4/129 under the Indian Boilers Act, 1923	Inspector of Boilers	May 3, 2007	Valid up to July 20, 2008
19.	Approval No. A/P/HQ/CG/15/22 (P167932) for storage of 25 KL of furnace oil/light diesel oil under the Petroleum Rules, 2002	Deputy Chief Controller of Explosives	January 3, 2006	Valid until canceled

Sai Regency Power Corporation Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AACCR6134R under the I.T. Act*	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDR02200C under the I.T. Act*	Commissioner of Income Tax	September 30, 2004	Valid until canceled
3.	Importer Exporter Code Number 0405002998 under the Foreign Trade (Development and Regulation) Act, 1992*	Foreign Trade Development Officer	May 9, 2005	Valid until canceled
4.	Professional Tax New Assessment Number ("PTNAN") 07-113-PE-0463 under the Tamil Nadu Urban Local Bodies	Commissioner, Corporation of Chennai	July 15, 2005	Valid up to March 30, 2009

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
	on Professions, Trades, Callings and Employment Rules, 1998*			
5.	PTIN 28751307263 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	November 27, 2007	Valid until canceled
6.	TIN 33490721405 under the Tamil Nadu Value Added Tax Act, 2006	Commercial Tax Officer	January 11, 2007	Valid until canceled
7.	Approval No. AA1/20012/1154/2004-ARI for construction of a chimney up to a height of 45 meters above ground level*	Assistant General Manger, AAI	December 7, 2004	Valid up to December 6, 2008
8.	No-objection certificate No. AO/0177/NOC/RPCL for the construction of a chimney up to a height of 45 meters above ground level*	Command Aviation Officer, Eastern Naval Command	March 30, 2005	Valid up to March 29, 2009
9.	No-objection Certificate No. 2364/04 for construction of the power plant at Kalugurani	Gram Panchayat, Village Kalugurani, Tamil Nadu	January 3, 2005	Valid until canceled
10.	Letter No. 670/05 A3 certifying that there are no sensitive areas, reserve forest areas and sanctuary areas within a 15 km radius of Kalugurani*	Divisional Forest Officer, Tamil Nadu Forest Department	March 7, 2005	Valid until canceled
11.	Letter No.1.2535/2005 permitting conversion of agricultural land in Kalugurani for industrial use*	Joint Director (Agriculture), Government of Tamil Nadu	March 15, 2005	Valid until canceled
12.	Provisional Order No. 507/BC/07-08 permitting the use of the boiler with maker's number ERPH005002/001 under the Indian Boilers Act, 1923**	Deputy Director of Boilers	November 29, 2007	Valid up to May 28, 2008
13.	Provisional Order No. 508/BC/07-08 permitting the use of the boiler with maker's number ERPH005002/002 under the Indian Boilers Act, 1923**	Deputy Director of Boilers	November 29, 2007	Valid up to May 28, 2008
14.	Registration No. 03/07 under the Contract Labour (Regulation and Abolition) Act, 1970	Registering Officer	May 9, 2007	Valid until canceled
15.	P.F. Code No. AP/HY/53121 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952	Regional Provident Fund Commissioner	February 24, 2006	Valid until canceled
16.	License No. 33824 under Factories Act, 1948	Inspector of Factories	April 18, 2007	Valid up to December 31, 2008
17.	Letter No. CE/PPP/SE/PP/EE/AEE2/CPP2/ F.18, vol. XI M/s Sai/ D7/08 approving the wheeling of power to the following entities:	Chief Engineer, Tamil Nadu Electricity Board	February 7, 2008	Valid until canceled
	(a) Orchid Chemicals and			

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
	Pharmaceuticals Limited (b) Orchid Health Care (c) Precot Meridian Limited (d) Light Alloy Products Limited			

* The consent was issued in the name of Regency Power Corporation Limited. Subsequently, the company's name was changed to Sai Regency Power Corporation Private Limited.

** Sai Regency Power Corporation Private Limited has received Notices for Examination of Boilers from the Deputy Director of Boilers specifying that the boilers will be tested by the Government Inspector of Boilers on May 29, 2008.

VS Lignite Power Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AACCM7306G under the I.T. Act	Commissioner of Income Tax	May 24, 2007	Valid until canceled
2.	TAN HYDM04214A under the I.T. Act*	Commissioner of Income Tax	August 27, 2005	Valid until canceled
3.	Registration No. PJT/10/1/R/1675/2005-2006 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987*	Profession Tax Officer	December 6, 2005	Valid until canceled
4.	TIN No. 08261357876 under the Rajasthan Value Added Tax Act, 2003*	Commercial Tax Officer	October 10, 2006	Valid until canceled
5.	Importer Exporter Code Number 0906014140 under the Foreign Trade (Development and Regulation) Act, 1992	Foreign Trade Development Officer	December 5, 2006	Valid until canceled
6.	Letter No. RVPN/SS(P&P)/XEN(Proj.)/ F.378-III/D.759 approving the construction of a 220 kV bay at 220 kV grid sub-station, Bikaner	Superintending Engineer, RRVPNL	April 28, 2007	Valid until canceled
7.	Letter No. F.6 (1)IGNB/2002 allocating 17.50 cuseces of water from the Indira Gandhi Nahar*	Deputy Secretary, Indira Gandhi Nahar Department, Government of Rajasthan	May 28, 2002	Valid until canceled
8.	Letter No. RVPN/SE(P&P)/PSS/D.7/2 permitting evacuation using a 220 kV line*	Chief Engineer, RRVPNL	September 5, 2007	Valid until canceled
9.	No-objection Certificate No. F.5(BK-193)/RPCB/Gr.II/4558 under the Water Act, the Air Act and the Environment Protection Act, 1986, for the construction of the power plant at Gurha*	Member Secretary, RSPCB	September 19, 2006	Valid up to May 22, 2009
10.	No-objection Certificate No. F.5(BK-185)/RPCB/Gr.II/1585 under the Water Act, the Air Act and the Environment Protection Act, 1986 for captive mining*	Member Secretary, RSPCB	June 2, 2006	Valid up to December 12, 2008
11.	Consent No F.5 (BK-193) RPCB / Gr.II / 6147 under the Water Act and the Air Act for the	Senior Environment Engineer, RSPCB	November 20, 2007	Valid up to November 19, 2010

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
	construction of a power plant at Gurha			
12.	Consent No. F.5 (BK-185) RPCB / Gr.II / 3330 under the Water Act and the Air Act for captive mining	Senior Environment Engineer, RSPCB	July 17, 2007	Valid up to July 16, 2010
13.	Letter No. J-13011/59/2006-IA.II(T) permitting the construction of the power plant at Gurha under the Environment Impact Assessment Notification, 2006*	Director, MoEF, Government of India	February 15, 2007	Valid up to February 14, 2012
14.	Letter No. 48024/2/2003-Lig/CA-1 allotting the Gurha (East) lignite block for captive mining*	Director, MoC, Government of India	July 1, 2005	Valid until canceled
15.	Letter No. 38011/3/2006-CA-1 allotting the Lunsara lignite block for captive mining*	Under Secretary, MoC, Government of India	February 7, 2007	Valid until canceled
16.	Letter No. 4528/CIB/2007 permitting the erection of a boiler in the power plant at Gurha	Chief Inspector of Factories and Boilers	September 20, 2007	Valid until canceled
17.	Approval No. AAI/20012/1600/2006 – ARI(NOC) for construction of a chimney up to a height of 100 meters above ground level	General Manager, AAI	May 18, 2007	Valid up to May 17, 2011
18.	No-objection Certificate No. Air HQ/S 17726/4/ATS (PC-CL VII)/ Dy. No. 114/F/2007/D(Air-II) for construction of chimney up to a height of 100 meters*	Under Secretary, Ministry of Defence, Government of India	April 11, 2007	Valid until canceled
19.	PF Code. AP/HY/53126 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952*	Regional Provident Fund Commissioner	February 24, 2006	Valid until canceled

* The consent was issued in the name of Marudhar Power Private Limited. Subsequently, the company's name was changed to VS Lignite Power Private Limited.

Wardha Power Company Private Limited

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AAACW6197R under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDW00310C under the I.T. Act	Commissioner of Income Tax	February 1, 2006	Valid until canceled
3.	PTIN 28959420314 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Deputy Commercial Tax Officer	October 10, 2007	Valid until canceled
4.	SIC No. AACCK0220BST001	Superintendent, Customs and Central Excise	October 17, 2007	Valid until canceled

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
5.	TIN 27120615444C under the Central Sales Tax Act, 1956	Sales Tax Officer	June 26, 2007	Valid until canceled
6.	Importer Exporter Code Number 0907007236 under the Foreign Trade (Development and Regulation) Act, 1992	Foreign Trade Development Officer	July 20, 2007	Valid until canceled
7.	Approval No. AAI/20012/1315/2007 – ARI(NOC) for construction of a chimney up to a height of 220 meters above ground level	Senior Manager, AAI	March 5, 2008	Valid up to March 4, 2012
8.	Order No. MIDC/RON/Warora/668/2007 allotting 9,44,592 square meters of land in Warora for construction of the power plant	Regional Officer, MIDC	February 2, 2007	Valid until canceled
9.	Order No. 8115/2007 allotting an additional 20,000 square meters of land in Warora for construction of the power plant	Area Manager, MIDC	December 3, 2007	Valid until canceled
10.	Letter No. MIDC/RON/Warora/1733/2007 confirming that the construction of a power plant is permitted on the land allocated in Warora	Regional Officer, MIDC	March 20, 2007	-
11.	Letter No. EE-II(N)/TB/11812007 allocating 43 MLD of water to the power plant at Warora	Executive Engineer, MIDC	August 9, 2007	Subject to approval by the Department of Irrigation, Government of Maharashtra*
12.	Letter of Assurance No. 23011/52/2007-CPD providing a 'tapering linkage' of coal on 'cost plus' basis for the power plant at Warora	Director, MoC, Government of India	September 24, 2007	Valid until canceled
13.	Letter No. P/ST/302/5452 allocating transmission capacity rights in the intra-state transmission system through open access for 270 MW (Phase-1 of the power plant at Warora)	Chief Engineer, MSETCL	May 21, 2007	Valid until canceled
14.	Letter No. MSETCL/CO/STU/302B/2880 allotting transmission capacity rights in intra-state transmission system through open access for 270 MW (Phase-2 of the power plant at Warora)	Chief Engineer, MSETCL	March 5, 2008	-
15.	Letter No. SEZ 2006/(1935)/IND.2 recommending the grant of formal approval as a Special Economic Zone for the power	Principal Secretary, Department of Industries, Energy and Labor, Government of Maharashtra	January 1, 2008	Valid until canceled

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
	plant at Warora			
16.	Letter No. TW/RTC/WPC Pvt Ltd/956-A approval for rail connectivity to the power plant in Warora	Chief Operations Manager, Central Railways	November 27, 2006	Subject to finalization of the siding location and the construction design
17.	Letter No. 2006/TT(V)/18/Wardha/TPS permitting the construction of a private railway siding for the movement of coal to the power plant in Warora	Director Transport Railway Board, Ministry of Railways, Government of India	May 10, 2007	Valid for the full life of the project, if the project is commissioned or for a period of five years, if the project is not commissioned.
18.	Letter No. J-13011/23/2007-IA.II(T) permitting the construction of the power plant at Warora under the Environment Impact Assessment Notification, 2006	Director, MoEF, Government of India	July 17, 2007	Valid up to July 16, 2012
19.	Letter No. J-13011/23/2007-IA.II(T) permitting the construction of a power plant at Warora under the Environment Impact Assessment Notification, 2006	Director, MoEF, Government of India	June 22, 2006	Valid up to June 21, 2011
20.	Letter No. J-13011/46/2007-IA.II(T) permitting the construction of the power plant in Warora under the Environment Impact Assessment Notification, 2006	Director, MoEF, Government of India	November 21, 2007	Valid up to November 20, 2012
21.	Consent No. BO/RO(P&P)/CC-168 under the Water Act, the Air Act, and the Hazardous Waste (Management and Handling) Rules, 1989	Member Secretary, Maharashtra Pollution Control Board	November 17, 2007	Valid until the commissioning of the power plant
22.	Consent No. BO/RO(P&P)/EIC No NG-1321/07/CC-215 under the Water Act, the Air Act, and the Hazardous Waste (Management and Handling) Rules, 1989	Member Secretary, Maharashtra Pollution Control Board	February 28, 2008	Valid until the commissioning of the power plant
23.	Letter No. 8115/2007 sanctioning allotment of 20,000 sqm comprising Plot No. B-2/Part in Warora Industrial Area	MIDC	December 3, 2007	-
24.	Letter No. F.1/262/2007-SEZ granting formal approval for the development of a power sector specific Special Economic Zone at Warora	Director, Ministry of Commerce & Industry, Government of India	March 14, 2008	Valid up to March 13, 2011 The developer of the Special Economic Zone has to make adequate provision for the rehabilitation of the displaced persons
25.	Letter No.EE-II/NGP/485 of 2008 granting raw water allocation	Executive Engineer, MIDC	March 27, 2008	-

Approvals obtained by the Sitapuram SPV

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
1.	PAN AAJCS2098E under the I.T. Act	Commissioner of Income Tax	-	Valid until canceled
2.	TAN HYDS14185D under the I.T. Act	Commissioner of Income Tax	September 9, 2005	Valid until canceled
3.	Importer Exporter Code Number 0907008259 under the Foreign Trade (Development and Regulation) Act, 1992	Foreign Trade Development Officer	August 10, 2007	Valid until canceled
4.	Registration No. PJT/10/1/R/1678/2005-2006 under Andhra Pradesh State Tax on Professions, Trades, Callings and Employments Act, 1987	Profession Tax Officer	December 6, 2005	Valid until canceled
5.	TIN No. 28554778105 under the Central Sales Tax Act, 1956	Commercial Tax Officer	January 10, 2006	Valid until canceled
6.	Approval No. AAI/20012/1165/2005 – ARI(NOC) for construction of a chimney up to a height of 96 meters above ground level	Assistant General Manager, AAI	December 30, 2007	Valid up to December 29, 2011
7.	Letter No.CPT 421/F. Sitapuram/D. No. 608/2006 permitting evacuation of power from the power plant in Dondapadu	Transmission Corporation of Andhra Pradesh Limited	October 16, 2006	Valid until canceled
8.	Letter No. CE/Comm1/DE/ADE-1/F-Sitapuram/D.No.424/07 granting long term fuel access from the power plant in Dondapadu	Transmission Corporation of Andhra Pradesh Limited	December 13, 2007	Subject to the execution of a long term open access agreement Valid up to December 12, 2017
9.	Approval No. APTRANSCO/01/2007-08 granting long term fuel access from the power plant in Dondapadu	Transmission Corporation of Andhra Pradesh Limited	December 13, 2007	Subject to the execution of the long term open access agreement Valid up to December 12, 2017
10.	No-objection certificate for construction of the power plant at Dondapadu	Gram Panchayat, Village Dondapadu, Andhra Prdesh	August 20, 2005	Valid until canceled
11.	Factory License No. 33287 under the Factories Act, 1948	Deputy Chief Inspector of Factories	July 31, 2007	Valid for a period of one year
12.	Certificate No. 100 for use of a boiler with Registry Number AP- 4391 under the Indian Boilers Act, 1923	Deputy Chief Inspector of Boilers	March 4, 2008	Valid up to September 1, 2008
13.	Certificate No. 99 for use of a boiler with Registry Number AP- 4387 under the Indian Boilers Act, 1923	Deputy Chief Inspector of Boilers	March 4, 2008	Valid up to September 1, 2008

S. No.	No./Description of Permit/License/Approval	Issuing Authority	Date of Issue/Renewal	Comments/Remarks
14.	Order No. G.O.Ms.No.224 allocating 400 thousand million cubic feet of water from the Krishna river	Department of Irrigation and CAD, Government of Andhra Pradesh	December 8, 2005	Subject to surplus water being available in the Krishna river Valid up to December 7, 2010
15.	PF Code. AP/HY/53120 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952*	Regional Provident Fund Commissioner	February 24, 2006	Valid until canceled

* On March 12, 2008, the Chief Engineer, Hydrology Project, Nashik, issued a water availability certificate confirming the availability of 42.15 Cum of water at 90% dependability from the Wardha river for Warora industrial area. However, the concerned authority for Warora industrial area has to make alternate arrangements for the non-monsoon period when there will be no flow in the Wardha river.

Intellectual Property Related Approvals

An application dated September 21, 2006 has been made to the Trademarks Registry, Chennai for registration of the "KSK" word along with the logo in Class 42 and a provisional registration number (1495236) has been allotted.

Approvals Applied for but not yet Received

Except as specified below, there are no other approvals that have been applied for by the Company, which are pending or have not yet been received:

1. Letter dated December 24, 2007, from KSK Energy Ventures Limited to the Assistant Commissioner of Labor, for renewal of registration certificate No. ACL3/HYD/20/2005 issued under the Andhra Pradesh Shops and Establishment Act, 1988.

2. Letter dated October 25, 2005, from Bahur Power Company Private Limited to the Joint Secretary, Ministry of Coal, Government of India, for allocation of lignite mine block in Tamil Nadu.

3. Letter dated December 27, 2007, from KSK Dibbin Hydro Power Private Limited to the Secretary, Central Electricity Authority for techno-economic clearance for the 130 MW hydro electricity project in District West Kameng, Arunachal Pradesh.

4. Letter dated April 8, 2008, from KSK Dibbin Hydro Power Private Limited to the Director (Coordination), Ministry of Defense, Government of India, for clearance for the 130 MW hydro electricity project in District West Kameng, Arunachal Pradesh.

5. Letter dated January 25, 2008, from Arasmeta Captive Power Company Private Limited to the Member Secretary, CECB for renewal of Consent under the Water Act and the Air Act.

6. Letter dated December 6, 2007, from Arasmeta Captive Power Company Private Limited to the Deputy Director, Industrial Safety & Health, Government of Chhattisgarh for renewal of Factory License No. 5510/5510/B-5/JNGR/2M(1) issued under the Factories Act, 1948.

7. Letter dated March 11, 2008, from Sai Regency Power Corporation Private Limited to the District Environmental Engineer, Tamil Nadu Pollution Control Board for renewal of Consent under the Water Act and the Air Act.

8. Letter dated January 25, 2008, from Sitapuram Power Limited to the Senior Environmental Engineer, Andhra Pradesh Pollution Control Board for renewal of Consent No. APCB/PTN/NGL/182/HO/2007-227 under the Water Act, the Air Act, and the Hazardous Waste (Management and Handling) Rules, 1989.

9. VS Lignite Power Private Limited has filed 16 applications with RRVPNL for allotment of transmission capacity rights in the intra-state transmission system through open access.

10. Letter dated June 26, 2007, from Wardha Power Company Private Limited to the MIDC for allotment of an additional 62.615 hectares of land in Warora.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to a resolution passed at its meeting held on January 19, 2008, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary. The Board pursuant to its resolution dated January 19, 2008 has authorized a committee of its Directors referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue. The IPO Committee has approved and authorized the Draft Red Herring Prospectus pursuant to its resolution dated February 11, 2008 and this Red Herring Prospectus pursuant to its resolution dated June 12, 2008.

The shareholders of the Company have, pursuant to a resolution dated February 7, 2008, under Section 81(1A) of the Companies Act, authorized the Issue.

Prohibition by SEBI, RBI or governmental authorities

The Company, the Directors, the Promoters, the Promoter Group, the directors or person(s) in control of the Promoter or the Promoter Group entities, the Subsidiaries and the companies in which the Directors are associated as directors, have not been prohibited from accessing or operating in the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed by SEBI.

None of the Company, the Subsidiaries, the Directors, the directors of the Subsidiaries, the Promoters, the Promoter Group entities and the companies in which the Directors are associated as directors, has been declared as a willful defaulter by the RBI or any other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are pending against any of them.

Eligibility for the Issue

The Company is eligible to make the Issue in accordance with Clause 2.2.2 of the SEBI Guidelines as explained below:

"An unlisted company not complying with any of the conditions specified in Clause 2.2.1 may make an initial public offering (IPO) of equity shares or any other security which may be converted into or exchanged with equity shares at a later date, only if it meets both the conditions (a) and (b) given below:

(a)(i) The issue is made through the book-building process, with at least 50% of the net offer to the public being allotted to the Qualified Institutional Buyers (QIBs), failing which the full subscription monies shall be refunded.

OR

(a)(ii) The "project" has at least 15% participation by Financial Institutions/Scheduled Commercial Banks, of which at least 10% comes from the appraiser(s). In addition to this, at least 10% of the issue size shall be allotted to QIBs, failing which the full subscription monies shall be refunded.

AND

(b)(i) The minimum post-issue face value capital of the company shall be Rs.10 crore.

OR

(b)(ii) There shall be a compulsory market-making for at least 2 years from the date of listing of the shares, subject to the following:

(a) Market makers undertake to offer buy and sell quotes for a minimum depth of 300 shares;

(b) Market makers undertake to ensure that the bid-ask spread (difference between quotations for sale and purchase) for their quotes shall not at any time exceed 10%;

(c) *The inventory of the market makers on each of such stock exchanges, as of the date of allotment of securities, shall be at least 5% of the proposed issue of the company."*

- The Company had a networth of Rs. 164.13 Crore as of March 31, 2007. The Issue size will be more than five times the networth of the Company and hence the Company is not eligible under clause 2.2.1 of the SEBI Guidelines.

- The Company will comply with Clause 2.2.2(a)(i) of the SEBI Guidelines and at least 60% of the Issue shall be allotted to QIBs (in order to comply with the requirements of Rule 19(2)(b) of the SCRR) and in the event the Company fails to do so, the full subscription monies shall be refunded to the Bidders.
- The Company will comply with the second proviso to Clause 11.3.5(i) of the SEBI Guidelines; accordingly, not less than 10% and 30% of the Issue shall be available for allocation to Non-Institutional Bidders and Retail Individual Bidders, respectively, subject to valid Bids being received.
- The Company will comply with Clause 2.2.2(b)(i) of the SEBI Guidelines and the minimum post-Issue face value capital of the Company shall be Rs.10 crore.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of prospective allottees to whom the Equity Shares will be allotted in the Issue shall not be less than 1,000, failing which the entire application monies will be refunded forthwith. In case of delay, if any, in refund, the Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

Accordingly, the Company is eligible for the Issue under Clause 2.2.2 of the SEBI Guidelines

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED 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 RUNNERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, IDFC-SSKI PRIVATE LIMITED, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED, EDELWEISS CAPITAL LIMITED AND AXIS BANK LIMITED, HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING 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 MANAGERS ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNERS, KOTAK MAHINDRA CAPITAL COMPANY LIMITED, IDFC-SSKI PRIVATE LIMITED, MORGAN STANLEY INDIA COMPANY PRIVATE LIMITED, EDELWEISS CAPITAL LIMITED AND AXIS BANK LIMITED, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 12, 2008 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

"1. 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;

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PROJECTED PROFITABILITY, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS MENTIONED IN THE ANNEXURE AND OTHER PAPERS FURNISHED BY THE COMPANY,**

WE CONFIRM THAT:

(A) **THE DRAFT RED HERRING PROSPECTUS FORWARDED TO SEBI IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

(B) **ALL THE LEGAL REQUIREMENTS CONNECTED WITH THE SAID ISSUE, AS ALSO THE GUIDELINES, INSTRUCTIONS, ETC. ISSUED BY SEBI, THE GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

(C) **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, the SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 AND OTHER APPLICABLE LEGAL REQUIREMENTS;**

3. **WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID;**

4. **WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE WORTH OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS.**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

6. **WE CERTIFY THAT CLAUSE 4.6 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000, WHICH RELATES TO SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS' CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE CLAUSE HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.**

7. **WE UNDERTAKE THAT CLAUSES 4.9.1, 4.9.2, 4.9.3 AND 4.9.4 OF THE SEBI (DISCLOSURE AND INVESTOR PROTECTION) GUIDELINES, 2000 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION AND SUBSCRIPTION FROM ALL FIRM ALLOTTEES WOULD BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. – NOT APPLICABLE**

8. WHERE THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION IS NOT APPLICABLE TO THE ISSUER, WE CERTIFY THE REQUIREMENTS OF PROMOTERS' CONTRIBUTION UNDER CLAUSE 4.10 {SUB-CLAUSE (A), (B) OR (C), AS MAY BE APPLICABLE} ARE NOT APPLICABLE TO THE ISSUER. – NOT APPLICABLE

9. WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.

10. WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. – NOTED FOR COMPLIANCE

11. WE CERTIFY THAT NO PAYMENT IN THE NATURE OF DISCOUNT, COMMISSION, ALLOWANCE OR OTHERWISE SHALL BE MADE BY THE ISSUER OR THE PROMOTERS, DIRECTLY OR INDIRECTLY, TO ANY PERSON WHO RECEIVES SECURITIES BY WAY OF FIRM ALLOTMENT IN THE ISSUE. – NOT APPLICABLE

12. WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. – NOT APPLICABLE

13. WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:

(a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF THE COMPANY; AND

(b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME."

THE FILING OF THE DRAFT RED HERRING PROSPECTUS DOES NOT, HOWEVER, ABSOLVE THE COMPANY FROM ANY LIABILITIES UNDER SECTION 63 OR 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT 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 DRAFT RED HERRING PROSPECTUS.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the 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.

Disclaimer from the Company and the Book Runners

The Company, the Directors and the Book Runners accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at the Company's instance and anyone placing reliance on any other source of information, including the Company's website www.ksk.co.in, or the website of any Subsidiary, or the website of any Promoter, Promoter Group Company, or of any affiliate or associate of the Company or its Subsidiaries, would be doing so at his or her own risk.

The Book Runners accept no responsibility, save to the limited extent as provided in the memorandum of understanding entered into among the Book Runners and the Company on February 11, 2008, and the Underwriting Agreement to be entered into between the Underwriters and the Company.

All information shall be made available by the Company and the Book Runners to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centers or elsewhere.

Neither the Company nor any member of the Syndicate is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to the Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares of the Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. The Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares in the Issue.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, VCFs, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with a minimum corpus of Rs.25 crore, pension funds with a minimum corpus of Rs.25 crore and the National Investment Fund, and permitted non-residents including FIIs, Eligible NRIs, multilateral and bilateral development financial institutions, FVCIs and eligible foreign investors, provided that they are eligible under all applicable laws and regulations to hold Equity Shares of the Company. This Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

Any dispute arising out of this Issue will be subject to the jurisdiction of the competent court(s) in Hyderabad, Andhra Pradesh, India.

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 Red Herring Prospectus has been filed with the SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been, and will not be, registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only (i) in the United States to "qualified institutional buyers", as defined in Rule 144A of the Securities Act, and (ii) outside the United States in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur.

The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Disclaimer clause of the BSE

The Bombay Stock Exchange Limited (the "Exchange") has given vide its letter dated April 8, 2008 permission to this Company to use the Exchange's name in this offer document as one of the stock exchanges on which this company's securities are proposed to be listed. The Exchange has scrutinized this offer document 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 offer document; 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 offer document 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.

Disclaimer clause of the NSE

As required, a copy of this Offer Document has been submitted to the National Stock Exchange of India Limited (the "NSE"). NSE has given vide its letter ref.: NSE/LIST/68010-A dated March 17, 2008 permission to the Issuer to use the Exchange's name in this Offer Document as one of the stock exchanges on which this Issuer's securities are proposed to be listed. The Exchange has scrutinized this draft offer document for its 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 offer document has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this offer document; nor does it warrant that the 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 of Fitch

Reproduction or retransmission in whole or part is prohibited except by permission. All rights reserved. The above grading ("**Grading**") assigned by Fitch is largely based on Fitch's assessment of the fundamental financial strength of the issuer. The Grading does not constitute a credit rating by Fitch. Our procedures for issuing a credit rating differ from the procedures used to issue the Grading. The Grading has been arrived at based on information and documents provided to us by the issuer and other parties. Fitch relies on these parties for the accuracy of such information and documents. Fitch did not audit or verify the truth or accuracy of any such information and does not take responsibility for the appropriateness of the information provided and used in our analysis. The Grading is provided “as is” and Fitch does not represent, warrant or guarantee (i) the accuracy, correctness, integrity, completeness or timeliness of any part of the Grading, or (ii) that the Grading (or any credit rating) and the information and analyses contained in, and constituting a part thereof, will fulfill any person’s particular purposes or needs. The Grading reflects the opinion of Fitch as at the date of publication and will not be monitored, and therefore will not be updated to reflect changed circumstances or information that may affect the Grading. The report providing the Grading is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of securities. The Grading does not comment on the suitability of the issue process, the adequacy of market price, the suitability of any investment, loan or security for a particular investor (including, without limitation, any accounting and/or regulatory treatment), or the tax-exempt nature or taxability of payments made in respect of any investment, loan or security. Fitch is not providing any financial advice, or any legal, auditing, accounting, appraisal, valuation or actuarial services. The Grading should not be viewed as a replacement for such advice or services. In providing the Grading, Fitch is not making any recommendation or suggestion, directly or indirectly, to any person to buy, sell, make or hold any investment, loan or security or to undertake any investment strategy with respect to any investment, loan or security of any issuer. Any person who uses the Grading does so entirely at its own risk. Investors are advised to obtain individual financial advice based on their risk profile before taking any action based on the Grading. There is no fiduciary relationship between us and any third party, including, without limitation, any user of the Grading. Fitch is not responsible for any underwriting, credit, loan, purchase, strategic or investment decision, or damages or other losses resulting from use of the Grading. None of Fitch, its officers, employees, affiliated companies and their officers and employees shall have any liability in contract, tort, or otherwise (including, without limitation, for any direct, indirect, special, incidental, consequential, punitive or exemplary damages, including lost profits) in relation to the use of the Grading by any third party. Fitch receives fees from the issuer for performing the Grading exercise. Such fees vary from [●] to [●] per issue. Due to the relative efficiency of electronic publishing and distribution, the Grading may be available to electronic subscribers up to three days prior to print subscribers.

Filing

A copy of the Draft Red Herring Prospectus dated February 12, 2008 was filed with SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051, India.

A copy of the Red Herring Prospectus, along with the other 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 to be filed under Section 60 of the Companies Act will be delivered for registration to the RoC.

Listing

Applications have been made to the BSE and the NSE for permission for listing of the Equity Shares being offered and sold in the Issue. The NSE will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, the Company shall forthwith repay, without interest, all monies received from applicants in reliance on the Red Herring Prospectus. If such money is not repaid within eight days from the date on which the Company has become liable to repay it (i.e., from the date of refusal or within 10 weeks from the Bid/Issue Closing Date, whichever is earlier), then the Company and every Director of the Company who is an officer in default shall, on and from the expiry of such eight day period, be liable to repay such monies, together with interest at the rate of 15% per annum on the application monies, 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 the Stock Exchanges are taken within seven working days of finalization of the basis of allotment for the Issue.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and the Compliance Officer, the Auditors, the legal advisors, the Bankers to the Company, the Bankers to the Issue, the monitoring agency and the credit rating agency;

and (b) the Book Runners, the Syndicate Members, the Escrow Collection Banks and the Registrar to the Issue to act in their respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

In accordance with the Companies Act and the SEBI Guidelines, Umamaheswara Rao & Co., Chartered Accountants, have given their written consent to the inclusion of their report in the form and context in which it appears in this Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus to the RoC.

Umamaheswara Rao & Co., Chartered Accountants, have given their written consent to inclusion of their report relating to the possible tax benefits accruing to the Company and its shareholders in the form and context in which it appears in this Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus to the RoC.

Fitch, a SEBI registered credit rating agency has given its written consent to being named as an expert for purposes of the grading of the Issue and to the inclusion of its grading of the Issue in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus to the Designated Stock Exchange.

Expert Opinion

The Company has obtained a grading of this Issue from Fitch, a credit rating agency registered with SEBI.

Issue Related Expenses

The Issue related expenses include, among others, underwriting and management fees, selling commissions, printing and distribution expenses, legal fees, advertisement expenses, registrar and depository expenses, fees and expenses of the SEBI registered credit rating agency for grading the Issue and listing fees. The estimated Issue expenses are as follows:

Activity	**Expense (Rs. in crores)[(1)]**	**Percentage of total Issue expenses (%)**	**Percentage of total Issue size (%)**
Lead management, underwriting and selling commissions	[●]	[●]	[●]
Listing fees and expenses of SEBI registered rating agency	[●]	[●]	[●]
Advertising and marketing expenses	[●]	[●]	[●]
Printing and stationery	[●]	[●]	[●]
Other (Registrar's fees, legal fees, monitoring agency's fees and IPO grading agency's fees)	[●]	[●]	[●]
Total estimated Issue expenses	**[●]**	**100**	

(1) Will be completed after finalization of the Issue Price.

Fees Payable to the Book Runners and the Syndicate Members

The total fees payable to the Book Running Lead Managers and the Syndicate Members (including underwriting commission and selling commission and reimbursement of their out of pocket expenses) will be as per the engagement letter dated February 11, 2008, copies of which are available for inspection at the Company's Registered Office.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of applications, data entry, printing of CANs/refund orders (or revised CANs, if required), preparation of refund data on magnetic tape and printing of bulk mailing register will be as per the memorandum of understanding among the Company and the Registrar to the Issue dated April 9, 2008, a copy of which is available for inspection at the Company's Registered Office.

The Registrar to the Issue will be reimbursed for all out of pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to make refunds in any of the modes described in this Red Herring Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

Particulars regarding Public or Rights Issues during the last five years

The Company has not made any previous public issues (including any rights issues to the public) in the five years preceding the date of this Red Herring Prospectus.

Previous issues of Equity Shares otherwise than for cash

Except as stated in the sections "Capital Structure" and "History and Certain Corporate Matters" beginning on pages 65 and 171, respectively, of this Red Herring Prospectus, the Company has not made any previous issues of shares for consideration other than cash.

Underwriting commission, brokerage and selling commission on Previous Issues

Since this is the initial public offering of the Company's Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing for or procuring or agreeing to procure subscription for any of the Equity Shares since the Company's inception.

Companies under the Same Management

Except as disclosed in this Red Herring Prospectus, no company under the same management within the meaning of Section 370(1B) of the Companies Act has made any public issue (including any rights issues to the public) during the last three years. For details, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

Promise v/s performance

The equity shares of KSK plc were listed on the Alternative Investment Market of London Stock Exchange on November 1, 2006.

KSK plc made an initial public offering in October 2006 of 2,88,78,505 equity shares of face value 0.10 pence (approximately Rs.0.08) each aggregating GBP 30.90 million (Rs. 24,330.66 lakh). The issue price was 107 pence (approximately Rs.85.60) per equity share.

The monthly high and low of the market price of the equity shares of KSK plc having a face value of 0.1 pence or 0.001 GBP each (approximately Rs. 0.08) on the Alternative Investment Market of the London Stock Exchange for the last six months are as follows:

(In Rupees)

Date	High	Low
May, 2008	506.21	449.34
April, 2008	503.42	412.76
March, 2008	425.49	365.84
February, 2008	429.46	341.98
January, 2008	367.43	287.90
December, 2007	295.85	213.94

The market capitalization of KSK plc as on May 31, 2008 was USD 1,610.99 million or approximately Rs. 6,508.59 crore.

For further details, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

Other than as disclosed above, there has been no public issue (including any rights issue to the public) by the Company, the Subsidiaries, any of the Promoters or members of the Promoter Group.

Outstanding Debentures or Bond Issues or Preference Shares

The Company has no outstanding debentures or bonds or redeemable preference shares as of the date of this Red Herring Prospectus.

Stock Market Data of the Equity Shares

This being an initial public offering of the Equity Shares of the Company, the Equity Shares are not listed on any stock exchange.

Mechanism for Redressal of Investor Grievances

The agreement between the Registrar to the Issue and the Company will provide for retention of records with the Registrar to the Issue for a period of at least one year from the last date of dispatch of the letters of allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection center where the application was submitted.

Disposal of Investor Grievances by the Company

The Company estimates that the average time required by the Company or the Registrar to the Issue for the redressal of routine investor grievances shall be 15 working days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. D. Suresh Babu as the Compliance Officer to redress complaints, if any, of the investors participating in the Issue. He can be contacted at the following address:

Mr. D. Suresh Babu
8-2-293/82/A/431/A, Road No.22, Jubilee Hills
Hyderabad – 500 033
Andhra Pradesh
India
Telephone: +91 40 2355 9922-25
Facsimile: +91 40 2355 9930
Email: investors@ksk.co.in
Website: www.ksk.co.in

Disposal of investor grievances by listed companies under the same management as the Company

The board of directors of KSK plc has not constituted a shareholder/investor grievance committee as the Combined Code on Corporate Governance is optional. KSK plc has also entered into an agreement with their Registrar Equity Limited, to address all investor grievances under the overall supervision of the Board.

Investor grievances are typically resolved within a period of 15 days from the date of its receipt.

As on April 30, 2007, KSK plc had no outstanding complaints from the shareholders, including in relation to change of address, non receipt of dividend warrants and non receipt of balance sheets.

Other Disclosures

Except as disclosed in this Red Herring Prospectus, the Promoter Group, the directors of the Promoters or the Promoter Group Companies or the Directors of the Company and its Subsidiaries have not purchased or sold any securities of the Company during a period of six months preceding the date on which this Red Herring Prospectus is filed with SEBI.

Change in Auditors

There have been no changes in the Company's auditors in the last three years.

Capitalization of Reserves or Profits

Except as disclosed in this Red Herring Prospectus, the Company has not capitalized its reserves or profits at any time during the last five years.

Revaluation of Assets

The Company has not revalued its assets in the last five years.

Interest of Promoters and Directors

Promoters

Mr. S. Kishore, Mr. K.A. Sastry and KSK Energy Limited are the Company's Promoters.

Mr. S. Kishore, Mr. K.A. Sastry and KSK Energy Limited are interested parties in any dividend that may be declared and distributions that may be made by the Company and to the extent of their shareholding in the Company.

The Company's Promoters will also be interested in any future contracts that the Company may enter into with any members of the Promoter Group or any company in which the Promoters are directors.

For details, see the section "Our Promoters and Promoter Group Companies" beginning on page 211 of this Red Herring Prospectus.

Directors

The Directors of the Company may be deemed to be interested to the extent of remuneration and benefits, if any, payable to them for attending meetings of the Board or any committee thereof. The Directors may also be regarded as interested in the Equity Shares, if any, held by or that may be subscribed by and allotted to the companies, firms and trusts, in which they are interested as directors, members, partners and/or trustees.

For details, see the sections "Our Management" and "Related Party Transactions" beginning on pages 194 and 223 of this Red Herring Prospectus.

Payment or Benefit to Officers of the Company

For details, see the section "Our Management" beginning on page 194 of this Red Herring Prospectus.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, the Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus, the Prospectus, the Bid-cum-Application Form, the Revision Form, the CAN, the listing agreements 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 subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and the listing and trading of securities issued from time to time by SEBI, the Government of India, the Stock Exchanges, the Registrar of Companies, the RBI, the FIPB and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Authority for the Issue

From the Company

The Board of Directors has, pursuant to a resolution passed at its meeting held on January 19, 2008, authorized the Issue subject to the approval by the shareholders of the Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

The shareholders of the Company have, pursuant to a resolution dated February 7, 2008 under Section 81(1A) of the Companies Act, authorized the Issue.

The Board pursuant to its resolution dated January 19, 2008 has authorized a committee of its Directors referred to as the IPO Committee to take decisions on behalf of the Board in relation to the Issue. The IPO Committee has approved and authorized the Draft Red Herring Prospectus pursuant to its resolution dated February 11, 2008 and this Red Herring Prospectus pursuant to its resolution dated June 12, 2008.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Companies Act and the Memorandum and Articles of Association and shall rank *pari passu* with the existing Equity Shares of the Company including rights in respect of dividends. The Allottees of the Equity Shares in this Issue shall be entitled to dividends and other corporate benefits, if any, declared by the Company after the date of Allotment. For further details, see the section "Main Provisions of the Articles of Association" beginning on page 402 of this Red Herring Prospectus.

Mode of Payment of Dividend

The Company shall pay dividends to its shareholders in accordance with the provisions of the Companies Act.

Face Value and Issue Price

The face value of each Equity Share is Rs.10. The Issue Price is Rs.[●] per Equity Share. The Floor Price of the Equity Shares is Rs.240 per Equity Share and the Cap Price is Rs.255 per Equity Share. At any given point of time there shall be only one denomination of Equity Shares.

The Floor Price is 24 times of the face value and the Cap Price is 25.5 times of the face value.

Compliance with the SEBI Guidelines

The Company shall comply with applicable disclosure and accounting norms specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders of the Company shall have the following rights:

- The right to receive dividends, if declared;

- The right to attend general meetings and exercise voting powers, unless prohibited by law;
- The right to vote on a poll either in person or by proxy;
- The right to receive offers for rights shares and be allotted bonus shares, if announced;
- The right to receive any surplus on liquidation subject to any statutory and other preferential claims being satisfied;
- The right to freely transfer their Equity Shares; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the listing agreements executed with the Stock Exchanges, and the Memorandum and Articles of Association of the Company.

For a detailed description of the main provisions of the Articles of Association relating to voting rights, dividend, forfeiture and lien, transfer and transmission, and/or consolidation/splitting, see the section "Main Provisions of the Articles of Association" beginning on page 402 of this Red Herring Prospectus.

Market Lot and Trading Lot

Under Section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialized form. As per the SEBI Guidelines, the trading of the Equity Shares shall be in dematerialized form only. Since trading of the Equity Shares is in dematerialized form, the tradable lot is one Equity Share. Allotment in this Issue will be in electronic form in multiples of one Equity Share, subject to a minimum Allotment of 25 Equity Shares.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts in Hyderabad, Andhra Pradesh, India.

Nomination Facility to Investor

In accordance with Section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of the sole Bidder or in case of joint Bidders, the death of all the Bidders, as the case may be, the Equity Shares Allotted 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 benefits 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 the 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 only be made on the prescribed form available on request at the Registered Office of the Company or with the Registrar or transfer agents 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 the Board, elect either:

- to register himself or herself as the holder of the Equity Shares; or
- to make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to register himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialized form, there is no need to make a separate nomination with the Company. Nominations registered with the respective depository participant of the applicant will prevail. If the investors wish to change their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If the Company does not receive a minimum subscription of 90% of the Issue, including devolvement to the Underwriters within 60 days from the Bid/Issue Closing Date, the Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after the Company becomes liable to refund the subscription amount (i.e., from the date of refusal or within 10 weeks from the Bid/Issue Closing Date, whichever is earlier), the Company shall pay interest prescribed under Section 73 of the Companies Act.

If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith.

Further, in accordance with Clause 2.2.2A of the SEBI Guidelines, the Company shall ensure that the number of Allottees under the Issue shall not be less than 1,000.

Application by Eligible NRIs, FIIs and FVCIs

It is to be distinctly understood that there is no reservation for Eligible NRIs or FIIs or FVCIs. Eligible NRIs, FIIs and FVCIs will be treated on the same basis as other categories for the purpose of Allocation. As per the RBI regulations, OCBs cannot participate in the Issue.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

There are no restrictions on transfers and transmission of shares or debentures and on their consolidation or splitting except as provided in our Articles. See the section "Main Provisions of the Articles of Association" beginning on page 402 of this Red Herring Prospectus.

ISSUE STRUCTURE

The Issue of 3,46,11,000 Equity Shares of Rs.10 each at the Issue Price for cash aggregating Rs.[•] crore is being made through the 100% Book Building Process. The Issue will constitute 10% of the fully diluted post-Issue paid-up capital of the Company. The Company has completed a Pre-IPO Placing of 1,73,06,000 Equity Shares to certain investors.

If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money shall be refunded forthwith. The Issue is being made through a 100% Book Building Process.

	QIBs	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares[1]	At least 2,07,66,600 Equity Shares.	Not less than 34,61,100 Equity Shares or the Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation.	Not less than 1,03,83,300 Equity Shares or the Issue size less allocation to QIB Bidders and Non-Institutional Bidders shall be available for allocation.
Percentage of the Issue size available for allocation	At least 60%.	Not less than 10%.	Not less than 30%.
Basis of Allocation if respective category is oversubscribed	Proportionate as follows: (a) 10,38,350 Equity Shares shall be available for allocation on a proportionate basis to Mutual Funds; and (b) 1,97,28,250 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 so that the Bid Amount exceeds Rs.1,00,000.	Such number of Equity Shares so that the Bid Amount exceeds Rs.1,00,000.	Such number of Equity Shares so that the Bid Amount is less than 1,00,000.
Maximum Bid	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue size, subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs.100,000.
Mode of Allotment	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.	Compulsorily in dematerialized form.
Bid Lot	25 Equity Shares and in multiples of 25 Equity Shares.	25 Equity Shares and in multiples of 25 Equity Shares.	25 Equity Shares and in multiples of 25 Equity Shares.
Trading Lot	One Equity Share.	One Equity Share.	One Equity Share.
Who can Apply[2]	Public financial institutions as specified in Section 4A of the Companies Act, FIIs, scheduled commercial banks, Mutual Funds, multilateral and bilateral development financial institutions, VCFs, FVCIs, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds with a minimum corpus of Rs.25 crore and pension funds with a minimum corpus of Rs.25 crore in accordance with applicable law.	Eligible NRIs, Resident Indian individuals, HUFs (in the name of the *Karta*), companies, corporate bodies, scientific institutions, societies and trusts.	Individuals (including HUFs in the name of the *karta* and Eligible NRIs) applying for Equity Shares such that the Bid Amount per individual Bidder does not exceed Rs.100,000 in value.
Terms of Payment	Margin Amount applicable to QIBs shall be payable at the time of submission of the Bid-cum-Application Form to the Syndicate Members.[3]	Margin Amount applicable to Non-Institutional Bidders shall be payable at the time of submission of the Bid-cum-Application Form to the Syndicate Members.	Margin Amount applicable to Retail Individual Bidders shall be payable at the time of submission of the Bid-cum-Application Form to the Syndicate Members.

	QIBs	Non-Institutional Bidders	Retail Individual Bidders
Margin amount	At least 10% of the Bid Amount.	100% of the Bid Amount.	100% of the Bid Amount.

(1) Subject to valid Bids being received at or above the Issue Price. In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue capital. Therefore, the Issue is being made through a 100% Book Building Process wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs. 5% of the Issue in the QIB Portion shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to QIBs, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. If the aggregate demand from Mutual Funds is less than 10,38,350 Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and be allocated proportionately to the QIB Bidders in proportion to their Bids.

Under-subscription, if any, in the Non-Institutional Portion and Retail Portion would be allowed to be met with spill-over from any other category or combination of categories at the discretion of the Company, in consultation with the Book Runners. For details, see the section "Issue Procedure" beginning on page 375 of this Red Herring Prospectus.

(2) 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 the names are in the same sequence in which they appear in the Bid-cum-Application Form.

(3) After the Bid/Issue Closing Date, depending on the level of subscription, additional Margin Amount, if any, may be called for from the QIB Bidders.

Withdrawal of the Issue

The Company, in consultation with the Book Runners, reserves the right not to proceed with the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment, without assigning any reason therefor. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which the Company shall apply for after Allotment and (ii) the final RoC acknowledgement of the Prospectus after it is filed with the RoC. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

Letters of Allotment or Refund Orders

The Company shall credit each beneficiary account with its depository participant within 15 days of the Bid/Issue Closing Date. Applicants that are residents of the 68 cities notified by SEBI through its notification (Ref. No. SEBI/CFD/DILDIP/29/2008/01/02) dated February 1, 2008 will receive refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is eligible to receive refunds through direct credit, NEFT or RTGS. In the case of other applicants, the Company shall ensure the dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post at the sole or First Bidder's, sole risk within 15 days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund, within 15 days of the Bid/Issue Closing Date.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, the Company undertakes that:

- Allotment shall be made only in dematerialized form within 15 days from the Bid/Issue Closing Date;
- Dispatch of refund orders shall be done within 15 days from the Bid/Issue Closing Date; and
- The Company shall pay interest at 15% per annum, if Allotment is not made, refund orders are not dispatched to the applicant or if, in a case where the refund or portion thereof is made in electronic mode/manner, the refund instructions have not been given to clearing members and/or demat credits are not made to investors within the 15 day time period prescribed above.

The Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar.

Refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic mode/manner. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Bid/Issue Program

BID/ISSUE OPENS ON	**Monday, June 23, 2008**
BID/ISSUE CLOSES ON	**Wednesday, June 25, 2008**

Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bidding/Issue Period as mentioned above at the bidding centers mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 2.00 pm (Indian Standard Time) and uploaded until (i) 3.00 p.m. in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000 and (iii) 5.00 p.m. in case of Bids by Retail Individual Bidders where the Bid Amount is up to Rs. 1,00,000 (which may be extended from time to time by the Stock Exchanges at the request of the Book Runners). Due to limitation of time available for uploading the Bids on the Bid/Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/Issue Closing Date and, in any case, no later than 2.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that due to clustering of last day applications, as is typically experienced in public offerings, some Bids may not get uploaded on the last day. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. If such Bids are not uploaded, the Company, the Book Runners and the Syndicate Members shall not be responsible. Bids will only be accepted on working days, i.e., Monday to Friday (excluding any public holiday).

Note: On the last day, the time for acceptance of Bids may be extended from 2.00 pm to 3.00 pm (Indian Standard Time), if permitted by the Stock Exchanges. Upload of bids by Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000, may be extended by another hour, if permitted by the Stock Exchanges.

The Company, in consultation with the Book Runners, reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with the SEBI Guidelines. The cap should not be more than 20% of the floor of the Price Band. Subject to the immediately preceding sentence, the floor of the Price Band can be revised up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for three additional working days after such revision 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, shall be widely disseminated by notification to the BSE and the NSE, by issuing a press release, and also by indicating the change on the websites of the Book Runners and at the terminals of the other members of the Syndicate.

ISSUE PROCEDURE

Book Building Procedure

In terms of Rule 19(2)(b) of the SCRR, this is an Issue for less than 25% of the post-Issue Equity Share capital. This Issue is being made through the 100% Book Building Process wherein at least 60% of the Issue shall be allotted on a proportionate basis to QIBs, including up to 5% of the QIB Portion, which shall be available for allocation on a proportionate basis to Mutual Funds only. The remainder shall be available for allotment on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs, then the entire application money will be refunded forthwith. Further, not less than 10% of the Issue shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 30% of the Issue shall be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Bidders are required to submit their Bids through the Syndicate. Further, QIB Bids can be procured only through the Book Runners or their affiliates or the Syndicate Members. In case of QIB Bidders, the Company, in consultation with the Book Runners may reject Bids at the time of acceptance of the Bid-cum-Application Form provided that the reasons for such rejection shall be disclosed to such Bidder in writing. In the cases of Non-Institutional Bidders and Retail Individual Bidders, the Company will have a right to reject the Bids only on technical grounds.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders shall only use the specified Bid-cum-Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid. 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 allocation of Equity Shares, dispatch of the CAN, and filing of the Prospectus with the RoC, the Bid-cum-Application Form shall be considered as the Application Form. Upon completing and submitting the Bid-cum-Application Form to a member of the Syndicate, the Bidder is deemed to have authorized the 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 color of the Bid-cum-Application Form for various categories is as follows:

Category	Color of Bid-cum-Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis	White
Eligible NRIs applying on a repatriation basis, FIIs, Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions and other Non-Residents applying on a repatriation basis	Blue

Who can Bid?

1. Persons eligible to invest under all applicable laws, rules, regulations and guidelines.

2. Indian nationals resident in India who are not minors, or in the name of their minor children as natural or legal guardians in single or joint names (not more than three).

3. 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.

4. Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.

5. FIIs registered with SEBI.

6. State Industrial Development Corporations.

7. Insurance companies registered with the Insurance Regulatory and Development Authority, India.

8. Provident Funds with a minimum corpus of Rs.25 crore and who are authorized under their constitution to invest in equity shares.

9. Pension funds with a minimum corpus of Rs.25 crore and who are authorized under their constitution to invest in equity shares.

10. National Investment Fund.

11. Companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in equity shares.

12. VCFs registered with SEBI.

13. FVCIs registered with the SEBI.

14. Mutual Funds.

15. Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to the RBI regulations and the SEBI Guidelines and regulations, as applicable).

16. Multilateral and bilateral development financial institutions.

17. Trusts registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in equity shares.

18. Scientific and/or industrial research organizations in India authorized to invest in equity shares.

19. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals in the Issue.

As per existing regulations, OCBs cannot Bid in the Issue.

The information below is given for the benefit of the Bidders. The Company and the Book Runners do not accept responsibility for the completeness and accuracy of the information stated. The Company and the Book Runners 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 does not exceed the limits prescribed under laws or regulations.

Participation by associates of the Book Runners and the Syndicate Members

The Book Runners and Syndicate Members shall not be entitled to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the Book Runners and Syndicate Members may subscribe for Equity Shares in the Issue, including in the QIB Portion and Non-Institutional Portion where the allocation is on a proportionate basis. Such bidding and subscription may be on their own account or on behalf of their clients.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than 10,38,350 Equity Shares, allocation shall be made to Mutual Funds on a proportionate basis to the extent of the Mutual Fund Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

The Bids made by the asset management companies or custodians of Mutual Funds shall specifically state the names of the concerned schemes for which the Bids are made. In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with the 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 for which the Bid has been made.

In accordance with 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 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 or the Registrar.

NRI applicants should note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment under the Eligible NRI category. The Eligible NRIs who intend to make payment through the Non-Resident Ordinary (NRO) account shall use the application form meant for Resident Indians (white form).

Bids by FIIs

In accordance with 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 the post-Issue paid-up capital of the Company (i.e., 10% of 34,61,04,740 Equity Shares). 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 the total paid-up capital of the Company or 5% of the total paid-up capital of the Company, in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of the Company's total paid-up capital. With the approval of the Board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of the date of this Red Herring Prospectus the Company has not obtained board or shareholder approval to increase the FII limit to more than 24%.

Subject to compliance with all applicable Indian laws, rules, regulations, guidelines and approvals, in terms of Regulation 15A(1) of the Securities and 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 on any stock exchange in India only in favor of those entities which are regulated by any relevant regulatory authorities in the countries of their incorporation or establishment subject to compliance with "know your client" requirements. An FII or sub-account shall also ensure that no further downstream issue or transfer of any instrument referred to hereinabove is made to any person other than a regulated entity.

Associates and affiliates of the Underwriters, including the Book Runners and the Syndicate Members that are FIIs or its sub-account may issue offshore derivative instruments against Equity Shares allocated to them in the Issue.

Bids by the SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996, as amended and the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended prescribe investment restrictions on VCFs and FVCIs. Accordingly, whilst the holding by any VCF in one venture capital undertaking should not exceed 25% of the corpus of the VCF, the VCF can invest its entire funds committed for investments into India in one company. Further, VCFs can invest only up to 33.33% of the investible funds by way of subscription to an initial public offering.

Pursuant to the SEBI Guidelines, the shareholding of VCFs and FVCIs held in a company prior to making an initial public offering is exempt from lock-in requirements only if the shares have been held by them for at least one year prior to the time of filing the draft prospectus with SEBI.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter, so as to ensure that the Bid Amount payable by the Bidder does not exceed Rs.100,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed Rs.100,000. Where the Bid Amount is over Rs.100,000 due to a revision in the Bid or a revision in the Price Band or upon exercise of the option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to Retail Individual Bidders indicating their agreement to the Bid and to purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.

(b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.100,000 and is a multiple of 25 Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable laws.

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 to be 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 the Bids or a revision in the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Non-Institutional Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at the Cut-off Price.

Bidders are advised to ensure that any single Bid by them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Refund amounts following a permitted withdrawal of a Bid shall be paid in the manner described in the section "Issue Procedure - Payment of Refund" beginning on page 394 of this Red Herring Prospectus.

Information for the Bidder:

1. The Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

2. The members of the Syndicate will circulate copies of the Bid-cum-Application Form to potential investors, and at the request of potential investors, copies of the Red Herring Prospectus.

3. Any investor (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus along with the Bid-cum-Application Form can obtain the same from the Registered Office of the Company or from any member of the Syndicate.

4. Eligible investors who are interested in subscribing for the Equity Shares should approach any of the Book Runners or Syndicate Members or their authorized agent(s) to register their Bids.

5. The Bid should be submitted on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the member of the Syndicate. Bid-cum-Application Forms which do not bear the stamp of a member of the Syndicate will be rejected.

Method and Process of Bidding

1. The Company and the Book Runners shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus to be filed with the RoC and also publish the same in two widely circulated national newspapers (one each in English and Hindi) and in one Telugu newspaper with wide circulation. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Schedule XX-A of the SEBI Guidelines, as amended by the SEBI Circular No. SEBI/CFD/DIL/DIP/17/2005/11/11 dated November 11, 2005. The Book Runners and Syndicate Members shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.

2. The Bidding/Issue Period shall be for a minimum of three working days and shall not exceed seven working days. Where the Price Band is revised, the revised Price Band and Bidding/Issue Period will be published in two national newspapers (one each in English and Hindi) and one widely circulated Telugu newspaper and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate. The Bidding/Issue Period may be extended, if required, by an additional three working days, subject to the total Bidding/Issue Period not exceeding 10 working days.

3. During the Bidding/Issue Period, eligible investors who are interested in subscribing for the Equity Shares should approach the members of the Syndicate or their authorized agents to register their Bids.

4. Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three optional prices (for details refer to the paragraph "Bids at Different Price Levels") 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 and the rest of the Bid(s), irrespective of the Bid Price, will become automatically invalid.

5. 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 bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point in time before the Allotment of Equity Shares in the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph "Build up of the Book and Revision of Bids" beginning on page 382 of this Red Herring Prospectus.

6. 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.

7. During the Bidding/Issue Period, Bidders may approach the members of the Syndicate to submit their Bids. 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.

8. Along with the Bid-cum-Application Form, all Bidders will make payment into the Escrow Accounts in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Accounts" beginning on page 381 of this Red Herring Prospectus.

Bids at Different Price Levels

1. The Price Band has been fixed at Rs.240 to Rs.255 per Equity Share, Rs.240 being the Floor Price and Rs.255 being the Cap Price. The Bidders can Bid at any price within the Price Band in multiples of Re.1 (Rupee One).

2. The Company, in consultation with the Book Runners, reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with the SEBI Guidelines. The cap on the Price Band should not be more than 20% of the Floor Price. Subject to compliance with the immediately preceding sentence, the floor of the Price Band can move up or down to the extent of 20% of the floor of the Price Band disclosed in the Red Herring Prospectus.

3. In case of a revision of the Price Band, the Bidding/Issue Period shall be extended for three additional working days, subject to a maximum of 10 working days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two widely circulated national newspapers (one each in English and Hindi) and one widely circulated Telugu newspaper and also by indicating the change on the websites of the Book Runners and at the terminals of the members of the Syndicate.

4. The Company, in consultation with the Book Runners, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.

5. The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price.

   Retail Individual Bidders may Bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs or Non-Institutional Bidders shall be rejected.

6. 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 the Cut-off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Accounts. In the event that the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at the Cut-off Price, the Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Accounts in the manner described under the paragraph "Payment of Refund".

7. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher cap of the revised Price Band (such that the total amount i.e., the original Bid Amount plus additional payment does not exceed Rs.100,000 if the Bidder wants to continue to Bid at the Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs.100,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band before 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 the Bidder is deemed to have approved such revised Bid at the Cut-off Price.

8. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Accounts.

9. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size shall remain 25 Equity Shares irrespective of whether the Bid Amount payable on such minimum application is not in the range of Rs.5,000 to Rs.7,000.

Escrow Mechanism

The Company and the members of the Syndicate shall open Escrow Accounts with one or more Escrow Collection Banks in whose favor the Bidders make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders in a certain category would be deposited in the Escrow Accounts. The Escrow Collection Banks will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Banks for and on behalf of the Bidders. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the monies from the Escrow Accounts to the Public Issue Account and the Refund Account as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement among the Company, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of Payment and Payment into the Escrow Accounts

Each Bidder shall pay the applicable Margin Amount, and shall, with the submission of the Bid-cum-Application Form, draw a cheque or demand draft in favor of the Escrow Accounts of the Escrow Collection Banks (see the section "Payment Instructions" beginning on page 389 of this Red Herring Prospectus), and submit such cheque or demand draft to the member of the Syndicate to whom the Bid is being submitted. The Bidder may also provide the applicable Margin Amount by way of an electronic transfer of funds through the RTGS mechanism. Each QIB shall provide their QIB Margin Amount only to a BRLM. Bid-cum-Application Forms accompanied by cash/Stockinvest/money order shall not be accepted. The Margin Amount based on the Bid Amount has to be paid at the time of submission of the Bid-cum-Application Form.

The members of the Syndicate shall deposit the cheque or demand draft with the Escrow Collection Banks, which will hold the monies for the benefit of the Bidders until the Designated Date. 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 Public Issue Account. The balance amount after transfer to the Public Issue Account of the Company shall be transferred to the Refund Account on the Designated Date. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall also refund all amounts payable to unsuccessful Bidders and also the excess amount paid on bidding, if any, after adjustment for Allotment, to the Bidders.

Each category of Bidders, i.e., QIB Bidders, Non-Institutional Bidders and Retail Individual Bidders are required to pay their applicable Margin Amount at the time of submission of the Bid-cum-Application Form. The Margin Amount payable by each category of Bidders is mentioned in the section "Issue Structure" beginning on page 372 of this Red Herring Prospectus. Where the Margin Amount applicable to the Bidder is less than 100% of the Bid Amount, any difference between the amount payable by the Bidder for Equity Shares allocated at the Issue Price and the Margin Amount paid at the time of Bidding, shall be payable by the Bidder no later than the Pay-in Date. If the payment is not made favoring the Escrow Accounts within the time stipulated above, the Bid of the Bidder is liable to be rejected. However, if the applicable Margin Amount for Bidders is 100%, the full amount of payment has to be made at the time of submission of the Bid-cum-Application Form.

Where the Bidder has been allocated a lesser number of Equity Shares than he or she had Bid for, the excess amount paid on Bidding, if any, after adjustment for Allotment, will be refunded to such Bidder within 15 days from the Bid/Issue Closing Date, failing which the Company shall pay interest according to the provisions of the Companies Act for any delay beyond the periods as mentioned above.

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 facility in each city where a stock exchange is located in India and where Bids are being accepted.

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

3. The aggregate demand and price for Bids registered on electronic facilities of the NSE and the BSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centers as well as on the NSE's website at www.nseindia.com and on the BSE's website at www.bseindia.com. A graphical representation of consolidated demand and price will be made available at the bidding centers 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 Bidder(s). Bidders should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depositary Account is held. In case the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form;

   - Investor category—Individual, Corporate, QIBs, Eligible NRI, FVCI, FII or Mutual Fund, etc.;

   - Numbers of Equity Shares bid for;

   - Bid price;

   - Bid-cum-Application Form number;

   - Margin Amount paid upon submission of Bid-cum-Application Form; and

   - Depository Participant identification number and client identification number of the demat account of the Bidder.

5. A system-generated TRS will be given to the Bidder as 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 either by the members of the Syndicate or the 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 the Bid. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in this Red Herring Prospectus.

8. The permission given by the NSE and the BSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by the Company or the Book Runners are cleared or approved by the NSE and the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of the Company, the Promoters, the management or any scheme or project of the Company.

9. It is also to be distinctly understood that the approval given by the NSE and the BSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by the NSE or the BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the NSE and the BSE.

Build Up of the Book and Revision of Bids

1. Bids registered by various Bidders through the members of the Syndicate shall be electronically transmitted to the NSE or BSE mainframe on a regular basis.

2. The book gets built up at various price levels. This information will be available from the Book Runners on a regular basis.

3. 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.

4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. The Bidder must complete the details of all the options in the Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid-cum-Application Form and he is changing only one of the options in the Revision Form, he must still complete all the details of the other two options that are not being changed in the Revision Form. Incomplete or inaccurate Revision Forms will not be accepted by the members of the Syndicate.

5. 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 the original Bid was placed.

6. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only on such Revision Form or copies thereof.

7. 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 the case of 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, 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.

8. When a Bidder revises a Bid, the Bidder 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 and obtain the revised TRS, which will act as proof of revision of the original Bid.**

9. Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for allocation. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid-cum-Application Form, the decision of the Company, in consultation with the Book Runners and the Designated Stock Exchange, based on the physical records of Bid-cum-Application Forms, shall be final and binding on all concerned.

Price Discovery and Allocation

1. After the Bid/Issue Closing Date, the Book Runners shall analyze the demand generated at various price levels and discuss pricing strategy with the Company.

2. The Company, in consultation with the Book Runners, shall finalize the Issue Price and the number of Equity Shares to be allocated in each investor category.

3. The allotment to QIBs will be at least 60% of the Issue, on a proportionate basis and the availability for allocation to Non-Institutional and Retail Individual Bidders will be not less than 10% and 30% of the Issue, respectively, on a proportionate basis, in a manner specified in the SEBI Guidelines and this Red Herring Prospectus, in consultation with the Designated Stock Exchange, subject to valid Bids being received at or above the Issue Price. If at least 60% of the Issue cannot be allotted to QIBs then the entire application money will be refunded.

4. In case of over-subscription in all categories, at least 60% of the Issue shall be available for allocation on a proportionate basis to QIBs, out of which 5% shall be reserved for Mutual Funds. Mutual Funds participating in the 5% share in the QIB Portion will also be eligible for allocation in the remaining QIB Portion. However, if the aggregate demand by Mutual Funds is less than 5% of the QIB Portion, the balance Equity Shares from the portion specifically available for allocation in the Mutual Funds Portion

will first be added to the QIB Portion and be allocated proportionately to the QIBs in proportion to their Bids.

Under-subscription, if any, in the Non-Institutional Portion and the Retail Portion would be allowed to be met with spill-over from any category or a combination of categories, at the discretion of the Company, in consultation with the Book Runners. However, if the aggregate demand by Mutual Funds is less than 10,38,350 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.

5. The Book Runners, in consultation with the Company, shall notify the members of the Syndicate of the Issue Price and allocations to their respective Bidders, where the full Bid Amount has not been collected from the Bidders.

6. Allotment to Eligible NRIs, FIIs or Mutual Funds or FVCIs will be subject to applicable laws, rules, regulations, guidelines and approvals.

7. The Company reserves the right to cancel the Issue at any time after the Bid/Issue Opening Date but before the Board meeting for Allotment without assigning any reasons whatsoever.

8. Under the SEBI Guidelines, QIBs are not allowed to withdraw their Bids after the Bid/Issue Closing Date.

9. The Company, in consultation with the Book Runners, reserves the right to reject any Bid procured from QIB Bidders, by any member of the Syndicate. Rejection of Bids by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting such Bid shall be provided to such Bidder in writing.

10. The allotment details shall be hosted on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) The Company, the Book Runners and the Syndicate Members may enter into an Underwriting Agreement upon finalization of the Issue Price.

(b) After signing the Underwriting Agreement, the Company will update and file the Red Herring Prospectus with the RoC, which will be termed "Prospectus". The Prospectus will have details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, the Company shall, after receiving final observations, if any, on this Red Herring Prospectus from SEBI, publish an advertisement, in the form prescribed by the SEBI Guidelines, in two widely circulated national newspapers, one each in English and Hindi and one widely circulated Telugu newspaper.

Advertisement regarding the Price Band and the Red Herring Prospectus

A statutory advertisement will be issued by the Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that is required to be set out in the statutory advertisement, shall indicate the Issue Price along with a table showing the number of Equity Shares and the amount payable by an investor. Any material updates between the date of the Red Herring Prospectus and the Prospectus shall be included in such advertisement.

Issue of the Confirmation of Allocation Note ("CAN")

(a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the Book Runners 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 allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or prior to the approval of the basis of allocation for the Retail Individual Bidders and Non-Institutional Bidders. However, the investor should note that the Company shall ensure that the instructions for credit of the Equity Shares to all investors in this Issue shall be given on the same date of Allotment.

(b) The Book Runners or the members of the Syndicate will then send a CAN to the 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 Bid Amount in full into the Escrow Accounts at the time of bidding shall pay the full amount payable into the Escrow Accounts by the Pay-in Date specified in the CAN.

(c) Bidders who have been allocated Equity Shares and who have already paid into the Escrow Accounts at the time of bidding shall directly receive the CAN from the Registrar to the Issue subject, however, to realization of their cheque or demand draft paid into the Escrow Accounts.

(d) The issue of a CAN is subject to "Notice to QIBs: Allotment Reconciliation and Revised CANs" as set forth below.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS PUBLIC ISSUE.

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 will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject to the basis of final Allotment, which will be approved by the Designated Stock Exchange and reflected in the reconciled physical book prepared by the Registrar. Subject to the 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. Any revised CAN, if issued, will supersede in its entirety the earlier CAN.

Designated Date and Allotment of Equity Shares

(a) The Company will ensure that the Allotment of Equity Shares is done within 15 days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Public Issue Account and the Refund Account on the Designated Date, the Company shall credit the successful Bidder(s) depository account. Allotment of the Equity Shares to the successful Bidders shall be within 15 days from the Bid/Issue Closing Date.

(b) As per the SEBI Guidelines, Allotment of the Equity Shares will be only in dematerialized form to the allottees.

(c) Successful Bidders will have the option to re-materialize the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

GENERAL INSTRUCTIONS

DOs:

(a) Check if you are eligible to apply having regard to applicable law, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;

(b) Ensure that your Bid is within the Price Band;

(c) Read all the instructions carefully and complete the Bid-cum-Application Form;

(d) Ensure that the details of your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in dematerialized form only;

(e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a member of the Syndicate;

(f) Ensure that you have collected a TRS for all your Bid options;

(g) Submit Revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(h) Ensure that in all cases where Bids are received, the PAN of the Bidder is quoted in the Bid-cum-Application Form. (See the section "Issue Procedure – Permanent Account Number" on page 391 of this Red Herring Prospectus);

(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. Where 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; and

(j) Ensure that the Demographic Details are updated, true and correct in all respects.

DON'Ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid or revise the Bid to a price that is less than the Floor Price or higher than the Cap Price;

(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 amount in cash, 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 the Cut-off Price, in the case of a Bid by a QIB Bidder or a Non-Institutional Bidder;

(g) Do not complete the Bid-cum-Application Form such that the number of 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 or under the terms of this Red Herring Prospectus;

(h) Do not bid at Bid Amount exceeding Rs.100,000, in the case of a Bid by a Retail Individual Bidder;

(i) Do not submit the Bid without the QIB Margin Amount, in the case of a Bid by a QIB; and

(j) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bidders can obtain Bid-cum-Application Forms and/or Revision Forms from the members of the Syndicate.

Bids and Revisions of Bids

Bids and revisions of Bids must be:

1. Made only on the prescribed Bid-cum-Application Form or Revision Form, as applicable (white or blue).

2. Made in a single name or in joint names (not more than three, and in the same order as their Depository Participant details).

3. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, on the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Forms are liable to be rejected.

4. Bids from the Retail Individual Bidders must be for a minimum of 25 Equity Shares and in multiples of 25 Equity Shares thereafter subject to a maximum Bid Amount of Rs.100,000.

5. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds Rs.100,000 and in multiples of 25 Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them does not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws and regulations.

6. Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of the name of the Bidders, Depository Participant's name, Depository Participant-identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Bidders such as their address, bank account details for printing on refund orders or giving credit through ECS or Direct Credit, and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds to the Bidders. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither the Book Runners nor the Company shall have any responsibility or undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details on the Bid-cum-Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE 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 ON THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IF 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 SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR ON THE BID-CUM-APPLICATION FORM.

These Demographic Details will be used for all correspondence with the Bidders including mailing of the refund orders/ECS credit for refunds/direct credit of refund/CANs/allocation advice/NEFT or RTGS for refunds and printing of Company particulars on the refund order. The Demographic Details given by Bidders in the Bid-cum-Application Form will not be used for any other purposes by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder will be 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.

Refund orders/allocation advice/CAN would be mailed to the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice/CANs may get delayed if such refund orders or documents, 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 Bidder's sole risk and neither the Escrow Collection Banks nor the Book Runners 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 refunds through electronic modes as detailed in this Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.**

Where no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidder's (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.

See also "Bids under Power of Attorney" given below.

Bids by Non-Residents, Eligible NRIs, FIIs and FVCIs on a repatriation basis.

Bids and revisions to Bids must be made:

1. On the Bid-cum-Application Form or the Revision Form, as applicable (blue form), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In the names of individuals, or in the names of FIIs or FVCIs and multilateral and bilateral development financial institutions but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding Eligible NRIs) or their nominees.

3. In a single name or joint names (not more than three and in the same order as their Depository Participant details).

   Bids by Eligible NRIs for a Bid Amount of up to Rs.100,000 would be considered under the Retail Portion for the purposes of allocation and Bids by Eligible NRIs for a Bid Amount of more than Rs.100,000 would be considered under the Non-Institutional Portion for the purposes of allocation.

   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 U.S. 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 on the Bid-cum-Application Form. The Company will not be responsible for any loss incurred by the Bidder on account of conversion of foreign currency.

It is to be clearly understood that there is no reservation for Non-Residents, Eligible NRIs and FIIs and other non-resident bidders, and all such Bidders will be treated on the same basis as with other categories for the purpose of allocation.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

Bids under Power of Attorney

In the 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 submitted 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 therefor.

In the 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 submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid, in whole or in part, in either case, without assigning any reason therefor.

Bids by Insurance Companies

In the case of Bids made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by the Insurance Regulatory and Development Authority 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 therefor.

Bids by Provident Funds and Pension Funds

In the case of Bids made by provident funds, subject to applicable law, with a minimum corpus of Rs.25 crore and pension funds with a minimum corpus of Rs.25 crore, a certified copy of a certificate from a chartered accountant certifying the corpus of the provident fund/pension fund must be lodged along with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

Bids by Mutual Funds, VCFs and FVCIs

In the case of Bids made by Mutual Funds, VCFs and FVCIs, a certified copy of their SEBI registration certificate must be submitted with the Bid-cum-Application Form. Failing this, the Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

The Company, in its absolute discretion, reserves the right to relax the above condition of simultaneous lodging of the power of attorney along with the Bid-cum-Application Form, subject to such terms and conditions that the Company and the Book Runners may deem fit.

The Company, in its absolute discretion, reserve the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order/CANs/allocation advice, the Demographic Details given on the Bid-cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid-cum-Application Form instead of those obtained from the Depositories.

PAYMENT INSTRUCTIONS

The Company shall open Escrow Accounts with the Escrow Collection Banks for the collection of the Bid Amount payable upon submission of the Bid-cum-Application Form and for amounts payable pursuant to allocation in the Issue. Each Bidder shall draw a cheque or demand draft for the amount payable on the Bid and/or on allocation as per the following terms:

Payment into Escrow Accounts

1. The Bidders for whom the applicable Margin Amount is equal to 100% of the Bid Amount shall, with the submission of the Bid-cum-Application Form, draw a payment instrument for the Bid Amount in favor of the Escrow Accounts and submit the same to the members of the Syndicate.

2. Where the above Margin Amount paid by the Bidders during the Bidding/Issue Period is less than the Issue Price multiplied by the Equity Shares allocated to the Bidder, the balance amount shall be paid by the Bidders into the Escrow Accounts within the period specified in the CAN.

3. The payment instruments for payment into the Escrow Accounts should be drawn in favor of:

   (a) In the case of resident QIB Bidders: "Escrow Account—KSK Public Issue—QIB-R";

   (b) In the case of Non-Resident QIB Bidders: "Escrow Account—KSK Public Issue—QIB-NR";

   (c) In the case of Resident Retail and Non-Institutional Bidders: "Escrow Account—KSK Public Issue—R"; and

(d) In the case of Non-Resident Resident Retail and Non-Institutional Bidders: "Escrow Account—KSK Public Issue—NR".

4. In the case of Bids by Eligible NRIs applying on a 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 NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a NRE Account or a FCNR Account.

5. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.

6. In case of Bids by FIIs and FVCIs the payment should be made out of funds held in a special rupee account along with documentary evidence in support of the remittance. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a special rupee account.

7. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.

8. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders until the Designated Date.

9. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts into the Public Issue Account as per the terms of the Escrow Agreement.

10. No later than 15 days from the Bid/Issue Closing Date, the Escrow Collection Banks shall refund all amounts payable to unsuccessful Bidders and the excess amount paid on Bidding, if any, after adjusting for allocation to the Bidders.

11. **Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the center where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/money orders/postal orders will not be accepted.**

Payment by Stockinvest

Under the terms of the RBI 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. Accordingly, payment through Stockinvest will 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 Forms or Revision Forms. However, the collection center 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 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 in favor of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one). 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 to 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 will serve as a multiple master document.

2. In this master, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are different, the same will be deleted from this master.

3. The addresses of all these applications from the multiple master will be strung from the address master. This involves including the addresses in a single line after deleting non-alpha and non-numeric characters, i.e., commas, full stops, hashes etc. Sometimes, the name, the first line of the address and pin code will be converted into a string for each application received and a photo match will be carried out among all the applications processed. A print-out of the addresses will be made to check for common names. Applications with the same name and same address will be treated as multiple applications.

4. The applications will be scanned for similar Depository Participant's identity (DP ID) and client identity numbers. If applications bear the same numbers, these will be treated as multiple applications.

5. After the aforesaid procedures, a print-out of the multiple master will be taken and the applications physically verified to tally signatures and also father's/husband's names. Upon completion of this exercise, the applications will be identified as multiple applications.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Funds and such Bids in respect of more than one scheme of the Mutual Funds will not be treated as multiple Bids provided that the Bids clearly indicate the scheme for which the Bid has been made.

The Company, in consultation with the Book Runners, reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number ("PAN")

Ensure that in all cases where Bids are received, the PAN of the Bidder is quoted in the Bid-cum-Application Form. **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.**

THE COMPANY'S RIGHT TO REJECT BIDS

In case of QIB Bidders, the Company, in consultation with the Book Runners, may reject Bids provided that the reason for rejecting the Bid shall be provided to such Bidders in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, the Company will have a right to reject Bids based on technical grounds only. Consequent refunds shall be made as described in this Red Herring Prospectus and will be sent to the Bidder's address at the Bidder's risk.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for;

2. Bank account details (for refund) not given;

3. Age of first Bidder not given;

4. 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;

5. Bids by persons not competent to contract under the Indian Contract Act, 1872, including minors and insane persons;

6. Bidder's PAN number is not mentioned in the Bid. It is to be specifically noted that the Bidders should not submit the GIR number instead of the PAN;

7. Bids for lower number of Equity Shares than specified for that category of investors;

8. Bids at a price less than the lower end of the Price Band;

9. Bids at a price more than the higher end of the Price Band;

10. Bids at Cut-off Price by Non-Institutional Bidders and QIB Bidders;

11. Bids for a number of Equity Shares, which are not in multiples of 25;

12. Category not ticked;

13. Multiple Bids;

14. In the case of a Bid under power of attorney or by limited companies, corporates, trusts etc., relevant documents are not submitted;

15. Bids accompanied by Stockinvest/money order/postal order/cash;

16. Signature of sole and/or joint Bidders missing;

17. Bid-cum-Application Form does not have the stamp of the Book Runners or the Syndicate Members;

18. Bid-cum-Application Form does not have the Bidder's depository account details;

19. Bid-cum-Application Form is not delivered by the Bidder within the time prescribed as per the Bid-cum-Application Form and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid-cum-Application Form;

20. In case no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidders (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary account number;

21. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

22. Bids by QIBs not submitted through members of the Syndicate;

23. Bids by OCBs;

24. Bids by U.S. residents or U.S. persons other than in reliance on Regulation S or Rule 144A under the Securities Act;

25. Bids by persons who are not eligible to acquire Equity Shares of the Company under any applicable law, rule, regulation, guideline or approval, in India or outside India;

26. In case of Bid cum Application forms are not available with Registrar to the Issue for reasons such as force majeure, acts of god, flood or similar circumstances;

27. Bids not uploaded in the book would be rejected;

28. Bids or revision thereof by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of Rs. 1,00,000, uploaded after 5.00 p.m. or any such time as prescribed by Stock Exchanges on the Bid/Issue Closing Date;

29. Bids where clear funds are not available in Escrow Accounts as per the final certificate from the Escrow Collection Banks; and

32. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Equity Shares in Dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form (i.e., not in the form of physical certificates but fungible statements issued in electronic mode).

In this context, two tripartite agreements have been signed among the Company, the respective Depositories and the Registrar to the Issue:

(a) a tripartite agreement dated February 21, 2008 among NSDL, the Company and the Registrar to the Issue; and

(b) a tripartite agreement dated February 26, 2008 among CDSL, the Company and the Registrar to the Issue.

Bidders will be allotted Equity Shares only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.

2. The Bidder must necessarily complete the details (including the beneficiary account number and Depository Participant's identification number) appearing on the Bid-cum-Application Form or Revision Form.

3. Equity Shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

4. Names in the Bid-cum-Application Form or Bid Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.

5. If incomplete or incorrect details are given under the heading “Bidder’s Depository Account Details” in the Bid-cum-Application Form or Bid Revision Form, it is liable to be rejected.

6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those recorded with his or her Depository Participant.

7. Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

8. The trading of the Equity Shares will be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.

9. Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, the Bid-cum-Application Form number, details of the Depository Participant, number of Equity Shares applied for, the date of Bid-cum-Application Form, the name and address of the member of the Syndicate where the Bid was submitted and the cheque or draft number and issuing bank thereof.

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

Disposal of Investor Grievances by the Company

The Company estimates that the average time required by it or the Registrar to the Issue for the redressal of routine investor grievances shall be seven working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, the Company will seek to redress these complaints as expeditiously as possible.

The Company has appointed Mr. D. Suresh Babu as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems.

PAYMENT OF REFUND

Bidders should note that on the basis of the 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 Bidder's bank account details including a nine digit Magnetic Ink Character Recognition (“MICR”) code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder’s sole risk and neither the Company, the Book Runners and the Syndicate Members nor the Escrow Collection Banks shall have any responsibility and undertake any liability for the same.

Mode of making refunds

The payment of refund, if any, would be done through various modes in the following order of preference:

1. ECS—Payment of refund would be done through ECS for applicants having an account at any of the 68 centers notified by SEBI, where clearing houses for ECS are managed by the RBI. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through ECS is mandatory for applicants having a bank account at any of the 68 centers notified by SEBI, except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS.

2. NEFT—Payment of refund may be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code ("IFSC"), which can be linked to a Magnetic Ink Character Recognition ("MICR"), if any, available to that particular bank branch. The IFSC Code will be obtained from the website of the RBI as at a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.

3. Direct Credit—Applicants having their bank account with the Refund Banker shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company.

4. RTGS—Applicants having a bank account at any of the 68 centers notified by SEBI, and whose Bid Amount exceeds Rs.50,00,000, shall have the option to receive refunds, if any, through RTGS. Such eligible applicants who indicate their preference to receive refunds through RTGS are required to provide the IFSC Code in the Bid-cum-Application Form. In the event of failure to provide the IFSC Code in the Bid-cum-Application Form, the refund shall be made through the ECS or direct credit, if eligibility is disclosed. Charges, if any, levied by the Refund Bank(s) for the same will be borne by the Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.

5. Please note that only applicants having a bank account at any of the 68 centers notified by SEBI where clearing houses for ECS are managed by the RBI are eligible to receive refunds through the modes detailed hereinabove. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched "Under Certificate of Posting" for refund orders of value up to Rs.1,500 and through Speed Post/Registered Post for refund orders of Rs.1,500 and above. Some refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

Interest on refund of excess Bid Amount

The Company shall pay interest at the rate of 15% per annum on the excess Bid Amount received if refund orders are not dispatched within 15 days from the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATIONS MONEY AND INTEREST IN CASE OF DELAY

The Company shall ensure dispatch of allotment advice, transfer advice or refund orders and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within 15 days of the Bid/Issue Closing Date. The Company shall dispatch refunds above Rs.1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk, except for Bidders who have opted to receive refunds through the ECS facility or RTGS or Direct Credit.

The Company shall use its best efforts to ensure that all steps for completion of the necessary formalities for Allotment and trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within seven working days of the finalization of the basis of Allotment.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Guidelines, we further undertake that:

- Allotment of Equity Shares only in dematerialized form shall be made within 15 days of the Bid/Issue Closing Date;

- Dispatch of refund orders, except for Bidders who have opted to receive refunds through the ECS facility, shall be made within 15 days of the Bid/Issue Closing Date; and

- The Company shall pay interest at 15% per annum for any delay beyond the 15 day time period as mentioned above, if Allotment is not made or if, in a case where the refund or a portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner, and/or demat credits are not made to investors within the 15 day time period 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.

The Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Forms or Revision Forms. However, the collection center of the Syndicate Members 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.

Save and except refunds effected through the electronic mode, i.e., ECS, NEFT, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the ECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

"Any person who:

(a) ***makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***

(b) ***otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,***

shall be punishable with imprisonment for a term which may extend to five years".

ALLOTMENT

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less Allotment to Non-Institutional Bidders 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 valid Bids in this portion are less than or equal to 1,03,83,300 Equity Shares at or above the Issue Price, full Allotment shall be made to Retail Individual Bidders to the extent of their valid Bids.

- If the valid Bids in this portion are greater than 1,03,83,300 Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis of not less than 25 Equity Shares and in multiples of 25 Equity Shares thereafter. For the method of proportionate basis of allocation, 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 portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation 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 valid Bids in this portion are less than or equal to 34,61,100 Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.

- If the valid Bids in this portion are greater than 34,61,100 Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis of not less than 25 Equity Shares and in multiples of 25 Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for allocation 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) If bids from Mutual Funds exceed 5% of the QIB Portion, allocation to Mutual Funds shall be made on a proportionate basis for up to 5% of the QIB Portion.

(ii) If 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 QIB Bidders as set out in (b) below.

(b) In the second instance allocation to all Bidders shall be determined as follows:

(i) In the event of an 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 up to 95% of the QIB Portion.

(ii) Mutual Funds who have received allocation as per (a) above, for less than the number of Equity Shares bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.

(iii) Under subscription, if any, in the Mutual Fund Portion, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

Procedure and Time of Schedule for Allotment and Demat Credit of Equity

The Issue will be conducted through a "100% book building process" pursuant to which the members of the Syndicate will accept bids for the Equity Shares during the Bidding/Issue Period. The Bidding/Issue Period will commence on June 23, 2008 and expire on June 25, 2008. Following the expiration of the Bidding/Issue Period, the Company, in consultation with the Book Runners, will determine the Issue Price, and, in consultation with the Book Runners, the basis of allocation and entitlement to Allotment based on the bids received and subject to confirmation by the BSE/NSE. Successful Bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI Guidelines require the Company to complete the Allotment to successful Bidders within 15 days of the expiration of the Bidding/Issue Period. The Equity Shares will then be credited and Allotted to the investors' demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

Method of proportionate basis of Allotment

In the event the Issue is oversubscribed, the basis of Allotment shall be finalized by the Company, in consultation with the Book Runners and the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by them) of the Designated Stock Exchange along with the Book Runners and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner. Allotment to Bidders 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 oversubscription ratio.

(c) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the oversubscription ratio.

(d) If the proportionate Allotment to a Bidder is a number that is more than 25 but is not a multiple of one (which is the market lot), the decimal will 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 will be rounded off to the lower whole number. Allotment to all Bidders in such categories shall be arrived at after such rounding off.

(e) In all Bids where the proportionate Allotment is less than 25 Equity Shares per Bidder, the Allotment shall be made as follows:

Each successful Bidder shall be Allotted a minimum of 25 Equity Shares; and

The successful Bidders out of the total Bidders for a portion shall be determined by the drawing of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (c) above; and

(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 portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance of Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for the minimum number of Equity Shares.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

Issue details

Particulars	Issue details
Issue size	20 crore equity shares
Allocation to QIB (at least 60% of the Issue)	12 crore equity shares
Of which:	
a. Reservation For Mutual Funds (5%)	0.6 crore equity shares
b. Balance for all QIBs including Mutual Funds	11.4 crore equity shares
Number of QIB applicants	10
Number of equity shares applied for	50 crore equity shares

Details of QIB Bids

S. No.	Type of QIBs	No. of equity shares bid for (in crores)
1.	A1	5
2.	A2	2
3.	A3	13
4.	A4	5
5.	A5	5
6.	MF1	4
7.	MF2	4
8.	MF3	8
9.	MF4	2
10.	MF5	2
11.	**TOTAL**	**50**

* *A1-A5: (QIBs other than Mutual Funds), MF1-MF5 (QIBs which are Mutual Funds)*

Details of Allotment to QIB Applicants

Type of QIB	Equity shares bid for	Allocation of 5% equity shares (see note 2 below)	Allocation of 95% equity shares (see note 4 below)	Aggregate allocation to Mutual Funds
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
		(Number of equity shares in crores)		
A1	5	0	1.154	0
A2	2	0	0.461	0
A3	13	0	3.00	0
A4	5	0	1.154	0
A5	5	0	1.154	0
MF1	4	0.12	0.895	1.015
MF2	4	0.12	0.895	1.015
MF3	8	0.24	1.790	2.030
MF4	2	0.06	0.448	0.508
MF5	2	0.06	0.448	0.508
	50	**0.6**	**11.4**	**5.076**

Notes:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section "Issue Structure" beginning on page 372 of this Red Herring Prospectus.

2. Out of 12 crore equity shares allocated to QIBs, 0.6 crore (i.e., 5%) will be Allotted on a proportionate basis among five Mutual Fund applicants who applied for 20 crore equity shares in the QIB Portion.

3. The balance 11.4 crore equity shares i.e., 120 - 6 (available for Mutual Funds only) will be Allotted on a proportionate basis among 10 QIB Bidders who applied for 50 crore equity shares (including 5 Mutual Fund applicants who applied for 20 crore equity shares).

4. The figures in the fourth column entitled "Allocation of 95% equity shares" in the above illustration are arrived at as explained below:

   For QIBs other than Mutual Funds (A1 to A5) = Number of equity shares Bid for (i.e., in column II of the table above) × 114/494

   For Mutual Funds (MF1 to MF5) = (No. of shares bid for (i.e., in column II of the table above) less equity shares Allotted (i.e., column III of the table above) × 114/494

   The numerator and denominator for arriving at the allocation of 11.4 crore equity shares to the 10 QIBs are reduced by 0.6 crore shares, which have already been Allotted to Mutual Funds in the manner specified in column III of the table above.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND REFUND ORDERS

The Company shall credit each Equity Share Allotted to the beneficiary account with Depository Participants within 15 days of the Bid/Issue Closing Date. Applicants residing at 68 centers notified by SEBI where clearing houses are managed by the RBI will get refunds through ECS (subject to availability of all information for crediting the refund through ECS) except where the applicant is otherwise disclosed as eligible to receive refunds through Direct Credit, NEFT or RTGS. In the case of other applicants, the Company shall ensure dispatch of refund orders, if any, of value up to Rs.1,500 by "Under Certificate of Posting", and shall dispatch refund orders above Rs.1,500, if any, by registered post or speed post, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post informing them about the mode of credit of refund within 15 days of the Bid/Issue Closing Date.

The Company shall ensure dispatch of refund orders, if any, by "Under Certificate of Posting" or registered post or speed post or Direct Credit, NEFT, RTGS or ECS, as applicable, only at the sole or First Bidder's sole risk within 15 days of the Bid/Issue Closing Date, and adequate funds 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.

The Company shall ensure dispatch of allotment advice and refund orders and shall give credit of Equity Shares allotted, if any, to the beneficiary account with Depository Participants and submit the documents pertaining to the allotment to the Stock Exchanges within two working days of the date of Allotment.

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 the finalization of the basis of allotment.

In accordance with the Companies Act, 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 days of the Bid/Issue Closing Date;

- Refunds shall be made within 15 days of the Bid/Issue Closing Date at the sole or First Bidder's sole risk, except for Bidders who have opted to receive refunds through Direct Credit, NEFT, RTGS or ECS;

- The Company shall pay interest at 15% per annum if allotment letters/ refund orders have not been dispatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner through Direct Credit, NEFT, RTGS or ECS, the refund instructions have not been given to the clearing system in the disclosed manner within 15 days of the Bid/Issue Closing Date.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except where the refund or portion thereof is made in electronic manner as described above. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centers will be payable by the Bidders

Undertakings by the Company

The Company undertakes as follows:

- that complaints received in respect of this Issue shall be dealt with expeditiously and satisfactorily;

- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within seven working days of finalization of the basis of Allotment;

- that the Company shall apply in advance for the listing of the Equity Shares;

- that the 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 Company;

- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 15 days of the Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;

- that the refund orders or Allotment advice to the Non-Resident Bidders shall be dispatched within the specified time; and

- that no further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus and the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Utilization of Issue proceeds

The Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in Section 73(3) of the Companies Act;

- details of all monies utilized out of the Issue shall be disclosed under an appropriate heading in the balance sheet of the Company indicating the purpose for which such monies have been utilized;

- details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate head in the balance sheet of the Company indicating the form in which such unutilized monies have been invested.

The Company shall not have recourse to the proceeds of the Issue until the final listing and trading approvals from all the Stock Exchanges have been obtained.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of the Company.

CAPITAL

5. The authorised share capital of the Company shall be as specified from time to time in the Memorandum of Association. The share capital of the Company shall comprise equity Shares and/or preference Shares of such amount as may be determined by the Company, from time to time, with power to increase, reduce, sub-divide or to repay the same or divide the same into several classes and to attach thereto any rights and to consolidate or re-organise the Shares, and subject to Section 106 of the Act, to vary such rights as may be determined in accordance with the regulations of the Company.

6. Except in so far as otherwise provided as existing capital by the conditions of issue or by these Articles, any capital raised by the creation of new Shares, shall be considered as part of the existing share capital and shall be subject to the provisions herein contained with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise.

7. To the extent that the Company is permitted by Applicable Law to issue non-voting Shares or Shares which have rights attached thereto different from the rights attached to equity Shares or any other kind, class or type of Shares, the Company may, if so authorised by the resolution of the Shareholders under Section 81(1A) of the Act, and other relevant provisions of the Act, issue such Shares upon such terms and conditions and with such rights and privileges attached thereto as thought fit and as may be permitted by Applicable Law.

Increase of Capital

8. The Company may, at a General Meeting, from time to time, by an special resolution, increase its share capital by the creation of new Shares, such increase to be of such aggregate amount and to be divided into Shares of such respective amounts as the resolution shall prescribe. The new Shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto, as the resolution shall prescribe, and in particular, such Shares may be issued subject to the Articles, with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right to vote at a General Meeting in conformity with Section 87 of the Act. Unless otherwise stated, all new Shares of the same class shall rank pari passu with existing Shares of the same class. Whenever the capital of the Company has been increased under the provisions of this Article, the Board shall comply with the provisions of Section 97 of the Act.

Power to Issue Preference Shares

9. Subject to the provisions of the Act, the Company shall have the power to issue or re-issue preference Shares in one or more series which are, at the option of the Company, liable to be redeemed and the resolution authorising such issue shall prescribe the manner, terms and conditions of such redemption.

Reduction of Share Capital

10. Subject to the provisions of Sections 100 to 104 of the Act, the Company may, at a General Meeting, from time to time, by special resolution, reduce in any manner for the time being authorised by Applicable Law, its share capital.

Sub-division and Consolidation of Shares

11. (1) Subject to the provisions of Section 94 of the Act, the Company may, at a General Meeting, from time to time, by an ordinary resolution, consolidate, sub-divide or cancel its Shares in the following manner:

    (a) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

(b) sub-divide its Shares, or any of them, into Shares of smaller amount, such that the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; or

(c) cancel any Shares 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 share capital by the amount of the Shares so cancelled. Cancellation of Shares in pursuance of this Article shall not be deemed to be a reduction of the share capital within the meaning of the Act.

(2) Whenever the Company shall do any one or more of the things provided for in the foregoing Article 11(1)(a), (b) and (c), the Company shall, within thirty (30) days thereafter give notice thereof to the Registrar of Companies specifying, as the case may be, the Shares consolidated, divided, sub-divided or cancelled.

Modification of Rights

12. (1) Whenever the share capital, by reason of the issue of preference Shares or otherwise is divided into different classes of Shares, all or any of the rights and privileges attached to each class may, subject to the provisions of Sections 106 and 107 of the Act, be modified, commuted, affected, abrogated, dealt with or varied with the consent in writing of the holders of not less than three-fourths of the issued capital of that class or with the sanction of a special resolution passed at a general meeting of the holders of the Shares of that class, and all the provisions hereafter contained as to a General Meeting shall mutatis mutandis apply to every such meeting. This Article shall not derogate from any power that the Company would have if this Article was omitted.

(2) The rights conferred upon the holders of the Shares (including preference Shares, if any) of any class issued with preferred or other rights or privileges shall, unless otherwise expressly provided by the terms of the issue of Shares of that class, be deemed not to be modified, commuted, affected, abrogated, dealt with or varied by the creation or issue of further Shares ranking pari passu therewith.

Buy Back of Shares

13. The Company may buy back any number of its issued and outstanding Shares and any other Securities, subject to such limits, upon such terms and conditions and subject to such approvals as may be required by Applicable Law.

Commission on Issue of Shares

14. (1) Subject to the terms of Section 76 of the Act, the Company may exercise the powers of paying commissions on issue of Shares.

(2) The commission may be satisfied by the payment of cash or the allotment of fully or partly paid Shares or partly in one way and partly in the other.

(3) The Company may also, on any issue of Shares, pay such brokerage as may be lawful.

SHARES AND CERTIFICATES

Further Issue of Shares

15. (1) Where at any time after the expiry of two years from the formation of the company or at any time after the expiry of one year from the allotment of shares in the company made for the first time after its formation, whichever is earlier, it Is proposed to increase the subscribed capital of the company by allotment of further shares then:

(a) Such further shares shall be offered to the persons who, at the date of the offer, are holders of the equity shares of the company, in proportion, as nearly as circumstances admit, to the capital paid-up on those shares at that date;

(b) The offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than thirty days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined;

(c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any ad them in favour of any other person and the notice referred to in sub- clause (b) shall contain a statement of this right;

(d) After the expiry of the time specified in the notice aforesaid, 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 of them in such manner as they think most beneficial to the company.

(2) Notwithstanding anything contained in sub clause (1) the further shares aforesaid may be offered to any persons (whether or not those persons include the persons referred to In clause (a) of sub-clause (I.) hereof) in any manner whatsoever.

(a) If a special resolution to that effect Is passed by the company in general meeting, or

(b) Where no such resolution Is passed, if the voles cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved In that general meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, vole in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members, so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf, that the proposal is most beneficial to the company.

3. Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised In the renunciation

4. Nothing in this Article shall apply to the increase of the subscribed capital of the company caused by the exercise of an option attached to the debentures issued by the company:

(i) To convert such debentures or loans into shares in the company; or

(ii) To subscribe for shares in the company

PROVIDED THAT the terms of issue of such debentures or the terms of such loans Include a term providing for such option and such term:

(a) Either has been approved by the central Government before the Issue of debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(b) In the case of debentures or loans or other than debentures issued to, or loans obtained from the Government or any institution specified by the Central Government in this behalf, has also been approved by the special resolution passed by the company in General Meeting before the Issue of the loans.

Inequality in Number of New Shares

16. If, owing to any inequality in the number of new Shares to be issued, and the number of Shares held by Shareholders entitled to have the offer of such new Shares, any difficulty arises in apportionment of such new Shares or any of them, among the Shareholders, such difficulty shall, in the absence of any direction in

the resolution creating or issuing the Shares of the Company in the General Meeting, be determined by the Board.

Shares at the Disposal of the Directors

17. Subject to the provisions of Section 81 of the Act and these Articles, the Shares for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provisions of Section 79 of the Act) at a discount and at such time as it may from time to time deem fit and with the sanction of the Company in a 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 deem fit, and may issue and allot Shares 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-up Shares. Provided that the option or right to call for Shares shall not be given to any person or persons without the sanction of the Company in a General Meeting.

Issue of Certificates; Register of Members

18. (1) Each Shareholder shall be entitled, without payment, to one or more certificates in marketable lot, for all the Shares of each class or denomination registered in the name of such Shareholder, or if the Directors approve (upon paying such fee as the Board may from time to time determine), to several certificates, each for one or more of such Shares and the Company shall complete and have ready for delivery such certificates within three (3) months from the date of allotment, unless the conditions of issue thereof otherwise provide, or within one (1) month of the receipt of an application for registration of transfer, transmission, sub-division, consolidation or renewal of any of its Shares, as the case may be. Every certificate of Shares shall be under the seal of the Company and shall specify the number and distinctive numbers of Shares in respect of which it is issued and the amount paid-up thereon and shall be in such form as the Board may prescribe or approve, provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be required to issue more than one certificate and delivery of a certificate of Shares to one of several joint holders shall be sufficient delivery to all such holders.

(2) Notwithstanding anything contained herein, the Company shall be entitled to dematerialise, pursuant to the provisions of the Depositories Act, its Shares, debentures and other Securities, and offer Securities for subscription in dematerialised form.

(3) The Company shall be entitled to maintain a Register of Members with the details of Shareholders holding Shares in physical form or in any media as permitted by Applicable Law including any form of electronic media. The Register of Beneficial Owners maintained by a Depository under the Depositories Act shall be deemed to be the Register of Members.

(4) Save as herein otherwise provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of Shares or whose name appears as the Beneficial Owner of Shares in the records of the Depository as the absolute owner thereof and accordingly shall not (except as ordered by a court of competent jurisdiction or as required by Applicable Law) be bound to recognise any benami trust or equity or equitable, contingent or other claim or interest in such Share on the part of any other person whether or not it, shall have express or implied notice thereof.

(5) The Company shall be entitled to maintain in any State or country outside India a branch register of Shareholders or debenture holders resident in that State or country.

Issue of New Certificates

19. (1) If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer then upon production and surrender of the relevant share certificates to the Company, new certificates may be issued in lieu thereof, and if any certificate is lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company

deems adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate. Every certificate under this Article shall be issued without payment of fees if the Board so decides, or on payment of such fees (not exceeding Rs.2 (Rupees Two) for each certificate) as the Board shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer or in case of sub-division or consolidation of Shares.

(2) The provisions of this Article shall mutatis mutandis apply to any Securities of the Company.

Board may Refuse to Register Transfer

20. Subject to the provisions of Section 111A of the Act and other applicable provisions of the Act or any other Applicable Law, the Board may refuse, whether in pursuance of any power of the Company under these Articles or otherwise, to register the transfer of, or the transmission by operation of law of the right to, any shares or interest of a Member in or debentures of the Company. The Company shall, within one (1) month from the date on which the instrument of transfer, or the intimation of such transmission, as the case may be, was delivered to the Company, send notice of the refusal to the transferee and the transferor or to the person giving intimation of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person(s) indebted to the Company on any account whatsoever except when the Company has a lien on the Shares.

Form or Instrument of Transfer

21. (1) The instrument of transfer shall be in writing and the provisions of Section 108 of the Act in respect of transfer of Shares and registration thereof shall be duly complied with.

(2) In the case of transfer of Shares or other marketable Securities where the Company has not issued any certificates and where such Shares or Securities are being held in an electronic form, the provisions of the Depositories Act shall apply.

No Fee on Transfer or Transmission

22. 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 other similar document.

Payment in Anticipation of Call may Carry Interest

23. (1) The Directors may, if they deems fit, subject to the provisions of Section 92 of the Act, agree to and receive from any Shareholder willing to advance the whole or any part of the moneys due upon the Shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the Shares in respect of which such advance has been made, the Company may pay interest at such rate, as the Shareholder paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

(2) The concerned Shareholder shall not be entitled to any voting rights in respect of the moneys so paid by such Shareholder until the same would, but for such payment, become presently payable.

(3) The provisions of this Article shall mutatis mutandis apply to the calls on any Securities of the Company.

Calls on Shares

24. (1) The Board may, from time to time, make calls upon the Shareholders in respect of any moneys unpaid on the Shares held by them.

(2) Each Shareholder shall pay to the Company, at the time or times and place so specified, the amount called on such Shareholder's Shares.

(3) A call may be revoked or postponed at the discretion of the Board.

25. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be required to be paid by installments.

26. The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.

27. (1) If a sum called in respect of a Share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest thereon from the day appointed for payment thereof to the time of actual payment at five per cent (5%) per annum or at such lower rate, if any, as the Board may determine.

(2) The Board shall be at liberty to waive payment of any such interest wholly or in part.

28. (1) Any sum which by the terms of issue of a Share becomes payable on allotment or at any fixed date, whether on account of the nominal value of the Share or by way of premium, shall, for the purposes of these Articles, be deemed to be a call duly made and payable on the date on which, by the terms of issue, such sum becomes payable.

(2) In case of non-payment of such sum, all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

29. The Board:

(1) may, if it thinks fit, receive from any Shareholder willing to advance the same, all or any part of the moneys uncalled and unpaid upon any Shares held by such Shareholder; and

(2) upon all or any of the moneys so advanced, may (until the same would, but for such advance, become presently payable) pay interest at such rate as may be determined by the Shareholders in General Meeting.

Forfeiture of Shares

30. If a Shareholder fails to pay any call, or installment of a call, on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve a notice on such Shareholder requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued.

31. The notice aforesaid shall:

(1) name a further day on or before which the payment required by the notice is to be made; and

(2) state that, in the event of non-payment on or before the day so named, the Shares in respect of which the call was made will be liable to be forfeited.

32. If the requirements of any such notice as aforesaid are not complied with, any Share in respect of which the notice has been given may, at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect.

33. (1) A forfeited Share may be sold or otherwise disposed of on such terms and in such manner as the Board thinks fit.

(2) At any time before a sale or disposal as aforesaid, the Board may cancel the forfeiture on such terms as it thinks fit.

34. (1) A person whose Shares have been forfeited shall cease to be a Shareholder in respect of the forfeited Shares, but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which, at the date of forfeiture, were presently payable by him to the Company in respect of the Shares.

(2) The liability of such person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the Shares.

35. (1) A duly verified declaration in writing that the declarant is a director, the manager or the secretary, of the Company, and that a Share in the Company has been duly forfeited on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the Share.

(2) The Company may receive the consideration, if any, given for the Share on any sale or disposal thereof and may execute a transfer of the Share in favour of the person to whom the Share is sold or disposed of.

(3) The transferee shall thereupon be registered as the holder of the Share.

(4) The transferee shall not be bound to see to the application of the purchase money, if any, nor shall such transferee's title to the Share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the Share.

36. The provisions of these regulations as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a Share, becomes payable at a fixed time, whether on account of the nominal value of the Share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

Company's Lien on Securities

37. The Company shall have a first and paramount lien upon all the Securities (other than fully paid-up Securities) registered in the name of each Security holder (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 Securities and no equitable interest in any Security shall be created except upon the basis and condition that this Article will have full effect. Such lien shall extend to all dividends and bonuses from time to time declared in respect of such Securities. The Board may at any time declare any Securities wholly or in part to be exempt from the provisions of this Article.

Terms of Issue of Securities

38. Any Securities may be issued by the Company at a discount, premium or otherwise and may be issued by the Company on condition that they may be converted into Shares of any denomination and with privileges and conditions with respect to redemption, surrender, drawing, allotment of Shares, attending (but not voting) at General Meetings and appointment of Directors.

Share Warrants

39. The Company may issue Share warrants subject to, and in accordance with, the provisions of Sections 114 and 115 of the Act. The Board may in its discretion, with respect to any Share which is fully paid-up, on application in writing signed by the person registered as holder of the Share, and authenticated by such evidence (if any) as the Board may from time to time, require as to the identity of the person signing the application, and on receiving the certificate (if any) with respect to the Share, and the amount of the stamp duty on the warrant and such fee as the Board may from time to time require, issue a Share warrant.

40. (1) The bearer of a Share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending, and voting and exercising the other privileges of a Shareholder at any meeting held after the expiry of two (2) clear days from

the time of deposit, as if the depositor's name were inserted in the Register of Members as the holder of the Shares included in the deposited warrant.

(2) Not more than one person shall be recognised as the depositor of the Share warrant.

(3) The Company shall, on two (2) days' written notice, return the deposited Share warrant to the depositor.

41. (1) Except as herein otherwise expressly provided, no person shall, as bearer of a Share warrant, sign a requisition for calling a meeting of the Shareholders of the Company, or attend, or vote or exercise any other privilege of a Shareholder at a meeting of the Shareholders, or be entitled to receive any notices from the Company.

(2) The bearer of a Share warrant shall be entitled in all other respects to the same privileges and advantages as if such person were named in the Register of Members as the holder of the Shares included in the warrant, and such person shall be a Shareholder.

42. The Board may, from time to time, make rules as to the terms on which (if it deems fit) a new Share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

Power to Borrow

43. The Board may, from time to time, and at its discretion, subject to the provisions of Sections 58A, 292, 293 and 370 of the Act and these Articles, accept deposits from Shareholders either in advance of calls or otherwise and generally raise or borrow moneys, either from the Directors, their friends and relatives or from others for the purposes of the Company and/or secure the payment of any such sum or sums of money, provided however, where the moneys to be borrowed together with the moneys already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in ordinary course of business) and remaining outstanding and undischarged at that time exceed the aggregate of the paid-up capital of the Company and its free reserves (not being reserves set apart for any specific purpose), the Board shall not borrow such money without the consent of the Company in a General Meeting by an ordinary resolution. The Board may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions as it thinks fit, and in particular by receiving deposits, issue of bonds, debentures perpetual, redeemable, debenture stock, or any security of the Company or by mortgage or charge or other security upon all or any part of the property or undertaking of the Company (both present and future), including its uncalled capital for the time being; provided that the Board shall not give any option or right to any person for making calls on the Shareholders in respect of the amount unpaid for the time being on the Shares held by them, without the previous sanction of the Company in a General Meeting.

DIRECTORS AND OFFICERS

Number of Directors

44. Unless otherwise determined by the Company in a General Meeting, and subject to the provisions of the Act, the Board shall consist of at least three (3) Directors but no more than twelve (12) Directors or such maximum number of Directors as may be prescribed in the Act.

45. The following persons shall be the first Directors of the Company:

1. S. Kishore
2. K.A. Sastry
3. V. Hari Kiran

Qualification Shares

46. It shall not be necessary for any Director to hold any qualification Shares in the Company.

Additional Directors

47. The Board shall have power at any time, and from time to time, to appoint one or more persons as additional directors ("**Additional Directors**") provided that the number of Directors and Additional Directors together shall not exceed the maximum number specified in Article 47. An Additional Director so appointed shall hold office up to the date of the next annual general meeting and shall be eligible for re-election by the Company at that meeting.

Alternate Directors

48. In the event that a Director (an "Original Director")is absent for a continuous period of not less than three (3) months from the state in which the meetings of the Board are ordinarily held, the Board shall appoint another Director (an "Alternate Director") for and in place of the Original Director. The Alternate Director shall vacate office if and when the Original Director returns to the state in which meetings of the Board are ordinarily held. Upon the appointment of the Alternate Director, the Company shall ensure compliance with the provisions of the Act, including filing of necessary forms with the Registrar of Companies. The Alternate Director shall be entitled to receive notice of all meetings and to attend and vote at such meetings in place of the Original Director and generally to perform all functions of the Original Director in the Original Director's absence.

Nominee Directors

49. (1) Notwithstanding anything to the contrary in these Articles, any Financing Company or Body Corporate or Bank or Insurance Corporation, Gujarat Mineral Development corporation or any other State or Central Mineral Development Corporations or any State or Central finance Institutions or any other finance corporation or Credit Corporation or, any other financing Company or body or Venture Capital funds in Private and / or public sector, Sponsors and / or dealers of OTCEI (herinafter referred to as "the financial Institution") shall have a right to appoint, remove, reappoint, substitute from time to time, its nominee as a Director (hereinafter referred to as "the Nominee Director") on the Board of the Company, so long as any moneys remain owing to them or any of them by the Company, out of any Financial Assistance granted by them or any of them to the Company by way of loan and/ or by holding debentures and / or shares in the Company and / or as a result of underwriting or direct subscription and / or any liability of the Company arising out of the guarantee furnished by the Financial Institution on behalf of the Company remains outstanding.

(2) Lehman shall have the right to nominate such number of non-independent Directors (or their alternates or replacements) in proportion to it's percentage shareholding in the Company; and in case of a fraction, the number of Directors pursuant to such right would be rounded off to the lower whole number, provided that the number of such Lehman-nominated Directors shall not be less than one (1) at any time that Lehman or an Affiliate of Lehman holds fifteen percent (15%) or more of the share capital of the Company initially subscribed by Lehman in the Company pursuant to the SSA and any bonus issue(s) or stock split(s) thereof.

(3) At each election of Directors, the Shareholders or the Directors, as the case may be, shall vote all of their respective Shares in the Company (i) for the election of the Directors (or their alternates or replacements) nominated by Lehman from time to time pursuant to Article 49(2), (ii) upon the request of Lehman, for the removal of any such nominated Director, and (iii) in the event of a vacancy for any reason on the Board, for the election of a replacement Director nominated by the Shareholder which had nominated the Director whose death, resignation or removal had resulted in such vacancy.

Retirement of Directors

50. Not less than two-thirds of the total number of Directors shall be liable to retire by rotation. One-third of the Directors shall automatically retire every year at the annual general meeting and shall be eligible for re-appointment. The Directors to retire by rotation shall be decided based on those who have been longest in office, and as between persons appointed on the same day, the same shall be decided by mutual agreement or by draw of lots. The Managing Director shall not be liable to retire by rotation so long as he holds the office of the Managing Director.

Resignation of Directors

51. A Director shall be entitled to resign from the office of Director through a notice in writing with effect from such date as such Director may specify while so resigning.

Casual Vacancy

52. If a Director appointed by the Company in a General Meeting vacates office as a Director before such Director's term of office will expire in the normal course, the resulting casual vacancy may be filled by the Board, at a meeting of the Board, but any person so appointed shall retain office only for so long as the vacating Director would have remained in office.

Directors' Fees

53. (1) The Directors may, subject to applicable restrictions if any, under Applicable Law, be remunerated separately for the performance of special or executive duties approved from time to time by the Board.

(2) Notwithstanding anything contained herein, the non-executive Directors shall be paid such sitting fees for each Board meeting attended by such non-executive Directors as may be determined by the Company in a General Meeting from time to time within any limits that may have been prescribed under Applicable Law for payment of sitting fees.

(3) All Directors shall be entitled to be paid or reimbursed their reasonable travelling, accommodation and subsistence expenses incurred in attending meetings of the Board or any committees of the Board or in the discharge of their duties as Directors.

(4) The Company shall ensure that the Directors are insured and covered under a Directors and Officers Insurance Policy that is commercially reasonable and provides for an appropriate coverage limit for the Business in the market, which shall be maintained in full force and effect by the Company with respect to all conduct taking place during the period in which the SA is in effect ("Insurance Policy"); provided that the requirement set forth in this Article may be waived upon mutual written agreement of Lehman and KEL.

54. Subject to the applicable provisions of the Act, if any, and observance and fulfillment thereof and subject to any restrictions imposed by the Articles, no Director shall be disqualified by virtue of holding the office of Director from contracting with the Company either as vendor, purchaser, agent, broker or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested, be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office, or of the fiduciary relationship thereby established, but the nature of such Director's interest must be disclosed by such Director as provided by the Act.

55. A Director of the Company may be, or become, a director of any company promoted by the Company, or in which it may be interested as a vendor or shareholder and, subject to the provisions of the Act and these Articles, no such Director shall be accountable for any benefits received as a director or shareholder of such company.

56. Subject to any applicable provisions of the Act and subject to the approval of the Shareholders in a General Meeting, the Company may make loans to, or give any guarantee or provide any security in connection with, a loan made by any other person to Directors.

Place and Calling of Board Meetings

57. Board meetings shall be held at such places, as the Board may determine and failing any such determination at the Company's Registered or Corporate office. Board meetings shall be held at least once every three (3) months and at least four (4) times in each year with a maximum gap of four (4) months between any two meetings. Any Director may call a meeting of the Board. Unless the requirement of notice is waived by all the Directors, [fourteen (14) calendar days'] written notice (or such shorter period as all the

Directors may agree) of Board meetings shall be given to all Directors. Each notice of a meeting of the Board shall be accompanied by an agenda specifying in reasonable detail the matters to be discussed at such meeting. Notices and minutes of Board meetings shall be given to each Director at their last known address, whether resident in India or outside India.

Decisions by Majority Vote

58. Except as otherwise provided in the Act, all decisions of the Board shall be taken by a majority of the Directors present and voting at a meeting of the Board, or as the case may be, the Directors voting by way of a circular resolution.

Resolution by Circulation

59. Subject to the provisions of the Act, resolutions of the Board may be passed by circulation, if the resolution has been circulated in draft, together with necessary papers, if any, to all the Directors, then in India or outside India, and has been signed by a majority of the Directors. Such resolutions may be signed by the Directors in counterparts.

Chairperson and Vice Chairperson of the Board

60. The Chairperson and the Vice Chairperson of the Board shall be appointed by the Board. The Chairperson of the Board shall preside as chairperson of each meeting of the Board at which the Chairperson is present and in the Chairperson's absence the Vice Chairperson shall preside as Chairperson of the meeting. In the absence of the Chairperson and the Vice Chairperson, the Directors attending the meeting shall elect a Director from among themselves to chair the meeting. In the event of any equality of votes, the chairperson of the meeting shall not have a second or casting vote.

Quorum

61. Subject to Section 287 of the Act, the quorum for a meeting of the Board shall be one-third of its total strength (excluding Directors, if any, whose places may be vacant at the time and any fraction contained in the one-third being rounded off as one), or two directors, whichever is higher, provided that where at any time the number of interested Directors exceeds or is equal to two-third of the total strength, the number of Directors who are not interested, and are present at the meeting, being not less than two (2), shall be the quorum for such time. In the absence of a quorum, the Board meeting shall be adjourned for a period of seven (7) calendar days with notice to be provided to the Directors within three (3) days of such adjournment unless the Board decides otherwise. If a quorum in accordance with the above requirement is not present at two (2) consecutive meetings, the third meeting shall proceed irrespective of such requirement.

Attendance by Consultants, Advisers and Non Voting Attendees

62. The Board may, at its absolute discretion, authorise or request auditors, consultants, advisers and employees of the Company or any other person to attend and speak at meetings of the Board. However, such persons shall not have a right to vote.

Appointment of Committees

63. The Board may, subject to the provisions of the Act, these Articles and other relevant provisions of Applicable Law, delegate any of the powers other than the powers to make calls and to issue any Securities to committee or committees and may from time to time revoke and discharge any such committee of the Board either wholly or in part and either as to the person or purposes, but every committee of the Board so formed shall, in exercise of the powers so delegated, conform to any regulation or direction that may from time to time be imposed on it by the Board. All acts done by any such committee of the Board in conformity with such regulations or directions and in fulfillment of the purpose of their appointments, but not otherwise, shall have the like force and effect, as if done by the Board.

Powers of the Board

64. Subject to the provisions of the Act and these Articles, the Board shall be entitled to exercise all such powers, and do all such acts and things, as the Company is authorised to exercise and do; provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or by the Memorandum of Association or these Articles or otherwise, to be exercised or done by the Company in a General Meeting; provided further that in exercising any such power or doing any such act or thing, the Board shall be subject to the provisions contained in that behalf in the Act or in the Memorandum of Association or in these Articles or in any regulations not inconsistent therewith duly made thereunder including regulations made by the Company in a General Meeting.

65. No regulation made by the Company in a General Meeting shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

Managing Director; Whole time Director, Executive Director

66. (1) The Board shall be entitled to appoint persons with requisite qualifications as the Managing Director, Whole time Directors and Executive Directors. The Board may delegate such powers as it deems appropriate for managing the day-to-day operations of the Company to the Managing Director, Whole time Director a Executive Director and/or a committee on such terms as the Board deems appropriate. The exercise of powers of management by the Managing Director, Whole time Director and Executive Director and any committee shall be subject to the overall supervision of the Board.

(2) The appointment of the Managing Director, Whole time Directors and Executive Director shall be made in accordance with and subject to the provisions of the Act. The Managing Director Whole time Directors and Executive Directors shall be paid such remuneration (including bonus and commissions) as shall be approved at a General Meeting from time to time.

Secretary

67. The Secretary of the Company shall be such person as shall from time to time be appointed by the Board. The appointment of the Secretary of the Company shall be in accordance with Section 383A of the Act and the rules thereunder.

<u>GENERAL MEETING</u>

68. An annual general meeting of the Shareholders shall be held in each calendar year within six (6) months following the end of the previous accounting year of the Company.

69. All General Meetings other than the annual general meeting shall be called extraordinary General Meetings.

70. Subject to Sections 190 and 219 of the Act, any General Meeting may be called by giving to the Shareholders not less than twenty one (21) days notice or a shorter notice than twenty one (21) days if consent thereto is given by the Shareholders in accordance with the provisions of Section 171 of the Act.

Quorum for General Meeting

71. The quorum for a General Meeting shall be the presence in person of at least five (5) Shareholders.

72. If within half an hour from the time appointed for holding a meeting of the Company a quorum is not present, the General Meeting shall be adjourned by the Shareholders present for a period of seven (7) calendar days. If a quorum in accordance with the above requirement is not present at two (2) consecutive meetings, the third meeting shall proceed irrespective of such requirement. Notwithstanding the foregoing, if within half an hour from the time appointed for holding a meeting called by requisition of the Shareholders a quorum is not present, such General Meeting called by requisition of the Shareholders shall stand dissolved.

Chairperson of General Meeting

73. The Chairperson of the Board shall act as the Chairperson of the General Meetings. In the absence of the Chairperson of the Board, or if the Chairperson of the Board is unwilling to act as the Chairperson of any General Meeting, the Vice Chairperson of the Board shall act as the Chairperson of such General Meeting. If at any General Meeting of the Shareholders, neither the Chairperson nor the Vice Chairperson is present within fifteen (15) minutes of the time appointed for holding such meeting, or is unwilling to act as the Chairperson of such meeting, the Directors present shall choose another Director to act as Chairperson, and if no Director is also present at the meeting, or if none of the Directors present at the meeting is willing to act as the Chairperson, the Shareholders present shall choose one of their members to act as the Chairperson of such meeting.

Voting at Meeting

74. At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of the Act. Unless a poll is so demanded, a declaration by the Chairperson that such resolution has, on a show of hands, been carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without requirement of any proof of the number or proportion of the votes cast in favour of or against that resolution.

Decision by Poll

75. If a poll is duly demanded, it shall be taken in such manner as the Chairperson directs and the results of the poll shall be deemed to be the decision of the meeting on the resolution in respect of which the poll was demanded.

76. Any business other than that upon which a poll has been demanded may proceed, pending the taking of the poll.

Vote of Shareholders

77. (1) On a show of hands, every Shareholder holding equity Shares and present in person shall have one (1) vote.

(2) On a poll, each Shareholder shall have voting rights in proportion to its share of the paid-up equity share capital.

(3) On a poll, a Shareholder having more than one vote, or its proxy or other person entitled to vote for such Shareholder need not vote all its votes in the same way.

(4) Notwithstanding the foregoing, no Shareholder shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by such Shareholder in respect of Shares held by such Shareholder have been paid.

Postal Ballot

78. Subject to, and in accordance with, the provisions of the Act, the Company may, and in case of resolutions relating to such matters as the Central Government may, by notification, require to be conducted only by Postal Ballot, shall, get such resolutions passed by means of a Postal Ballot, instead of transacting the business in a General Meeting.

Voting by Joint Holders

79. In the case of joint holders the vote of the first named of such joint holder who tenders a vote whether in person or proxy shall be accepted to the exclusion of the votes of other joint holders.

PROXY

80. On a poll, votes may be given either personally or by proxy.

Instrument of Proxy

81. (1) The instrument appointing a proxy shall be in writing under the hand of the appointer or of the appointer's attorney duly authorised in writing or, if the appointer is a company, either under its common seal or under the hand of its attorney duly authorised in writing. Any person, whether or not such person is a Shareholder of the Company, may be appointed as a proxy.

(2) The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, shall be deposited at the registered office of the Company not less than forty eight (48) hours prior to the time fixed for the meeting in question, failing which the instrument of proxy shall invalid.

Form of Proxy

82. The form of proxy shall be a two way proxy, as given in Schedule IX of the Act, enabling the Shareholders to vote for/against any resolution.

Validity of Proxy

83. A vote given under the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal, or the revocation of the proxy, or of the authority under which the proxy was executed, or transfer of the Shares in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at its registered office before the commencement of the meeting, or adjourned meeting, at which the proxy is used.

Corporate Shareholders

84. Any corporation which is a Shareholder of the Company may, by resolution of its Directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could have exercised if it were an individual Shareholder of the Company.

ACCOUNTS

85. (1) The Board shall cause proper books of accounts to be maintained under Section 209 of the Act.

(2) Subject to the provisions of Section 209A of the Act, the Board shall also, from time to time, determine whether and to what extent and at what times and places and under what conditions or regulations the account books of the Company (or any of them) shall be open to the inspection of Shareholders.

(3) Subject to the provisions of Section 209A of the Act, no Shareholder (not being a Director) or other person shall have any right to inspect any account book or document of the Company except permitted under Applicable Law or authorised by the Board or by the Company in a General Meeting.

SECRECY

86. (1) Every Director, manager, auditor, trustee, Shareholder, member of a committee, officer, servant, agent, accountant or other person employed in the business of the Company shall, if so required by the Board before entering upon its duties, sign a declaration pledging to observe strict secrecy respecting all bonafide confidential information of the Company and its customers and shall by such declaration pledge not to reveal any of the matters which may come to its knowledge in the discharge of its duties, except as required by the Board, or by any General Meeting, or by a court of law, or so far as may be necessary in order to comply with any of the provisions in these Articles and the provisions of the Act.

(2) Each Party and any other Person(s) authorized to receive information pursuant to the SA shall keep confidential all information maintained in any form that is either designated as confidential or is by its nature confidential and other materials passing between it and the other Parties in relation to (i) the transactions contemplated by the SA and (ii) the Business of the Company (including all information concerning business transactions and financial arrangements relating to the Company) (collectively,

"Confidential Information") and shall not, without the prior written consent of the other Parties, divulge such information to any other Person or use such Confidential Information other than for carrying out the purposes of the SA. Notwithstanding anything in this Article 86(2), Lehman and its authorized representatives may communicate with any Affiliate of Lehman, including any officer, director, employee, representative or agent thereof, concerning any and all affairs of the Company in their sole and absolute discretion.

For purposes of this Agreement, Confidential Information shall not include:

(i) information that is in the public domain as of the Effective Date of the SA;

(ii) information that is generally available to the public otherwise than pursuant to a breach of the SA; and

(iii) information that any Party is under an obligation to disclose, pursuant to any Applicable Law.

None of the Company, KEL or the KSK Principals may disclose the terms or other contents of the SA or any related documents or in any way use the "Lehman Brothers" name or any derivative thereof in any public disclosure, including any press release, without prior written approval from Lehman.

OPERATION OF BANK ACCOUNTS

87. The Board shall have the power to authorise any Director or Directors or any officer or officers to open bank accounts; to sign cheques on behalf of the Company; to operate all banking accounts of the Company; and to receive payments, make endorsements, draw and accept negotiable instruments, hundies and bills.

INDEMNITY

88. Subject to Section 201 of the Act, every officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in defending any bonafide 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 of the Act, in which relief is granted to him by the Court.

COMMON SEAL

89. (1) The Board shall provide for the safe custody of the common seal of the Company.

(2) The common seal shall not be affixed to any instrument except by the authority of a resolution of the Board or a committee of the Board authorised by it in that behalf and except in the presence of one Director and Secretary or any person as the Board may appoint for the purpose and such person shall sign every instrument to which the seal of the Company is so affixed in his presence.

(3) Share Certificates will be signed and sealed in accordance with Rule 6 of the Companies (Issue of Shares Certificates) Rules, 1960, as amended. In all other cases, the common seal will be affixed in the presence of at least one (1) Director or the Secretary or such other person duly authorised by a resolution of the Board or a committee of the Board who shall attest the same on behalf of the Company.

(4) The Board may authorize the use of common seal of the Company in any territory, district or place not situated in India.

AUDIT

Accounts to be Audited

90. Every Balance Sheet and Profit and Loss Account shall be audited by one or more Auditors to be appointed as hereinafter set out.

Auditors

91. (1) The Company may, at a General Meeting, remove any Auditor and appoint in its place any other person nominated for appointment by any Shareholder and of whose nomination special notice has been given to the Shareholders, not less than fourteen (14) days before the date of such meeting.

(2) The Company at the annual general meeting each year shall appoint an Auditor to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting and every Auditor so appointed shall be intimated of his appointment within seven (7) days.

(3) Where at an annual general meeting, no Auditor is appointed, the Central Government may appoint a person to fill the vacancy.

(4) The Company shall within seven (7) days of the Central Government's power under sub-clause (3) becoming exercisable, give notice of that fact to the Central Government.

(5) The Directors may fill any casual vacancy in the office of an Auditor, but while any such vacancy continues, the remaining Auditor (if any) may act. Where such a vacancy is caused by the resignation of an Auditor, the vacancy shall only be filled by the Company in a General Meeting.

(6) A person, other than a retiring Auditor, shall not be capable of being appointed at an annual general meeting unless special notice of a resolution of appointment of that person to the office of the Auditor has been given by a Shareholder to the Company not less than fourteen (14) days before the meeting in accordance with Section 190 of the Act. The Company shall send a copy of any such notice to the retiring Auditor and shall give notice thereof to the Shareholders in accordance with the provisions of Section 190 and the provisions of Section 225 of the Act shall also apply in the matter. The provisions of this paragraph shall also apply in respect of any resolution which provides that a retiring Auditor shall not be reappointed.

(7) The persons qualified for appointment as Auditors shall be only those referred to in Section 226 of the Act.

Audit of Branch Offices

92. The Company shall comply with the provisions of the Act in relation to the audit of the accounts of any branch offices of the Company.

Remuneration of Auditors

93. The remuneration of the Auditors shall be fixed by the Board as authorised in a General Meeting from time to time.

Audited Accounts

94. All accounts of the Company, when audited and approved by a General Meeting, shall be conclusive except as regards any error discovered therein within three (3) months following the approval thereof. Any such error discovered within such three (3) month period shall forthwith be corrected in accordance with the terms of any resolution in respect thereof and such amended accounts shall henceforth be conclusive.

DIVIDENDS AND RESERVES

95. The Company in a General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.

96. The Board may from time to time pay to the Shareholders such interim dividends as appear to it to be justified by the profits of the Company.

97. (1) Subject to the provisions of the Act and Applicable Law, the Board may, before recommending any dividend, set aside out of the profits of the Company such sums as it deems 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 equalising 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, deem proper.

(2) The Board may also carry forward any profits which it may deem prudent not to divide, without setting them aside as reserves.

98. (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, but if and so long as nothing is paid upon any of the Shares in the Company, dividends may be declared and paid according to the amounts of the Shares.

(2) No amount paid or credited as paid on a Share in advance of calls shall be treated for the purposes of this Article 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.

99. The Board may deduct from any dividend payable to any Shareholder all sums of money, if any, presently payable by such Shareholder to the Company on account of calls or otherwise in relation to the Shares of the Company.

100. (1) Any dividend, interest or other moneys payable in cash in respect of Shares may be paid by cheque or warrant sent through 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.

101. 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.

102. Notice of any dividend that may have been declared shall be given to the persons entitled to thereto in the manner specified in the Act.

103. No dividend shall bear interest against the Company.

104. (1) Where the Company has declared a dividend but which has not been paid or claimed within thirty (30) days from the date of declaration, transfer the total amount of dividend which remains unpaid or unclaimed with in the said period of 30 days, to a special account to be opened by the company in that behalf in any scheduled bank called the "Unpaid Dividend Account of KSK Energy Ventures Limited".

(2) Any money transferred to the unpaid dividend account of the company which remains unpaid or unclaimed for a period of seven(7) years from the date of such transfer shall be transferred by the company to the fund known as Investor Education and Protection Fund established under section 205 C of the act.

(3) No unclaimed or unpaid dividend shall be forfeited by the Board.

CAPITALISATION OF PROFITS

105. (1) The Company in a General Meeting, may on recommendation of the Board, resolve:

(a) to capitalise any part of the amount for the time being standing to the credit of the Company's reserve accounts, or to the credit of the profit and loss account, or otherwise available for distribution; and

(b) to set free such amount for distribution in the manner specified in Article 106(2) among those of its Shareholders who would have been entitled thereto (and in the same proportions) if distributed by way of dividend.

(2) Any such amount shall not be paid in cash, but shall be applied, either in or towards:

(a) paying up any amounts for the time being unpaid by such Shareholders on Shares;

(b) paying up, unissued Shares of the Company to be allotted and distributed, credited as fully paid-up, to and among such Shareholders in the proportions aforesaid; or

(c) partly in the way specified in sub-clause (a) and partly in that specified in paragraph (b).

(3) The Board shall give effect to any resolution passed by the Company in pursuance of this Article.

106. (1) In respect of any resolution under Article 106 above, the Board shall make all appropriations and applications of the profits resolved to be capitalised and all allotments and issues of fully paid-up Shares, if any.

(2) The Board shall have full power to make such provision, as it deems fit, by the issue of fractional certificates or by payments in cash or otherwise, in the case of Shares or Securities becoming distributable in fractions.

(3) Any agreement made by the Company under such authority shall be effective and binding on all such Shareholders.

107. The Company is the exclusive vehicle for conducting the Business subject only to (a) any legal or contractual obligation of KEL and/or the KSK Principals and/or Affiliates of KEL, the KSK Promoters or the Company to offer an equity interest in a Project(s) to the Small Is Beautiful Fund (“SIBF”), and/or (b) any equity interest in a Project(s) that must be offered pursuant to applicable Law to captive consumers.

AUTHORIZATION TO THE COMPANY

108. (1) As of the Effective Date, the SA contains the entire agreement of the Parties with respect to matters covered by the SA, and supersedes all prior agreements, written or oral, with respect thereto. Changes in or additions to the SA may be made only in accordance with Articles 108 (2) and (3) below.

(2) Notwithstanding anything contained in the SA, the Parties irrevocably agree and covenant that the Company, shall have the right to take all such actions, which at the Company’s sole discretion are necessary, including effecting any modification and/or alternations to the SA and /or to the Charter Documents and/or any associated documents, in order to ensure compliance with the requirements of any regulatory authority and/or Stock Exchange(s), as may be required by such authority in writing, to enable the listing of the Shares of the Company on a Stock Exchange(s). It is expressly clarified that in the event that the listing of the Shares of the Company is not completed within a period of nine (9) months from the Effective Date, the SA and /or the Charter Documents and/or the associated documents which have been so amended shall, within thirty (30) days from the expiry of the aforesaid nine (9) month period, be amended by the Parties to reinstate the provisions of the SA, the Charter Documents and/or the associated documents, as the case may be, to the form and content prevailing immediately prior to the amendments made pursuant to this Article.

(3) The Parties also agree to amend the Charter Documents to reflect the termination of any agreement entered into between the Parties prior to the Effective Date, including the JV Agreement.

(4) Subject to Articles 108(2) and (3), no amendment, modification or variation of the SA shall be binding on any Party unless such amendment, modification or variation is recorded in a written document and executed by the Parties, but where any such document exists and is so signed, no Party shall allege that such document is not binding by virtue of an absence of consideration or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

WINDING UP

109. (1) Subject to the provisions of the Act, and these Articles, if the Company shall be wound up and the assets available for distribution among the Shareholders as such shall not be sufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Shareholders in proportion to the capital paid-up, or which ought to have been paid- up, at the commencement of the winding up, on the Shares held by them respectively. And if in a winding up, the assets available for distribution among the Shareholders shall be more than sufficient to repay the whole of the capital paid-up at the commencement of the winding up, the excess shall be distributed among the Shareholders in proportion to the Shares held by them respectively. This paragraph is, however, without prejudice to the rights of the holders of Shares issued upon preferential or special terms and conditions.

(2) If the Company shall be wound up, the liquidator may, with the sanction of a special resolution of the Company and any other approval required under the Act and Applicable Law, divide among the Shareholders, in specie or kind, the whole or any part of the assets of the Company, whether they shall consist of property of the same kind or not.

ARBITRATION

110. (1) Whenever any difference or dispute arises between the Company on one hand and any of the Shareholders, or between the Shareholders involving construction of the incidents or consequences of these presents or the statutes, or touching anything when, or thereafter done, executed, omitted resuffered in pursuance of these presents or of the statutes or touching any breach or otherwise relating to the promises or to these presents or to any statute affecting the Company or to any of the officers of the Company, every such difference or dispute shall be dealt as follows:

(2) A Party must serve written notice on the other Party(ies) requesting the commencement of discussions to resolve the dispute. Following service of such written notice, the Parties in dispute first shall attempt to resolve the dispute or claim through discussions between appropriate executives of the Parties or their Affiliates. If the dispute is not resolved through such discussions within thirty (30) days after service of the written notice described in this Article 110.2 or such other period as may be agreed in writing by the Parties, such dispute shall be referred to arbitration as provided below.

(3) All disputes that have not been satisfactorily resolved pursuant to Article 110.2 shall be referred to arbitration before a sole arbitrator to be appointed by the Parties in dispute. In the event, the Parties in dispute are unable to agree on a sole arbitrator within thirty (30) days, or such other period as may be agreed in writing by the Parties in dispute, the dispute shall be referred to arbitration before an arbitral panel composed of three (3) arbitrators, of which KEL and the Company shall be entitled to appoint one arbitrator and Lehman shall be entitled to appoint another arbitrator, and a neutral arbitrator shall be chosen by the two arbitrators so selected; provided that no Party may appoint as an arbitrator an individual that is or has ever been an officer, director, employee, assignee, representative, agent or shareholder of that Party.

(4) The arbitration proceedings shall be carried out and finally resolved in accordance with the Arbitration Rules laid down by the Singapore International Arbitration Center ("SIAC") for the time being in force~~.~~, which rules are deemed to be incorporated by reference in this Article, and the place of arbitration shall be Singapore.

(5) The arbitration proceedings shall be conducted in the English language and any document not in English submitted by any Party shall be accompanied by an English translation. A written transcript of the proceedings shall be made and furnished to the Parties.

(6) The arbitrator or arbitral panel, as the case may be, shall determine the dispute in accordance with the Laws of the Republic of India, without giving effect to any conflict of law rules or other rules that might render such Law inapplicable or unavailable, and shall apply these presents according to its terms.

(7) The Parties in dispute shall equally share the costs of the arbitrator's or arbitral panel's fees, as the case may be, but shall bear the costs of their own legal counsel engaged for the purposes of the arbitration, subject to the provisions of Article 110.11.

(8) Any award of the arbitrator or arbitral tribunal, as the case may be, pursuant to this Article 110 shall be in writing and shall be final, conclusive and binding upon the Parties, and the Parties shall be entitled (but not obliged) to enter judgment thereon in any one or more of the highest courts having jurisdiction. Such arbitration and enforcement shall be subject to the provisions of the Indian Arbitration and Conciliation Act, 1996, excluding sections 34, 35, and 37(1)(b) of Part I thereof, which shall not be applicable to such arbitration proceedings and no Party shall seek to resist the enforcement of any award in India or elsewhere on the basis that the award is subject to such excluded provisions.

(9) During the course of any arbitration under this Article 110 except for the matters under dispute, the Parties shall continue to exercise their remaining respective rights and fulfil their remaining respective obligations under these presents.

(10) Each Party shall participate in good faith to reasonably expedite (to the extent practicable) the conduct of any arbitral proceedings commenced under this presents.

(11) The arbitrator or arbitral panel, as the case may be, shall decide on and apportion the costs and reasonable expenses (including reasonable fees of counsel retained by the Parties) incurred in the arbitration.

(12) These presents shall be governed by the Laws of the Republic of India, without regard to conflict of law principles.

(13) The term "Party(ies)" for purposes of this Clause 110, shall include KSK Principal(s).

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by the Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, delivered to the Registrar of Companies, Andhra Pradesh, located at Hyderabad for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company at 8-2-293/82/A/431/A, Road No.22, Jubilee Hills, Hyderabad – 500 033, Andhra Pradesh, India, from 10.00 a.m. to 4.00 p.m. on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement letter dated February 11, 2008 for the appointment of KMCC, IDFC-SSKI, Morgan Stanley, Lehman, Edelweiss and Axis Bank as Book Runners.
2. Memorandum of Understanding dated February 11, 2008 between the Company and the Book Runners.
3. Agreement dated April 9, 2008 between the Company and Karvy Computershare Private Limited as the Registrar to the Issue.
4. Escrow Agreement dated [•] among the Company, the Book Runners, the Escrow Collection Banks and the Registrar to the Issue.
5. Syndicate Agreement dated [•] among the Company, the Book Runners and the Syndicate Members.
6. Underwriting Agreement dated [•] among the Company, the Book Runners and the Syndicate Members.
7. Share Purchase Agreement dated January 20, 2008 among the Company, KSK Electricity Financing India Private Limited, LB India Holdings Mauritius I Limited and KSK Energy Limited.
8. Subscription Agreement dated January 20, 2008 between the Company and LB India Holdings Mauritius I Limited.
9. Shareholders Agreement dated January 20, 2008 among the Company, LB India Holdings Mauritius I Limited and KSK Energy Limited.
10. Voting Rights Agreement dated January 20, 2008 between LB India Holdings Mauritius I Limited and KSK Energy Limited.
11. Agreement dated March 7, 2008 with Fitch.
12. Agreement dated June 2, 2008 with the Monitoring Agency.

Material Documents

1. The Company's Memorandum of Association and Articles of Association, as amended.
2. The Company's certificate of incorporation.
3. Shareholders' resolution dated January 19, 2008 for conversion of the Company into a public limited company.
4. Shareholders' resolutions dated February 7, 2008 authorizing the Issue and related matters.
5. Board resolution dated January 19, 2008 authorizing the Issue and related matters.
6. Present terms of employment between the Company and the Directors as approved by the Board and the shareholders of the Company.

7. Report of the Auditors, Umamaheswara Rao & Co., Chartered Accountants, dated June 12, 2008 prepared as per Indian GAAP and mentioned in this Red Herring Prospectus.

8. Copies of annual reports of the Company, the Subsidiaries and the Sitapuram SPV for the years ended March 31, 2003, 2004, 2005, 2006 and 2007, as applicable.

9. Consent of the Auditors, Umamaheswara Rao & Co., Chartered Accountants, for inclusion of their report on accounts in the form and context in which they appear in this Red Herring Prospectus.

10. Consents of the Bankers to the Company, the Book Runners, the Syndicate Members, the Registrar to the Issue, the Escrow Collection Banks, the Bankers to the Issue, the Monitoring Agency, the Legal Advisors to the Company and the Underwriters, the Directors of the Company, the Company Secretary and the Compliance Officer, as referred to, in their respective capacities.

11. Consent of Fitch, for inclusion of its grading of the Issue in the Red Herring Prospectus.

12. Applications dated February 13, 2008 and in-principle listing approvals dated April 8, 2008 and March 17, 2008 from the BSE and the NSE, respectively.

13. Tripartite Agreement among NSDL, the Company and the Registrar to the Issue dated February 21, 2008.

14. Tripartite Agreement among CDSL, the Company and the Registrar to the Issue dated February 26, 2008.

15. Due diligence certificate dated February 12, 2008 to SEBI from the Book Runners.

16. SEBI observation letter No. CFD/DIL/PB/PN/127068/2008 dated May 29, 2008.

17. IPO grading report dated June 14, 2008 issued by Fitch.

18. Material extracts of certain business agreements.

Any of the contracts or documents mentioned in this Red Herring Prospectus may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the shareholders subject to compliance with the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

All relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the guidelines issued by Securities and Exchange Board of India, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or guidelines issued, as the case may be. We further certify that all statements in this Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF THE COMPANY

Mr. T.L. Sankar

Mr. S.R. Iyer

Mr. S. Kishore

Mr. K.A. Sastry

Mr. Abhay Nalawade

Mr. Girish Kulkarni

Mr. Tanmay Das

Mr. K.B. Raju

Mr. Anil Kumar Kutty

Mr. Henry Klein

SIGNED BY THE CHIEF FINANCIAL OFFICER

Mr. Durgashankar

Date: June 14, 2008

Place: Hyderabad

Power/India

KSK Energy Ventures Limited

Fitch IPO Grade 3 (ind)

Fitch has assigned a grade of '3 (ind)' out of a maximum of '5 (ind)' to the proposed initial public offer of KSK Energy Ventures Limited (KSK). The grade indicates the average fundamentals of the issue relative to other listed equity securities in India.

IPO Details

KSK proposes an initial public offering of its 5,19,17,000 equity shares of INR 10 each.

Financial Snapshot (INR Million)

	FY08	FY07
Revenues	2391.3	775.5
EBITDA	1,020.4	306.4
EBIT	796.8	216.6
Net Income	1,086.5	188.6
Total Debt	12,522.3	1,970.8
Shareholders Funds	6635.5	2095.0
EBITDA Margin	43%	40%
EBIT Margin	33%	28%
Net Income Margin	45%	24%
Earnings per share	5.7	2.7
Debt / Equity	1.89	0.94

Source: Company, Fitch

Key Grading issues
Areas of strength
- Access to fuel reserves of 1.1 bn. tonnes based on Memorandum of Understanding
- Strategy of sharing equity participation with customers in SPVs that operate the power plants has resulted in long-term relationship with consumers

Areas of Concern
- Execution risk (the company has in place only 2% of its proposed capacity)
- Limited experience in developing power projects of the magnitude entailed
- High financial leverage

Shareholding Pattern	Prior to pre-IPO (mn) No. of shares	%	Post issue (mn) No. of shares	%
Promoters	191.22	65	191.22	55.25
LB India Holdings Mauritius I Ltd.	98.33	33.43	98.33	28.41
Suyash Outsourcing Pvt. Ltd.	4.63	1.57	4.63	1.34
Others	0.00	0.00	0.00	0.00
Public			51.92	15
Total	294.19	100	346.1	100

Note: Assuming there is no allotment to the existing shareholders in the pre-IPO and IPO

Grading Rationale

The grading assigned to KSK reflects its ability to tie up fuel linkages (present reserves of 1.1 billion tonnes) by pioneering tie-ups with state owned entities, its critical role as a neutral aggregator of power, its strategy of entering into Power Purchase Agreements (PPAs) with established customers, the relationships enjoyed with financial institutions and its sound execution strategy.

The company's strategy of sharing equity participation with customers in Special Purpose Vehicles (SPVs) that operate the power plants has resulted in long-term relationships with offtakers. However, the execution risk remain high on account of limited experience in developing power projects of the magnitude entailed i.e. 98% of the company's current total expected power generation capacity is yet to be commissioned.

The company's inability to obtain funding at competitive rates may affect its projected plans. The estimated layout of INR 3,49,000mn is proposed to be funded by debt INR 2,62,000 mn. and equity INR 87,000 mn. The floating interest rate indebtedness of the company as on March 31st 2008 was INR 7,646.2 mn. (61% of total debt) exposing it to interest rate risk. The lenders to the SPV's possess the right to convert debt into equity in case of default. The companies consolidated debt as on March 31st 2008 was INR 12,522.3mn which restricts the ability of the company to respond adequately during periods of economic downturn. It must also be noted that power projects have long gestation periods and a considerable amount of time elapses before positive cash flows are generated.

For a majority of the larger projects the company has entered into long-term PPAs for part of the power supply at pre-determined tariffs which preclude the company from passing on price rises to consumers, implementing expansion measures and selling interests to third parties.

The company is yet to appoint EPC (Engineering Procurement & Construction) contractors for its proposed projects and this exposes KSK to project cost escalation.

14 June 2008

■ Company Background

KSK Energy Ventures Ltd. (KSK) was incorporated as a private limited company in 2001 and became a public limited company in 2002. The company reverted back to private limited status in 2006 and became a public limited company again in 2008.

The company's customer base comprises of industrial and state-owned consumers in India. The company has 309 employees.

KSK's activities include originating an opportunity, developing the project, entering into Power Purchase Agreements (PPAs), tying up of fuel, and obtaining requisite clearances, outsourcing the Engineering Procurement and Construction (EPC) for the project and pre-design related activities such as configuration, boilers and turbine choice.

The company has in the past commissioned 3 plants (combined capacity of 66 MW) which have since been divested to a promoter group company. Currently, KSK has operational power plants capable of generating 144 MW and is in the process of establishing power plants for generating 8,993 MW of power which KSK proposes to sell through a combination of long-term, short-term and medium-term PPAs.

■ Shareholding Pattern

KSK Energy Ltd (promoter; a company registered in Mauritius) is a wholly owned subsidiary of KSK Power Ventur plc an Alternative Investment Market listed entity. Sayi Energy Ventur Ltd. holds 77.59% of the equity in KSK Power Ventur plc and the balance is held by the public. Sayi Energy Ventur Ltd. is a 100% subsidiary, owned by Sayi Power Energy Ltd, in which GE Capital International, Mauritius owns a 25.77% stake, with the balance stake being held by K&S Consulting Group Pvt. Ltd in which the largest shareholders are K.A. Sastry and S.Kishore. LB India Holdings Mauritius I Ltd., which has a 33.43% shareholding in KSK (prior to pre-IPO) is an affiliate of Lehman Brothers.

■ Business Overview

(Details of the projects are at **Annex I)**

Fuel Supply

The company has established long-term fuel supply for plants currently in operation. For its 1800MW Wardha-Chattisgarh project which is under development, KSK has tied up coal supply from Gujarat Mineral Development Corporation (GMDC) at cost plus margin basis. A portion of the power generated is to be sold to the Gujarat State Government at a fixed rate.

GMDC with facilitation from KSK wherever required will do the prospecting, initial over burden removal and mining which are not very expensive. Prospecting and initial over burden removal are treated as capital expenditure by GMDC and mining costs are treated as operating expenditure by GMDC. The cost charged for the fuel supply by GMDC will include capital expenditure which is recoverable over 10 years, operating expenditure at actuals and statutory duty levies and a profit margin of 15% subject to a cap of INR 70 per tonne.

KSK is among the early movers to use this model by identifying appropriate blocks for this initiative and having the track record and capability to set up the end–use power plant. The company expects the price of coal obtained through these agreements to be lower than existing market rates.

Offtake Arrangements

For its existing projects and those under construction which follow the 'captive power' model, offtakers for the power generated by these plants are also shareholders in the company. The offtakers, who include large corporates such as Lafarge, have access to lower-cost power than that from State Electricity Boards, with the construction and implementation of the projects undertaken by the SPV for the individual plants. The contracts are in the form of take or pay contracts which are secured by 1 year revolving Letter of Credit. The company's role as a neutral aggregator of power stands it in good stead.

Capital

A competitive advantage for KSK is that the customers (who consume more than 51% of the power generated) contribute equity capital to the extent of 26% to 49%. The company has tied up debt to the extent of INR 28,450 mn. for Arasmeta, Sai Regency, Sitapuram, VS lignite and Wardha Warora projects and for the Wardha Chattisgarh project the company has tied up INR 44,000 mn.

Implementation

KSK has a standard design procedure which enables it to save several months of execution time and it implements its projects in modules, which enables the company to save on lead time while ordering boilers and turbines. However, the company did have implementation hitches in the Arasmeta 43 MW plant, which failed during testing resulting in cost overruns.

■ Organisation Structure

The company has recently concluded a restructuring with LB India Holdings Mauritius I Ltd. Subsequent to the restructuring the company purchased LB India's equity interest in KSK Electricity Financing India Pvt. Ltd. at a total cost of INR 6,957.5 mn. The company has divested holdings in 3 SPVs and transferred some assets including its investment management fund "Small is Beautiful". "Small is Beautiful" invests in companies in the power and ancillary sectors. See **Annex II** for organization structure.

■ Key Competitive Advantages

- India is suffering from a burgeoning power deficit, which acts as a catalyst for the fortunes of the company especially given the fact that the Indian government's main plank is "Power for all" by 2012.
- A key aspect of KSK's strategy is to tie-up fuel supply before commencement. KSK is among the early movers in tying up with state government entities to obtain coal..
- Once operational the company will have a fairly well diversified plant mix both in terms of geography and fuel supply. The company's plants will be spread over 7 states and the company will have 8 coal based plants, 1 lignite based plant, 1 natural gas based plant and 3 run-of-the-river hydroelectric plants. This diversification will help mitigate the risk of state/fuel dependency.
- In the Arasmeta SPV Lafarge holds 49% of the share thus reinforcing the company's proposed ethos of sharing equity participation in SPVs.
- KSK's promoters S.Kishore and K.A.Sastry have been involved with the power industry for over a decade bring their significant experience to the company.

■ Industry

(Source: Economic Survey 2007-08, Fitch)

Introduction

Electricity is generated from steam powered plants powered by coal over 2 phases. In the first phase coal in coal fired boilers is used as the raw material to convert the chemical energy in coal to heat energy. Boilers are then used to generate steam which is at a high temperature and high pressure and passed through the turbines thus converting the heat energy to mechanical energy which is used in tandem with generators to covert mechanical energy into electricity.

Industry Structure

The current end to end structure power generation, transmission, distribution and consumption of the Indian power industry is depicted in **Annex III.**

Power Generation in India

During FY08 power generation by electrical utilities was scheduled to rise by 7.2% to reach 710bn KWh. However, there were slippages in the power generation growth rate in the period April to December 2007 where the growth rate was lower than the aspired growth rate.

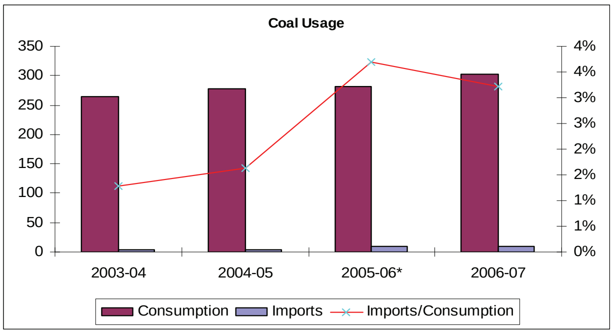
In the 10th plan apropos a target of 41,110 MW (Mega Watt) only 21,180 MW, which translates into a capacity addition of 51.52% could be achieved. These figures raise questions of India's power targets but at the same time the figures underscore the opportunities conferred by this sector. The aggregate technical and commercial losses in 2006 were 34.54% according to the Central Electricity Authority (CEA), which is very worrisome.

Power Deficit

India is facing a severe deficit both in terms of peak availability and in terms of total energy requirement. PLFs (an index of efficiency) have risen at an all India level However, the PLFs for Northern, Western and Southern India are well above the 70% in stark contrast to the PLFs for the North–Eastern India are worrisome as they are below the 20% mark. (April – December 2007)

Input Analysis

Coal is a key input for the power sector with the sector consuming 78% of the country coal production. Of the total power generation in India coal fired thermal units account for 62.2% of the total. Coal consumption by the sector was 302.5 Million Tonnes (MT) in 2006-07. Up to 9.7 MT of coal was imported to bridge the requirement-availability gap. In order to address the deficit imported coal is blended with high ash indigenous coal to conform to environmental norms of using coal with less than 34% ash content.



Source: Economic Survey 2007-08

The import to consumption ratio has risen albeit minuscule reflecting India's dependence on imported coal.

Capacity Augmentation

The capacity target fixed for 2007-08 was 12,039 MW of which 7,263 MW was achieved translating merely into a ratio of 60%. It is anticipated that the total capacity augmentation this year would be 10,821.8 MW and the break-up is shown below:

■ Financial Performance

The financial analysis is based on the consolidated restated financials of the company as provided by the company.

	INR m	% to total
Sales to external customers	1896.6	79%
Project development fees	233.7	10%
Power Arrangement Income	230	10%
Others	31.0	1%
Total	2,391.3	100%

Table 1: Breakup of revenue in FY08

The total debt net of cash to operating EBITDAR increased to 8.2x in FY08. On a standalone basis in FY08 the company's total income was INR1696.9m. and Net Income was INR1013.1m. The company's debt on a standalone basis was INR2982.1m.

■ Outlook

The company has limited experience in developing power projects of the magnitude entailed and critically power projects have a long gestation period and also entail significant execution risk. However, Fitch notes that the company's strategy of tying up fuel supply for their larger projects is a positive feature.

Annex I – Details of Power Projects

Operational

Name	Capacity (MW)	Location	Fuel Supply Agreement	Long term (LTP) and Short term PPA (STP)	PPA	Project Cost (INR Mn.)
Arasmeta	43 MW– coal based	Chattisgarh	South Eastern Coalfields Ltd.	LTP – Lafarge STP – Chattisgarh State Electricity Board	1,600
Sai Regency	58 MW- natural gas based	Tamil Nadu	GAIL	LTP - multiple captive industrial consumers	2,200
Sitapuram	43 MW – coal based	Andhra Pradesh	Singareni Collieries Company Ltd.	LTP – Zuari Cement Ltd.	1,590

Under Construction

Name	Capacity (MW)	Location	Fuel Supply Agreement	Long term PPA (LTP)	Date	Project Cost (INR mn.)
VS Lignite	135 MW – lignite based	Rajasthan	Allotted - Gurha (East) and Lunsara Lignite Blocks by the Indian government	LTP – multiple captive industrial consumers at INR2.85 per KwH	December 2008	6,940
Wardha Warora	540 MW– coal based	Maharashtra	Negotiating an agreement with Coal India Ltd.	LTP - Viraj Profile Limited for 270 MW and remaining to be shared with multiple captive industrial consumers	December 2009	24,160

Projects for which debt financing has been arranged or have received term sheets and debt financing agreements are under the process of negotiation:

Name	Capacity (MW)	Location	Fuel Supply Agreement	Off take Arrangement Status	Date	Project Cost (INR mn.)
Arasmeta Expansion	43 MW- coal based	Chhattisgarh	Negotiating an increase with South Eastern Coalfields Ltd.	LTP – Lafarge Negotiations on with Chattisgarh State Electricity Board and multiple industrial consumers for surplus power	First quarter fiscal year 2011	2,202.2
Wardha Chhattisgarh	1800 MW – coal based	Chhattisgarh	Gujarat Mineral Development Corporation Limited	Committed to sell 1,010 MW to Gujarat government	Second quarter fiscal year 2012	68,740
KSK Dibbin	130 MW– hydro electric	Arunachal Pradesh	Run-of-the-river	TBD	Fourth quarter fiscal year 2011	6,920

Planned power projects :

Name	Capacity (MW)	Location	Fuel Supply Agreement	Date	Project Cost (INR mn.)
KSK Narmada	1800 MW– coal based	Chhattisgarh	Memorandum of understanding with Madhya	Second quarter fiscal year	74,550

			Pradesh State Mining Corporation Limited	2013	
JR Power	1800 MW– coal based	Orissa	Memorandum of understanding and fuel supply agreement with Pondicherry Industrial Promotion Development and Investment Corporation Limited	Fourth quarter fiscal year 2012	73,800
Wardha Naini	1800 MW– coal based	Orissa	Memorandum of understanding with Gujarat Mineral Development Corporation Limited	First quarter fiscal year 2013	74,300
Kameng Dam	600 MW – hydroelectric	Arunachal Pradesh	Run-of-the-river	Fourth quarter fiscal year 2012	30,140
Kameng Basin projects	345 MW – hydroelectric	Arunachal Pradesh	Run-of-the-river	Second quarter fiscal year 2013	18,070

Source: KSK

Annex II – Organisation Structure

KSK Energy Ventures Limited directly holds the following stakes:

Name	Stake
JR Powergen Pvt. Ltd. -1800 MW (planned)	51%
KSK Narmada Power Company Pvt. Ltd. 1800 MW (planned)	100%
KSK Dibbin Hydro Power Pvt. Ltd. 130 MW	100%
Kameng Dam Hydro Pvt. Ltd. 600 MW (planned)	100%
Kameng Basin Projects Ltd. – 345 MW (planned)	Planned
Bahur Power Company Pvt. Ltd.	100%
KSK Technology Ventures Pvt. Ltd.	100%
Sai Maithili Power Company Pvt. Ltd.	100%
Lakhpat Company Power Pvt. Ltd.	100%

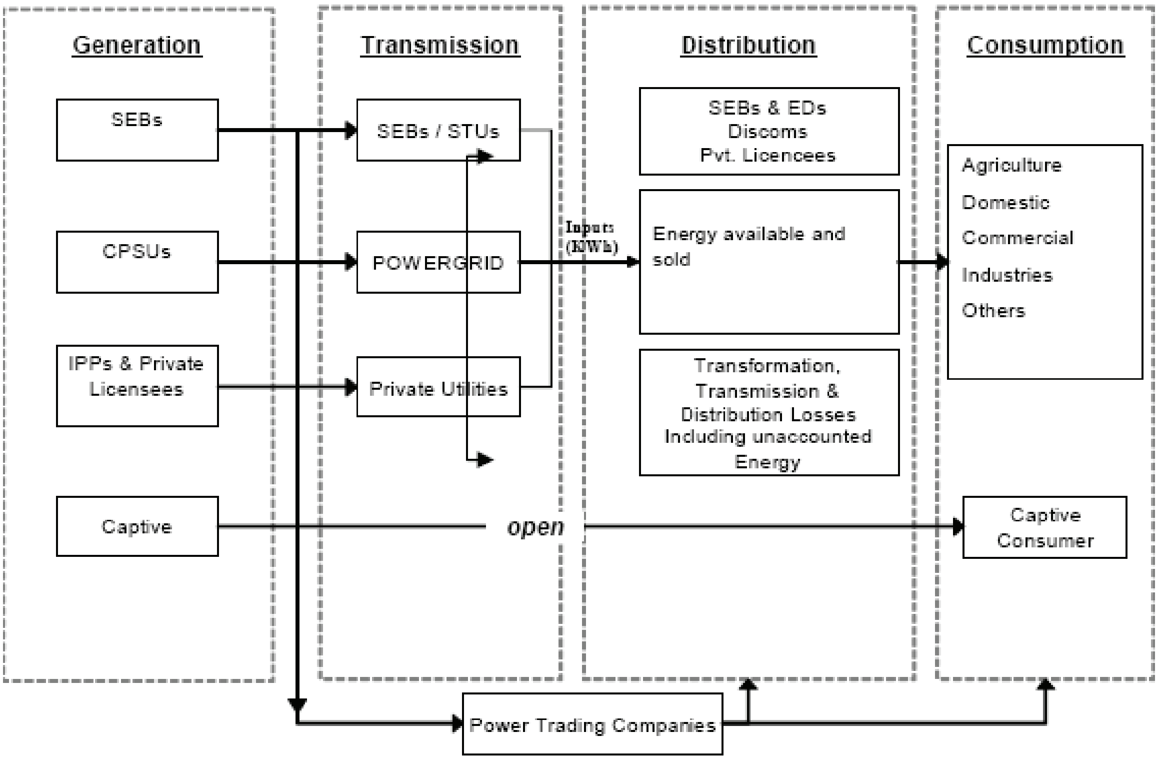
KSK Energy Ventures Limited owns 100% of KSK Electricity Financing India Pvt. Ltd. which owns:

Name	Stake
Arasmeta Captive Power Company Pvt. Ltd. 43 MW operational and 43 MW expansion	51%
Sai Regency Power Corporation Pvt. Ltd.	73.92%
Sitapuram Power Ltd.*	49%
VS Lignite Power Pvt. Ltd. – 135 MW under construction	74%
Wardha Power Company Private Limited 540 MW – Warora – construction 1800 MW – Chattisgarh – under development 1800 MW – Naini – planned	74%

* All companied enumerated above are subsidiaries with the exception of Sitapuram Power Ltd.

Source: KSK

Annex III – Industry Structure



Source: KSK

Annex IV

(Based on consolidated restated financial performance as provided by KSK; All figures in INRm except ratios)

Income Statement	FY08	FY07	FY06
Revenues	2,391.3	775.5	277.8
EBITDA	1,020.4	306.4	77.6
EBIT	796.8	216.6	33.0
Net Income	1,086.5	188.6	72.7
Balance Sheet			
Cash and Equivalents	4,156.6	1,091.8	209.1
Total Assets	24,421.1	4,526.2	1,852.9
Total Debt	12,522.3	1,970.8	1,304.3
Common Equity	3,207.9	1,210.3	393.1
Reserves & Surplus	3,427.6	884.7	62.4
Total Adjusted Capital	19,957.0	4,261.7	1,809.8
Cash Flow			
Cash Flow from operating activities	1,771.4	-1,137.2	148.3
Capital Expenditure	8209.3	-246.4	598.3
Ratio Analysis			
Revenue Growth (%)	208.4	179.2	-9.6
Op. EBITDAR/Revenues (%)	43	40	28
EBIT/Revenues (%)	33	28	12
Profit after tax/Revenues (%)	45	24	26
Profit after tax/Average Equity (%)	25	15	17
Return on Average Capital Employed (%)	15	10	8
Return on Average Assets (%)	8	6	5
Earnings per share	5.7	2.7	2.0
Total Debt / Equity	1.89	0.94	2.86
Gross Cash Cycle	58.2	72.0	120.8
Average payables payment period (days)	843.5	219.9	736.7

Source: Fitch, KSK

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