RED HERRING PROSPECTUS
Dated September 15, 2010
Please read Section 60B of the Companies Act, 1956
100% Book Building Issue

VA TECH WABAG LIMITED

(Our Company was incorporated as a public limited company called Balcke Durr Cooling Towers Limited on February 17, 1995 at Chennai. Our Company received a certificate of commencement of business on March 8, 1995. The name of our Company was changed to Balcke Durr and Wabag Technologies Limited on September 12, 1996 by a special resolution of the members dated July 29, 1996. The name of our Company was further changed to VA Tech Wabag Limited on April 4, 2000 by a special resolution of the members dated March 10, 2000. For details of change in the name and registered office of our Company, please see the section titled "History and Certain Corporate Matters" on page 168.)

Registered and Corporate Office: No.11, Murray's Gate Road, Alwarpet, Chennai 600 018, Tamil Nadu

Contact Person: S. Ramasundaram, Company Secretary and Compliance Officer

Tel: +91 44 4223 2411, Fax: +91 44 4223 2324, Email: companysecretary@wabag.in, Website: www.wabag.com

PUBLIC ISSUE OF [●] EQUITY SHARES OF Rs. 5 EACH OF VA TECH WABAG LIMITED (THE "COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF Rs. [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF Rs. [●] PER EQUITY SHARE), CONSISTING OF A FRESH ISSUE OF [●] EQUITY SHARES AGGREGATING TO RS. 12,500 LAKHS AND AN OFFER FOR SALE OF 26,53,383 EQUITY SHARES BY INDIA ADVANTAGE FUND I, DYNAMIC INDIA FUND I, RAINBOW FUND TRUST, GLG EMERGING MARKETS FUND AND PASSPORT INDIA INVESTMENTS (MAURITIUS) LIMITED (THE "SELLING SHAREHOLDERS"), AGGREGATING Rs. [●] LAKHS (THE "ISSUE"). THE ISSUE WOULD CONSTITUTE [●]% OF THE FULLY DILUTED POST ISSUE PAID-UP CAPITAL OF OUR COMPANY.

THE FACE VALUE OF THE EQUITY SHARES IS RS. 5. THE PRICE BAND AND THE MINIMUM BID LOT SIZE WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE SELLING SHAREHOLDERS AND THE BOOK RUNNING LEAD MANAGERS AND ADVERTISED ATLEAST TWO WORKING DAYS PRIOR TO BID/ISSUE OPENING DATE.

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

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

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified Institutional Buyers ("QIBs"), 5% of the QIB Portion (excluding the Anchor Investor Portion) 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 QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Potential investors may participate in this Issue through an Application Supported by Blocked Amount ("ASBA") process providing details about the bank account which will be blocked by the Self Certified Syndicate Bank for the same. All Bidders (other than Anchor Investors) can participate through the ASBA process. For details please see the section titled "Issue Procedure" on page 331.

PROMOTERS

The Promoters of our Company are Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan.

IPO GRADING

The Issue has been graded as 4/5 by ICRA, indicating that the fundamentals of the Issue are above average. The IPO Grade is assigned on a five point scale from 1 to 5, with IPO Grade 5/5 indicating strong fundamentals and IPO Grade 1/5 indicating poor fundamentals. For details, please see the section titled "General Information" on page 60.

RISK IN RELATION TO THE FIRST ISSUE

This being the first public issue of Equity Shares of our Company, there has been no formal market for the Equity Shares of our Company. The face value of the Equity Shares is Rs. 5 per Equity Share and the Issue Price is [•] times of the face value. The Issue Price (has been determined and justified by the Book Running Lead Managers, the Company and the Selling Shareholders as stated under the paragraph on "Basis for Issue Price") 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 our Company or regarding the price at which the Equity Shares will be traded after listing. For details on justification please see the section titled "Basis for Issue Price" on page 94.

GENERAL RISK

Investments in equity and equity-related securities involve a degree of risk and investors should not invest any funds in this Issue unless they can afford to take the risk of losing their investment. Investors are advised to read the risk factors carefully before taking an investment decision in this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of this Red Herring Prospectus. Specific attention of the investors is invited to the section titled "Risk Factors" on page 14.

ISSUER'S ABSOLUTE RESPONSIBILITY

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

LISTING ARRANGEMENT

The Equity Shares offered through the Red Herring Prospectus are proposed to be listed on the NSE and the BSE. We have received in-principle approvals from the NSE and the BSE for the listing of our Equity Shares pursuant to letters dated May 21, 2010 and May 27, 2010, respectively. For the purposes of this Issue, the Designated Stock Exchange is the NSE.

BOOK RUNNING LEAD MANAGERS

Enam Securities Private Limited
801/ 802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
E-mail: vatech.ipo@enam.com
Investor grievance email: complaints@enam.com
Website: www.enam.com
Contact Person: Kanika Sarawgi
SEBI Registration No. : INM000006856

IDFC Capital Limited
Naman Chambers, C-32
G-Block, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051
Tel: +91 22 6622 2600
Fax: +91 22 6622 2501
Email: wabag.ipo@idfc.com
Investor grievance email: complaints@idfc.com
Website: www.idfccapital.com
Contact Person: Shirish Chikalge
SEBI Registration No.: INM000011336

REGISTRAR TO THE ISSUE

Karvy Computershare Private Limited
Plot Nos. 17-24, Vittal Rao Nagar
Madhapur
Hyderabad 500 081
Tel: +91 40 2342 0815-28
Fax: + 91 40 2343 1551
Investor grievance email: vatech.ipo@karvy.com
Email: einward.ris@karvy.com
Website: http://karisma.karvy.com
Contact Person: Murli Krishna
SEBI Registration No.: INR000000221

BID/ISSUE PROGRAMME

BID/ISSUE OPENS ON:	**SEPTEMBER 22, 2010***	**BID/ISSUE CLOSES ON (FOR NON QIB BIDDERS)**	**SEPTEMBER 27, 2010**
		BID/ISSUE CLOSES ON (FOR QIB BIDDERS)	**SEPTEMBER 24, 2010**

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

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SECTION I – GENERAL

DEFINITIONS AND ABBREVIATIONS

General Terms

Term	Description
"We", "us" and "our"	Unless the context otherwise requires, VA Tech Wabag Limited, its Subsidiaries and joint ventures on a consolidated basis
"Issuer", the "Company" and "our Company"	VA Tech Wabag Limited on a stand alone basis

Company Related Terms

Term	Description
Articles	Articles of Association of our Company
Auditors	The statutory auditors of our Company being Walker, Chandiok & Co.
Board / Board of Directors	The board of directors of our Company
Directors	The Directors of our Company, unless otherwise specified
ESOP Scheme 2006	Employee Stock Option Scheme approved by the shareholders of our Company by their resolution dated August 3, 2006
ESOP Scheme 2010	Employee Stock Option Scheme approved by the shareholders of our Company by their resolution dated July 19, 2010
Memorandum	Memorandum of Association of our Company
Promoters	Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan
Promoter Group	Relatives of the Promoters as provided in the section titled "Our Promoters and Promoter Group" on page 199
Registered Office	No.11 Murray's Gate Road, Alwarpet, Chennai 600 018, Tamil Nadu
Subsidiaries	The subsidiaries of our Company as listed out in the section titled "Our Subsidiaries" on page 178
Wabag Austria	VA Tech Wabag GmbH
Wabag Brno	VA Tech Wabag Brno Spol S.R.O, Czech Republic
Wabag Singapore	VA Tech Wabag (Singapore) Pte. Ltd.
Wabag Wassertechnik	Wabag Wassertechnik AG, Switzerland

Issue Related Terms

Term	Description
Allotment/Allot/Allotted	Unless the context otherwise requires, the issue and allotment of Equity Shares, pursuant to the Fresh Issue and the transfer of Equity Shares pursuant to the Offer for Sale
Allottee	The successful Bidder to whom the Equity Shares are/ have been Allotted
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor category, with a minimum Bid of Rs. 1,000 lakhs
Anchor Investor Allocation Notice	Notice or intimation of allocation of Equity Shares sent to Anchor Investors who have been allocated Equity Shares after discovery of Issue Price if the Issue Price is higher than the Anchor Investor Issue Price
Anchor Investor Bid/Issue Period	The date one day prior to the Bid/Issue Opening Date on which Bidding by Anchor Investors shall open and shall be completed
Anchor Investor Issue Price	The final price at which Equity Shares will be issued and Allotted to Anchor Investors in terms of the Red Herring Prospectus and Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Anchor Investor Issue Price will be decided by our Company in consultation with the Selling Shareholders and the BRLMs
Anchor Investor Portion	Up to 30% of the QIB Portion, being up to [●] Equity Shares, which may be allocated by our Company in consultation with the Selling Shareholders and the BRLMs to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion, being up to [●] Equity Shares, shall be reserved for domestic mutual funds, subject to valid Bids being received from domestic mutual funds at or above the price at which allocation is being done to Anchor Investors
Application Supported by	The application (whether physical or electronic) used by a Bidder (other than an Anchor

Term	Description
Blocked Amount/ ASBA	Investor) to make a Bid authorizing the SCSB to block the Bid Amount in their specified bank account maintained with the SCSB
ASBA Bid cum Application Form	The form, whether physical or electronic, used by an ASBA Bidder to make a Bid, which will be considered as the application for Allotment for the purposes of the Red Herring Prospectus and the Prospectus
ASBA Bidder	Any Bidder (other than an Anchor Investor) who intends to apply through the ASBA process
ASBA Revision Form	The form used by ASBA Bidders to modify the quantity of Equity Shares or the Bid Price in any of their Bid cum Application Forms or any previous ASBA Revision Form(s)
Bankers to the Issue/ Escrow Collection Banks	The banks which are clearing members and registered with SEBI as Banker to the Issue with whom the Escrow Account will be opened and in this case being ICICI Bank Limited, State Bank of India, HDFC Bank Limited and Standard Chartered Bank.
Basis of Allotment	The basis on which Equity Shares will be Allotted to successful Bidders under the Issue and which is described in "Issue Procedure – Basis of Allotment" on page 355.
Bid	An indication to make an offer during the Bid/Issue Period by a prospective investor to subscribe to or purchase the Equity Shares at a price within the Price Band, including all revisions and modifications thereto. In relation to ASBA Bidders, it means an indication to make an offer during the Bid/Issue Period by a Bidder (other than an Anchor Investor) to subscribe to the Equity Shares
Bid/Issue Closing Date	Except in relation to Bids received from Anchor Investors, the date after which the Syndicate will not accept any Bids for the Issue, which shall be notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid/Issue Opening Date	Except in relation to Bids received from Anchor Investors, the date on which the Syndicate shall start accepting Bids for the Issue, which shall be the date notified in a widely circulated English national newspaper, a Hindi national newspaper and a Tamil newspaper with wide circulation
Bid cum Application Form	The form in terms of which the Bidder shall make an offer to subscribe or purchase Equity Shares of our Company and which will be considered as the application for Allotment pursuant to the terms of the Red Herring Prospectus including the ASBA Bid cum Application Form as may be applicable
Bidder	Any prospective investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid cum Application Form including an ASBA Bidder and Anchor Investor
Bid/Issue Period	The period between the Bid/Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders (other than Anchor Investors) can submit their Bids including any revisions thereof
Book Building Process/ Method	The book building process as described in Schedule XI of the SEBI Regulations, in terms of which this Issue is being made
BRLMs/Book Running Lead Managers	Book Running Lead Managers to the Issue, in this case being Enam Securities Private Limited and IDFC Capital Limited
Business Day	Any day other than Saturday and Sunday, on which commercial banks in Mumbai, India are open for business
CAN/ Confirmation of Allotment Note	Note or advice or intimation of Allotment sent to the Bidders who have been Allotted Equity Shares after Basis of Allotment has been approved by the Designated Stock Exchange
Cap Price	The higher end of the Price Band, above which the Issue Price will not be finalized and above which no Bids will be accepted
Controlling Branches	Such branches of the SCSBs which coordinate with the BRLMs, the Registrar to the Issue and the Stock Exchanges
Cut-off Price	A price within the price band finalized by our Company, in consultation with the Selling Shareholders and the BRLMs. A Bid submitted at Cut-off Price by a Retail Individual Bidder is a valid Bid at all price levels within the Price Band. Retail Individual Bidders are entitled to bid at the Cut-off Price for a Bid Amount not exceeding Rs. 1,00,000. QIBs (including Anchor Investors) and Non-Institutional Bidders are not entitled to Bid at Cut-off Price
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Bid cum Application Forms used by ASBA Bidders and a list of which is available on www.sebi.gov.in
Designated Date	The date on which funds are transferred from the Escrow Account or the amount blocked by the SCSB is transferred from the ASBA Account, as the case may be, to the Public Issue Account or the Refund Account, as appropriate, after the Prospectus is filed with the RoC, following which our Board of Directors shall Allot Equity Shares to successful Bidders
Designated Stock Exchange	The NSE

Term	Description
DP ID	Depository Participant’s Identity
DRHP or Draft Red Herring Prospectus	The Draft Red Herring Prospectus dated March 12, 2010 issued in accordance with the SEBI Regulations, which does not contain complete particulars of the price at which the Equity Shares are offered and the size of the Issue
Eligible NRI	An NRI from such jurisdiction outside India where it is not unlawful to make an offer or invitation under the Issue and in relation to whom the Red Herring Prospectus constitutes an invitation to subscribe or purchase the Equity Shares offered thereby
Enam	Enam Securities Private Limited
Equity Shares	Equity shares of our Company, unless otherwise specified in the context thereof, of Rs. 5 each pursuant to the split in the face value of the equity shares of our Company from Rs. 10 to Rs. 5 in terms of the resolutions of the Board dated September 7, 2009 and the shareholders dated September 14, 2009 respectively
Escrow Account	The account opened with the Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid
Escrow Agreement	The agreement to be entered into by our Company, the Selling Shareholders, the Registrar to the Issue, the BRLMs, the Syndicate Members and the Escrow Collection Bank(s) for collection of the Bid Amounts and where applicable, refunds of the amounts collected to the Bidders (excluding the ASBA Bidders) on the terms and conditions thereof
First Bidder	The Bidder whose name appears first in the Bid cum Application Form or Revision Form or the ASBA Bid cum Application Form
Floor Price	The lower end of the Price Band, above which the Issue Price will be finalized and below which no Bids will be accepted
Fresh Issue	The fresh issue of [●] Equity Shares aggregating to Rs. 12,500 lakhs by our Company
FVCI	Foreign Venture Capital Investor registered under the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, as amended
IDFC Capital	IDFC Capital Limited.
India Advantage Fund I	India Advantage Fund I, which is one of the shareholders of our Company and a Selling Shareholder. The trustee of India Advantage Fund I is IDBI Trusteeship Services Limited, a company registered under the Companies Act having its registered office at Asian Building, 17, R Kamani Marg, Ballard Estate, Mumbai - 400 001 (the surviving entity after its merger with The Western India Trustee and Executor Company Limited, the erstwhile trustee of India Advantage Fund I). The Trustee acts through its investment manager ICICI Venture Funds Management Company Limited, a company incorporated pursuant to the Act having its registered office at Ground Floor, ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025
Issue	Collectively the Fresh Issue and the Offer for Sale
Issue Price	The final price at which Equity Shares will be issued and Allotted in terms of the Red Herring Prospectus. The Issue Price will be decided by our Company, in consultation with the Selling Shareholders and the BRLMs, on the Pricing Date
Mutual Fund Portion	5% of the QIB Portion (excluding the Anchor Investor Portion), or [•] Equity Shares available for allocation to Mutual Funds only, out of the QIB Portion (excluding the Anchor Investor Portion)
Mutual Funds	A mutual fund registered with SEBI under the SEBI (Mutual Funds) Regulations, 1996
NECS	National Electronic Clearing Service
Net Proceeds	Proceeds of the Fresh Issue, after deducting our Company’s share of the underwriting and management fees, selling commissions and other expenses associated with the Issue
Non Institutional Bidders	All Bidders that are not QIBs or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than Rs. 1,00,000 (but not including NRIs other than eligible NRIs)
Non Institutional Portion	The portion of the Issue being not less than [•] Equity Shares of Rs. 5 each available for allocation to Non Institutional Bidders
Offer for Sale	The Offer for Sale by the Selling Shareholders of 26,53,383 Equity Shares of Rs. 5 each at the Issue Price
Price Band	Price band of a minimum price (Floor Price) of Rs. [•] and the maximum price (Cap Price) of Rs. [•] and includes revisions thereof including any revision to such Floor Price or Cap Price as may be permitted by the SEBI Regulations. The Price Band and the minimum Bid lot size for the Issue will be decided by us, in consultation with the Selling Shareholders and the BRLMs and advertised in all editions of the Financial Express and Jansatta and the Chennai edition of the Makkal Kural at least two Working Days prior to the Bid/Issue Opening Date

Term	Description
Pricing Date	The date on which our Company, in consultation with the Selling Shareholders and the BRLMs, will finalize the Issue Price
Prospectus	The Prospectus to be filed with the RoC in terms of section 60 of the Companies Act, containing, *inter alia*, the Issue Price that is determined at the end of the Book Building process, the size of the Issue and certain other information including any addenda or corrgineda thereof
Public Issue Account	Account opened with the Bankers to the Issue to receive monies from the Escrow Account and from the SCSBs from the bank accounts of ASBA Bidders on the Designated Date
QIB Portion	The portion of the Issue being up to [●] Equity Shares of Rs. 5 each to be allocated to QIBs
Qualified Institutional Buyers or QIBs	Includes public financial institutions as defined in S. 4A of the Companies Act, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or a foreign individual, scheduled commercial banks, mutual funds registered with SEBI, multilateral and bilateral development financial institutions, venture capital funds registered with SEBI, foreign venture capital investors registered with SEBI, state industrial development corporations, insurance companies registered with Insurance Regulatory and Development Authority, provident funds with minimum corpus of Rs.2,500 lakhs, pension funds with minimum corpus of Rs.2,500 lakhs, the national investment fund set up by resolution no. F. No. 2/3/2005-DDII dated November 23, 2005 of Government of India published in the Gazette of India and insurance funds set up and managed by the army, navy or air force of the Union of India
RTGS	Real Time Gross Settlement
Red Herring Prospectus or RHP	This Red Herring Prospectus dated September 15, 2010 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. This Red Herring Prospectus has been filed with the RoC at least three days before the Bid/Issue Opening Date and will become a Prospectus upon filing with the RoC after the Pricing Date
Refund account	The account opened with Escrow Collection Bank(s), from which refunds, if any, of the whole or part of the Bid Amount (excluding to the ASBA Bidder) shall be made
Refund Banker	HDFC Bank Limited
Refunds through electronic transfer of funds	Refunds through NECS, Direct Credit, RTGS or the ASBA process, as applicable
Registrar to the Issue	Karvy Computershare Private Limited**,** having its office at Plot Nos. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad 500 081
Resident Retail Individual Bidder	Retail Individual Bidder who is a person resident in India as defined in Foreign Exchange Management Act, 1999 and who has not Bid for Equity Shares for an amount more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Individual Bidder(s)	Individual Bidders (including HUFs applying through their karta, Eligible NRIs and Resident Retail Individual Bidders) who have not Bid for Equity Shares for an amount more than Rs. 1,00,000 in any of the bidding options in the Issue
Retail Portion	The portion of the Issue being not less than [●] Equity Shares of Rs. 5 each available for allocation to Retail Bidder(s)
Revision Form	The form used by the Bidders excluding ASBA 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)
Selling Shareholders	India Advantage Fund I, Dynamic India Fund I, Rainbow Fund Trust, GLG Emerging Markets Fund and Passport India Investments (Mauritius) Limited
Self Certified Syndicate Bank/ SCSB	The banks which are registered with SEBI under the SEBI (Bankers to an Issue) Regulations, 1994 and offer services of ASBA, including blocking of bank account and a list of which is available on www.sebi.gov.in
Stock Exchanges	The NSE and the BSE
Syndicate	The BRLMs and the Syndicate Members
Syndicate Agreement	The agreement to be entered into between the Syndicate, our Company and Selling Shareholders in relation to the collection of Bids (excluding Bids from the ASBA Bidders)
Syndicate Members	Sharekhan Limited
TRS/ Transaction Registration Slip	The slip or document issued by a member of the Syndicate or the SCSB (only on demand), as the case may be, to the Bidder as proof of registration of the Bid
Underwriters	The BRLMs and the Syndicate Members
Underwriting Agreement	The Agreement between the Underwriters, the Selling Shareholders and our Company to be entered into on or after the Pricing Date

Term	Description
Working Days	All days excluding Sundays and bank holidays in Mumbai

Conventional and General Terms/ Abbreviations

Term	Description
A/c	Account
Act or Companies Act	Companies Act, 1956
AGM	Annual General Meeting
AS	Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006
AY	Assessment Year
BSE	Bombay Stock Exchange Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
Depositories	NSDL and CDSL
Depositories Act	Depositories Act, 1996
DIPP	Department of Industrial Policy and Promotion
DP/ Depository Participant	A depository participant as defined under the Depositories Act, 1996
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EGM	Extraordinary General Meeting
EPS	Earnings Per Share i.e., profit after tax for a fiscal year divided by the weighted average outstanding number of equity shares at the end of that fiscal year
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act, 1999 read with rules and regulations thereunder
FIIs	Foreign Institutional Investors (as defined under SEBI (Foreign Institutional Investor) Regulations, 1995 registered with SEBI under applicable laws in India
FII Regulations	Securities Exchange Board of India (Foreign Institutional Investors) Regulations, 1995
Financial Year/ Fiscal/ FY	Period of twelve months ended March 31 of that particular year
FIPB	Foreign Investment Promotion Board
GoI/Government	Government of India
HNI	High Networth Individual
HUF	Hindu Undivided Family
IFRS	International Financial Reporting Standards
ICAI	Institute of Chartered Accountants of India
IST	Indian Standard Time
IT	Information Technology
I.T. Act	The Income Tax Act, 1961
Indian GAAP	Generally Accepted Accounting Principles in India
IPO	Initial Public Offering
JICA	Japanese International Co-operation Agency
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
MAT	Minimum Alternate Tax
MoU	Memorandum of Understanding
MW	Megawatts
M.W. Act	Minimum Wages Act, 1948
NA	Not Applicable
NAV	Net Asset Value being paid up equity share capital plus free reserves (excluding reserves created out of revaluation) less deferred expenditure not written off (including miscellaneous expenses not written off) and debit balance of Profit and Loss account, divided by number of issued equity shares
NOC	No Objection Certificate
NR	Non-resident
NRE Account	Non Resident External Account
NRI	Non Resident Indian, is a person resident outside India, as defined under FEMA and the FEMA (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000
NRO Account	Non Resident Ordinary Account
NSDL	National Securities Depository Limited
NSE	National Stock Exchange of India Limited

Term	Description
OCB	A company, partnership, society or other corporate body owned directly or indirectly to the extent of at least 60% by NRIs including overseas trusts, in which not less than 60% of beneficial interest is irrevocably held by NRIs directly or indirectly as defined under Foreign Exchange Management (Transfer or Issue of Foreign Security by a Person resident outside India) Regulations, 2000
P/E Ratio	Price/Earnings Ratio
PAN	Permanent Account Number allotted under the Income Tax Act, 1961
PIO	Persons of Indian Origin
PLR	Prime Lending Rate
QIB	Qualified Institutional Buyer as defined in the SEBI Regulations
RBI	The Reserve Bank of India
R&D	Research and development
Registration Act	Registration Act, 1908
RoC	Registrar of Companies, Tamil Nadu, located at Block No.6 "B" Wing, 2nd Floor, Shastri Bhavan, No. 26, Haddows Road, Nungambakkam, Chennai 600 034
RONW	Return on Net Worth
Rs.	Indian Rupees
SCRA	Securities Contracts (Regulation) Act, 1956
SCRR	Securities Contracts (Regulation) Rules, 1957
SEBI	The Securities and Exchange Board of India constituted under the SEBI Act, 1992
SEBI Act	Securities and Exchange Board of India Act 1992
SEBI ESOP Guidelines	SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time
SEBI Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009
Takeover Code	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations
S. or Sec.	Section
Stock Exchange(s)	BSE and/ or NSE as the context may refer to
TIN	Tax payer Identification Number
US / USA	United States of America

Technical/Industry Related Terms

Term	Description
ADB	Asian Development Bank
BAFF	Bio-Active Fixed Film
BCM	Billion cubic metres
BOT	Build, Operate and Transfer
BOOT	Build, Operate, Own and Transfer Contracts
BOQ	Bills of Quantity
COD	Chemical Oxygen Demand
CPU	Condensate Polishing Unit
CSO	Central Statistical Organisation
CSR	Corporate Social Responsibility
Cu	Cubic
CW	Cooling Water
DBO	Design, Build and Operate contracts
DM	De-Mineralisation
ED	Electrodialysis
EPA	Environment Protection Agency
EPC	Engineering, Procurement and Construction
ERP	Enterprise Resource Planning
EU	European Union
EUREAU	European Federation of National Associations of Water and Wastewater Services
FAO	Food and Agriculture Organisation

Term	Description
GDP	Gross Domestic Product
GHGs	Green House Gases
GW	Giga Watt
IEC	International Engineering Centre
ISO	International Organisation for Standardisation
IX	Ion Exchange
IBG	International Business Group
IWG	Industrial Water Group
Km	Kilometre
LOA	Levels of Authority
LPCD	Litres Per Capita per Day
MBG	Municipal Business Group
MDG	Millennium Development Goals
MED	Multi-Effect Distillation
MENA	Middle East and North Africa
MGD	Million Gallons per Day
MLD	Million Litres per Day
MoWR	Ministry of Water Resources
MSF	Multi-Stage flash
MVC	Mechanical Vapour Compression
O&M	Operations and Maintenance
OBG	Operations Business Group
OHSAS	Occupational Safety and Health
ONORM	Österreichisches Normungsinstitut (Austrian Standards Institute)
Order Book	The balance value of work to be executed or expected revenue to be booked, in respect of our existing contracts (as per agreements entered into by us or letter of intent issued to us) as on a particular date. This may change as a result of adjustments to the scope of work, escalation clauses, foreign currency fluctuations and variations in the terms of the contracts.
PPP	Public Private Partnerships
PSP	Private Sector Participation
RO	Reverse Osmosis
SBU	Strategic Business Unit
SHE	Safety, Health and Environment standards
STP	Sewage Treatment Plant
TOT	Transfer, Operate and Transfer contracts
TVC	Thermal Vapour Compression
UAE	United Arab Emirates
ULB	Urban Local Bodies
UN	United Nations Organisation
WRI	World Resource Institute
WWDR	World Water Development Report
WWTP	Waste Water Treatment Plant

CERTAIN CONVENTIONS; PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Currency and Units of Presentation

All references to:

- "Algerian Dinar" or "DZD" are to the official currency of Algeria;
- "Austrian Schillings" or "ATS" are to the former official currency of the Republic of Austria;
- "Czech Koruna" or "CZK" are to the official currency of Czech Republic;
- "Dirhams" or "AED" are to the official currency of the United Arab Emirates;
- "Euro" or "€" are to the official currency of the member states of the European Union participating in the Economic and Monetary Union;
- "Franc" or "CHF" are to the official currency of Switzerland;
- "Hong Kong Dollar" or "HKD" are to the official currency of Hong Kong;
- "Macanese Pataca" or "MOP" are to the official currency of Macau;
- "Namibian Dollars" or "NAD" are to the official currency of the Republic of Namibia;
- "Romanian Leu" or "RON" are to the official currency of Romania;
- "Rupees" or "Rs" or "INR" are to Indian Rupees;
- "Singapore Dollar" or "SGD" are to the official currency of the Republic of Singapore;
- "Tunisian Dinar" or "TND" are to the official currency of Tunisia;
- "US Dollars" or "USD" are to the official currency of United States of America; and
- "Zlotys" or "PLN" are to the official currency of the Republic of Poland.

All the numbers in the document have been presented in lakhs or in whole numbers, where the numbers have been too small to present in lakhs. In this Red Herring Prospectus, any discrepancies in any table between the totals and the sum of the amounts listed are due to rounding off.

Financial Data

Unless stated otherwise, the financial data in this Red Herring Prospectus is derived from our restated unconsolidated and consolidated financial statements prepared in accordance with Indian GAAP and the SEBI Regulations. Our Company's fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year, unless stated otherwise, are to the 12-month period ended on March 31 of that year.

There are significant differences between Indian GAAP, IFRS and US GAAP. We have not attempted to explain those differences or quantify their impact on the financial data included herein and we urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the financial statements prepared in accordance with Indian GAAP and restated in accordance with SEBI Regulations 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 Regulations. Any reliance by persons not familiar with the above on the financial disclosures presented in this Red Herring Prospectus should accordingly be limited.

Market and Industry Data

Market and industry data used in this Red Herring Prospectus has generally been obtained or derived from industry publications and sources. These publications typically state that the information contained therein has been obtained from sources believed to be reliable but their accuracy and completeness are not guaranteed and their reliability cannot be assured. Although we believe that industry data used in this Red Herring Prospectus is reliable, it has not been independently verified. Similarly, we believe that the internal reports prepared by our Company are reliable. However, they have not been verified by any independent sources.

The units of certain numbers and figures with respect to industry data included in this Red Herring Prospectus is million and billion. Please note that one million means 10 lakhs and one billion means 10,000 lakhs.

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

FORWARD-LOOKING STATEMENTS

This Red Herring Prospectus contains certain "forward-looking statements". These forward looking statements can generally be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "intend", "future", "good", "may", "objective", "plan", "project", "propose", "seek", "will seek to", "will", "will continue", "will pursue" or other words or phrases of similar meaning. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results and property valuations to differ materially from those contemplated by the relevant forward looking statement.

Forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. These statements are based on our management‘s beliefs and assumptions, which in turn are based on currently available information. Although we believe the assumptions upon which these forward-looking statements are based are reasonable, any of these assumptions could prove to be inaccurate, and the forward-looking statements based on these assumptions could be incorrect. Further the actual results may differ materially from those suggested by the forward-looking statements due to risks or uncertainties associated with our expectations with respect to, but not limited to, regulatory changes pertaining to the industries in India in which we have our businesses and our ability to respond to them, our ability to successfully implement our strategy, our growth and expansion, technological changes, our exposure to market risks, general economic and political conditions in India, which have an impact on our business activities or investments, the monetary and fiscal policies of India, inflation, deflation, unanticipated turbulence in interest rates, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets in India and globally, changes in domestic laws, regulations and taxes, changes in competition in our industry and incidence of any natural calamities and/or acts of violence.

Important factors that could cause actual results to differ materially from our expectations include, among others:

- termination of any contract entered into with any government-controlled entities in India and abroad or invocation of any performance guarantees against us;
- inability to service key clients who account for a significant portion of our income;
- inability to obtain the benefit of deductions under section 80-IA of the I.T. Act;
- increase in competition from domestic and foreign companies in India and other jurisdictions in which we operate;
- limited experience in BOOT and TOT projects;
- inability of our Company to integrate the businesses of our Company and Wabag Austria;
- restrictions on continuous use of the brand name "Wabag" and inability of our Company to protect its corporate name;
- disagreements with strategic partners in our BOOT and TOT projects;
- inability of our Company to manage its growth;
- general economic and political conditions; and
- third party performance.

For further discussion of factors that could cause our actual results to differ from our expectations, see "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on pages 14, 139 and 261, respectively. By their nature, certain market risk disclosures are only estimates and would 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. Further, future looking statements speak only as of the date of this Red Herring Prospectus. Neither we, our Directors, Underwriters nor any of their respective affiliates have any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, the BRLMs, our Company and the Selling Shareholders will ensure that investors in India are informed of material developments until such time as the grant of listing and trading permissions by the Stock Exchanges.

EXCHANGE RATES

Rupee and Algerian Dinar Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 0.61 = DZD 1.00
The exchange rate as at March 31, 2009 was Rs. 0.68 = DZD 1.00.
The exchange rate as at March 31, 2010 was Rs. 0.60 = DZD 1.00.

Rupee and Austrian Schilling Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 4.58 = ATS 1.00.
The exchange rate as at March 31, 2009 was Rs. 5.01 = ATS 1.00.
The exchange rate as at March 31, 2010 was Rs. 4.40 = ATS 1.00.

Rupee and Czech Koruna Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 2.49 = CZK 1.00.
The exchange rate as at March 31, 2009 was Rs. 2.50 = CZK 1.00.
The exchange rate as at March 31, 2010 was Rs. 2.38 = CZK 1.00.

Rupee and Dirham Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 10.87 = AED 1.00.
The exchange rate as at March 31, 2009 was Rs. 14.21 = AED 1.00.
The exchange rate as at March 31, 2010 was Rs. 12.26 = AED 1.00.

Rupee and Euro Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 63.04 = € 1.00.
The exchange rate as at March 31, 2009 was Rs. 68.91 = € 1.00.
The exchange rate as at March 31, 2010 was Rs. 60.59 = € 1.00

Rupee and Franc Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 40.18 = CHF 1.00.
The exchange rate as at March 31, 2009 was Rs. 45.34= CHF 1.00.
The exchange rate as at March 31, 2010 was Rs. 42.31 = CHF 1.00.

Rupee and HKD Exchange Rates

The exchange rate as at March 31, 2009 was Rs. 6.73 = HKD 1.00.
The exchange rate as at March 31, 2010 was Rs. 5.80 = HKD 1.00.

Rupee and Macanese Pataca Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 4.98 = MOP 1.00.
The exchange rate as at March 31, 2009 was Rs. 6.41 = MOP 1.00.
The exchange rate as at March 31, 2010 was Rs. 5.53 = MOP 1.00.

Rupee and Namibian Dollar Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 4.90 = NAD 1.00.
The exchange rate as at March 31, 2009 was Rs. 5.30 = NAD 1.00.
The exchange rate as at March 31, 2010 was Rs. 5.81 = NAD 1.00.

Rupee and Omani Rials Exchange Rates

The exchange rate as at March 31, 2009 was Rs. 135.91 = OMR 1.00.
The exchange rate as at March 31, 2010 was Rs. 117.41 = OMR 1.00.

Rupee and Polish Zloty Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 17.94 = PLN 1.00.
The exchange rate as at March 31, 2009 was Rs. 14.57 = PLN 1.00.
The exchange rate as at March 31, 2010 was Rs. 15.65 = PLN 1.00.

Rupee and Qatar Riyal Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 11.14 = QAR 1.00.
The exchange rate as at March 31, 2009 was Rs. 14.34 = QAR 1.00.
The exchange rate as at March 31, 2010 was Rs. 12.38 = QAR 1.00.

Rupee and Romanian Leu Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 16.91 = RON 1.00.
The exchange rate as at March 31, 2009 was Rs. 16.18 = RON 1.00.
The exchange rate as at March 31, 2010 was Rs. 14.83 = RON 1.00.

Rupee and Singapore Dollar Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 28.91 = SGD 1.00.
The exchange rate as at March 31, 2009 was Rs. 34.32 = SGD 1.00.
The exchange rate as at March 31, 2010 was Rs. 32.20 = SGD 1.00.

Rupee and Tunisian Dinar Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 34.83 = TND 1.00.
The exchange rate as at March 31, 2009 was Rs. 37.65 = TND 1.00.
The exchange rate as at March 31, 2010 was Rs. 31.75 = TND 1.00.

Rupee and United States Dollar Exchange Rates

The exchange rate as at March 31, 2008 was Rs. 39.90 = USD 1.00.
The exchange rate as at March 31, 2009 was Rs. 52.17 = USD 1.00.
The exchange rate as at March 31, 2010 was Rs. 45.00 = USD 1.00.

(*Source: www.oanda.com*)

No representation is made that the Rupee amounts actually represent such currency amounts or could have been or could be converted into such currencies at the rates as indicated above, any other rate or at all.

SECTION II – RISK FACTORS

RISK FACTORS

An investment in equity or equity- related securities involves a high degree of risk. You should carefully consider all the information in this Red Herring Prospectus, including the risks and uncertainties described below, before making an investment in our Equity Shares. To obtain a complete understanding, you should read this section in conjunction with "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 139 and 261 respectively, as well as the other financial and statistical information contained in this Red Herring Prospectus. If any of the following risks, or other risks that are not currently known or are now deemed immaterial, actually occur, our business, results of operations and financial condition could suffer, the price of our Equity Shares could decline, and you may lose all or part of your investment. The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are risk factors where the effect is not quantifiable and hence the same has not been disclosed in such risk factors.

This Red Herring Prospectus also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including considerations described below and in the section titled "Forward Looking Statements" on page 10.

Unless otherwise stated, the financial information used in this section is derived from our consolidated audited financial statements under Indian GAAP, as restated.

Internal Risk Factors

1. There is one criminal action pending against one of our Directors.

The details of the criminal action pending against one of our Directors are as follows:

S. No	Name of Director	Number of Criminal Proceedings	Aggregate Liability/ Penalty (In Rs.)
1.	Jaithirth Rao	One	7,000

A case (No. 31/SWM/2003) has been filed against Jaithirth Rao and others as directors of Cadbury India Limited on March 26, 2003 before the Metropolitan Magistrate, 22nd Court, Mumbai under the Standards of Weights and Measures Act, Act, 1985 (the "SWM Act") in respect of incorrect labelling of a package of Bournvita. A criminal application (No. 4200 of 2007) has been filed seeking the quashing of the complaint and the proceedings have been stayed by an order of the Bombay High Court by an interim order dated March 12, 2008. The matter is currently pending before the court.

For further details on the above and other litigations, please see the section titled "Outstanding Litigation and Material Developments" on page 285. Any adverse outcome in one or more of these outstanding litigations may adversely impact us, our business, financial condition and results of operations.

2. There are outstanding legal proceedings against our Company, our Subsidiaries, our Directors and one of our Promoters.

Our Company, our Directors, our Promoters and our Subsidiaries may be involved from time to time in disputes with various parties arising from their operations. These disputes may result in legal or arbitration proceedings, and may cause us to suffer litigation costs and project delays. There can be no assurance that these legal proceedings will be decided in our favour. Any adverse outcome may have an adverse effect on our Company, its results of operations and business prospects.

There are several suits and legal proceedings under relevant laws pending at different levels of adjudication against our Company, our Subsidiaries, our Directors and one of our Promoters in various jurisdictions. We cannot assure you that these legal proceedings will be decided in favour of our Company or its Subsidiaries or in favour of our Directors or our Promoter. Furthermore, should there be a change in Indian law or in the laws of any such jurisdiction applicable to any of our Subsidiaries, against our interest or an adverse outcome in one or more of the outstanding legal proceedings, we may need to make appropriate provisions in our financial statements, which could adversely impact our business results. The details of outstanding litigations against our Company, our Subsidiaries, our Promoters and our Directors are set forth in the table below:

	Criminal	**Civil Cases***	**Arbitration Proceedings**	**Taxation related Proceedings**	**Statutory/ Regulatory Proceedings**
Company	Nil	20	Nil	19	One
Aggregate Liability (*in Rs. lakhs*)	Nil	Nil	Nil	3,319.14	Nil
Subsidiaries	Nil	Nine	One	Two	Nil
Aggregate Liability** (*in Rs.lakhs*)	Nil	2,316.55	592.62	Nil	Nil
Directors	One	Six	Nil	Nil	Eight#
Aggregate Liability (*in Rs. lakhs*)	0.07	Nil	Nil	Nil	Nil
Promoters	Nil	Nil	Nil	Nil	Five
Aggregate Liability (*in Rs. lakhs*)	Nil	Nil	Nil	Nil	Nil

** Includes labour related proceedings*
***Aggregate liability calculated using exchange rates as at August 25, 2010.*
 # This includes five outstanding litigations against our Promoter Rajiv Mittal.

For details on the above and other litigations, please see the section titled "Outstanding Litigation and Material Developments" on page 285. Any adverse outcome in one or more of these outstanding litigations may adversely impact us, our business, financial condition and results of operations.

3. 88% of our Order Book as of June 30, 2010 is contributed by our municipal clients, and we rely substantially on our municipal clients for our revenues. Any delay, termination or cancellation may adversely affect our results of operations.

We rely heavily upon Central and State Governments and other Government controlled entities like municipal corporations of various states in India wherein Central and/or State Governments or multilateral aid agencies hold a majority stake. Many of our projects are government sponsored and these are often subject to delay. Such delays could be on account of a change in the Central and/or State Government, changes in policies impacting the public at large, scaling back of Government policies or initiatives, changes in governmental or external budgetary allocation, or insufficiency of funds or the lackadaisical approach or reluctance of the government departments to make quick decisions, which can significantly and adversely affect the business, financial condition and results of operations of our Company.

For our international business we rely significantly on government controlled entities in various jurisdictions like the water department in Algeria, the Housing Infrastructure Board in Libya and the

National Water Company of Iran. Delays in projects may also be on account of delay in the receipt of approvals, financing and non-performance of local works.

Further, contracts awarded by the government controlled entities may provide the client with the right to terminate the contract for convenience, without any reason, at any time after providing us with notice that may vary from 30 to 90 days. Performance guarantees and guarantees for advances are also common and are typically unconditional and payable on demand, and can be invoked by the client without reason.

Our Order Book as on June 30, 2010 was Rs. 2,77,960 lakhs and for our Company was Rs. 1,86,080 lakhs. Of our Order Book on a consolidated basis and for our Company on an unconsolidated basis, 88% was attributable to municipal clients and 12% to industrial clients.

Since the majority of our Company's projects are contracts with the government-controlled entities, we are susceptible to such termination or invocation. In the event that a contract is so terminated or invoked without cause, our revenues and results of operations may be adversely affected.

4. We have not entered into any definitive agreements to use a substantial portion of the Net Proceeds and our Board will have broad discretion in the application of the Net Proceeds.

The deployment of funds as described in "Objects of the Issue" on page 88 is at the discretion of our Board. The amounts proposed to be utilised towards these objects are Rs. 6,450.59 lakhs (for funding working capital requirements), Rs. 3,474.19 lakhs (for construction of a corporate office) and Rs. 1,105.13 lakhs (for implementation of global IT systems). The working capital requirements will be funded post receipt of the Net Proceeds and we have entered into certain work orders amounting to Rs. 980.37 lakhs in respect of the construction of a corporate office at Chennai and an amount of Rs. 347.94 lakhs in respect of the implementation of global IT systems. However, for the balance amount aggregating to Rs. 3,251.01 lakhs for the construction of a corporate office at Chennai and the implementation of global IT systems, which amounts to 29.47% of the described objects, we have not yet entered into any definitive agreements. There can be no assurance that we will be able to conclude definitive agreements for such investment on terms anticipated by us or at all, which means that we may have a significant amount of unallocated Net Proceeds. Due to the number and variability of factors that we will analyze before we determine how to use these Net Proceeds, we cannot determine at this stage how we would reallocate such Net Proceeds.

5. Our Company may not be in compliance with applicable RBI regulations for the issuance of partly-paid up Equity Shares.

Our Company issued 3,970 partly paid-up Equity Shares to Dr. Guenter Heisler, a non-resident and an independent Director, on December 28, 2007. Our Company received the remaining money on August 31, 2009 and these Equity Shares were made fully paid up on September 7, 2009. For further details, please refer to section titled "Capital Structure – Notes to Capital Structure" on page 71. Our Company did not obtain prior RBI approval for the issue of partly paid-up shares to Dr. Guenter Heisler and further queries and letters requesting for additional information or questioning us on the aforesaid transaction or initiating further action, including levy of penalties, cannot be ruled out. Pursuant to a letter dated October 16, 2008 received from the RBI, our Company has filed an application dated July 26, 2010 with the FIPB. In terms of the application, our Company has sought the regularization of the allotment of partly paid-up Equity Shares (subsequently made fully paid up) to Dr. Guenter Heisler. If we are subject to any penalties or an unfavourable ruling, this could have an adverse effect on our Company's results of operation and financial condition.

6. Our Company may not be in compliance with applicable RBI regulations for investment in joint ventures/ wholly owned subsidiaries.

Our Company has provided a corporate guarantee dated June 8, 2009 to the State Bank of India, Antwerp branch, on behalf of Wabag Austria for a sum of Eur 35 million, for an unspecified period. Our Company has filed Form ODI dated May 12, 2010 with the authorised dealer bank. Our Company may be subjected to queries and letters requesting for additional information or questioning us on the aforesaid transaction or initiating further action, including levy of penalties, in respect of the delay in filing the Form ODI. If we are subject to any penalties or further questioning, this could have an adverse effect on our Company's results of operations.

7. Our Company has had negative net cash flows in the past and may do so in the future.

Our Company has had negative cash flows in the past, as reflected in the table below:

(*In Rs. lakhs*)

Summary of Negative Cash Flow for the periods indicated				
Particulars	**Fiscal 2010**	**Fiscal 2009**	**Fiscal 2008**	**For the period from January 1, 2005 to March 31, 2006**
Net Cash flow on Consolidated Basis	(2,617)	(5,640)	-	-
Net Cash flow on Unconsolidated Basis	-	-	(3,203)	(34)

For further details in relation to the net cash flows in the preceding Fiscals, please see the sections titled "Summary Financial Information", "Financial Statements – Consolidated Financial Statements" and "Financial Statements – Unconsolidated Financial Statements" on pages 51, 204 and 231, respectively. Our ability to pay dividends or to generate positive cash flows in the future will depend upon a number of factors, including our results of operations, earnings, capital requirements and surplus, general financial conditions, contractual restrictions, applicable Indian legal restrictions and other similar factors. We cannot provide any assurance that we will not experience negative cash flows in the future.

8. Some of our Subsidiaries are loss making which may have a material adverse effect on our results of operations.

The following of our Subsidiaries have incurred losses in the previous fiscal years**.**

S. No	**Name of Subsidiary**	**Fiscal Year**	**Profit after Tax (in Rs.)**	**Revenue contributed to consolidated revenue (In Rs.)**	**Percentage of revenue contributed to consolidated revenue (in %)**
1.	Wabag Singapore	2009	(2,51,49,701.00)	-	-
2.	Wabag Brno	2010	(7,27,00,000)	24,47,89,292	2.0
3.	Beijing VA Tech Wabag Water Treatment Technology Co. Limited	2010	(27,00,000)	-	-
4.	VA Tech Wabag (Hong Kong) Limited	2010	(9,00,000)	-	-

These Subsidiaries may continue to make losses. This may have a material adverse effect on our financial condition.

9. We have not made any provisions for the decrease in the value of our investments.

The market value of our investment in securities as at March 31, 2010, March 31, 2009 and March 31, 2008 was Rs. 1,031 lakhs, Rs. 1,045 lakhs and Rs. 1,074 lakhs against the book value of Rs 1,066 lakhs, Rs. 1,207 lakhs and Rs. 1,107 lakhs respectively. We have not made any provision for this decrease in the value of investments, which could result into mismatch between realisable value and book value of these investments. Further, if provision is made in future on account of permanent decrease in value of these investments, our profits would reduce to the extent of such provision. This may have an adverse impact on our results of operations and financial conditions.

10. Contingent liabilities not provided for could adversely affect our financial condition.

As of March 31, 2010, we had total contingent liabilities not provided for aggregating to Rs. 57,084 lakhs as against our net worth which was Rs. 40,080 lakhs.

The details of our contingent liabilities, as disclosed in our restated consolidated financial statements for the March 31, 2010 are as follows:

(Rs. lakhs)

Particulars	
Letters of credit established for purchase/import of material and components	3,750
Bank guarantees established in favour of customers for performance and earnest money deposit	49,111
Income tax demand contested in appeal	578
Income tax impact on non deductibility under section 80IA	2,420
Interest under section 234B on the tax liability referred above	1,081
Disputed sales tax on appeal	144
Total	57,084

11. We derived 66% of our Company's income as of March 31, 2010 from a limited number of clients and the loss of one or more of them could have a material adverse effect on our business, financial condition and results of operations.

We currently derive a substantial portion of our income from a limited number of large clients. The five largest clients of our Company accounted for 66% of revenue and 82% of our Company's Order Book in the year ended of March 31, 2010 while the five largest clients of Wabag Austria accounted for 36% of sales and 53% of Wabag Austria's Order Book in the year ended March 31, 2010. The business we derive from our clients is dependent on the decisions that our clients make which are largely influenced by various factors beyond our control. In the future, we could lose these key clients due to major events affecting them such as change of management, mergers and acquisitions or an economic slowdown, change in government and political scenario or lack of funding by the government. Moreover we are not the exclusive service provider to such clients and they have not committed to provide us with a minimum volume of work. Accordingly, we cannot guarantee that our key clients will continue to use our services or continue to provide us with work at historical volumes and commissions. The loss of our most significant clients or a significant decrease in the volume of work from these clients would have a material adverse effect on our business, results of operations, financial conditions and cash flows.

12. If our Company is unable to obtain the benefit of deductions that have been claimed under Section 80-IA of the I.T. Act, there could be a material adverse effect on our results of operations.

The I.T. Act provides certain tax benefits to companies engaged in infrastructure development and construction operations, including a deduction of 100% of the profits (for a period of 10 consecutive assessment years) derived from the business of developing an infrastructure facility. Being a company involved in the construction and maintenance of water treatment plants, we have claimed tax deductions for Fiscals 2002 to 2009, aggregating to Rs. 2,420 lakhs under Section 80-IA of the I.T. Act, which decrease the effective tax rates compared to the statutory tax rates. Section 80-IA has been amended with retrospective effect by the Finance Act, 2009 and it is possible that we may not be entitled to such benefits any longer under the amendment and may further be liable to pay additional interest in respect of the amounts claimed as deductions on account of the denial of such benefit. For further details in relation to the effect of this amendment on our financial results, please see the section titled "Financial Statements" on page 204.

Our Company has contested the retrospective effect of the amendment by a writ petition filed before the Madras High Court. For details in relation to this writ petition, please see the section titled "Outstanding Litigation and Material Developments – Litigation by our Company – Civil Proceedings" on page 286.

In the event that we are denied the benefit of deductions, our tax liability could increase and this may have a material adverse effect on our results of operations.

13. We face competition from foreign companies and small fragmented Indian players in the EPC and O&M water treatment sector.

We face intense competition in the bidding process from domestic as well as foreign companies. Several foreign companies have bid with domestic companies to participate in water treatment projects in India. We face similar competition in other jurisdictions where we operate. In recent years, with the opening of the sector, foreign companies have entered the market with greater resources and assets than us and so may be able to achieve better economies of scale allowing them to bid profitably at more competitive rates. In addition, new entrants to the market may reduce their margin in order to gain market share. The nature of the bidding process may cause us and our competitors to lower prices to win contracts so as to maintain our respective market share. As a result of this competition, we face substantial margin pressure, which could have a material adverse effect on our business, prospects, financial condition, and results of operations.

In addition, we expect to face future competition in acquiring new projects from government-controlled entities or other companies in infrastructure sectors like power, steel and refinery. Such competitors may also compete with us for our personnel and other human resources and operational resources and capital.

We also expect significant competition in our BOOT business, where we lack experience and exposure. In India, regulatory and commercial environment for the BOOT sector in water treatment has undergone significant changes in the last three to four years. These changes permit the establishment of new projects and there is an increase in financial viability of such projects.

With respect to our EPC and O&M business, we currently face significant competition from a number of small Indian companies operating in a fragmented manner. We also face competition from companies like Veolia Water India Private Limited, Degremont India Limited, Hindustan Dorr Oliver Limited and Larsen & Toubro Limited in the municipal sector and companies like Thermax Limited, Ion Exchange Limited and Driplex Limited in the industrial sector.

14. We are currently expanding our business and are proposing to undertake new projects on either BOOT or TOT basis and there can be no assurance that we will succeed in our expansion plans and this could have a material adverse effect on our business, financial condition and results of operations.

Our business strategy is to continue to grow by expanding the size and scope of our existing businesses, as well as the development of new lines of business like BOOT directly or through our Subsidiaries. Our Company, since the last fiscal year, has focussed on projects on BOOT basis and has set up a separate BOOT department. Our Company has submitted several bids for BOOT projects in the municipal and industrial sector for water and wastewater treatment plants

In BOOT projects, the concession period usually ranges from five to 15 years depending on the customer requirements and companies can derive significant value from such projects. Since we have limited experience and exposure in the BOOT projects, we may not be successful in expanding our operations, and our expansion plan may not be profitable. Also, some of these businesses are evolving in India and are likely to be subject to substantial regulatory control in the future. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

Further, Wabag Austria has recently started undertaking projects on a TOT basis, where it is required to undertake an investigation of the existing plant, machinery and structures, specify scope of responsibilities and analyse the risk associated with the project. If Wabag Austria does not succeed in TOT projects and is unable to undertake appropriate risk analysis for its TOT projects this may adversely affect our results of operations and financial conditions.

15. ***We may experience difficulties in integrating the business of Wabag Austria and in realizing expected synergies from the acquisition.***

Our Company acquired Wabag Austria on November 6, 2007. Our Company's ability to achieve the benefits it anticipates from its acquisition of Wabag Austria will depend in large part upon whether it is able to integrate the businesses of our Company and Wabag Austria in an efficient and effective manner. For example, Wabag Austria's business operations are located in North Africa and Central and Eastern Europe, markets where our Company does not have operations. The successful integration of our Company and Wabag Austria and the achievement of synergies requires, among other things, coordination of business development and procurement efforts, technology sharing and employee retention, hiring and training policies, as well as the alignment of sales and marketing operations, compliance and control procedures, and information and software systems. Any difficulties encountered in combining operations could result in higher integration costs and lower savings than expected. The integration of certain operations following the acquisition of Wabag Austria will also require the dedication of significant management resources and time and costs devoted to the integration process may divert the management's attention from day to day business. Also, our Company will continue to rely principally on Wabag Austria's management team to run the operations of Wabag Austria and its subsidiaries. There can be no assurance that Wabag Austria's management team will remain with us or continue to operate Wabag Austria successfully and this may affect our business, financial condition and results of operations.

16. ***We depend on independent contractors and the loss of a significant contractor and/or a dispute with a contractor could have a material adverse effect on our results of operations.***

We depend on the availability of skilled third party contractors for the development and construction of our proposed projects and supply of certain key equipments. We do not have any direct control over the timing or quality of services, equipment or supplies provided by these contractors. 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 of and increasing costs of such contractors. There can be no assurance that such skilled and experienced contractors will continue to be available at reasonable rates in the areas in which we conduct our operations, and we may be exposed to risks relating to the quality of their services, equipment and supplies. A contractor who has performed satisfactorily in one area may not be able to perform in the same manner in another area and hence identification of a good local contractor becomes essential, which may not be available all the time. Further, the project management teams of various foreign contractors, which we may require for our Indian and overseas projects, may face difficulties in obtaining travel permissions in a timely manner. Inability to obtain visa for travel of the project management team could adversely affect the completion timelines of the projects.

In addition, we require the continued and timely support of certain original equipment manufacturers to supply necessary services and parts to maintain our projects at affordable cost. If we are unable to procure the required services or parts from these manufacturers (for example, as a result of the shutting down of operations of the manufacturer, bankruptcy etc.), or if the cost of these services or parts exceed the budgeted cost, there may be an adverse effect on our business, financial condition and results of operations. Contractors and suppliers are generally subject to liquidated damages for failure to achieve timely completion or performance shortfalls. We may not be able to recover from a contractor or supplier the full amount of losses that may be suffered by us due to such failure to achieve timely completion or performance shortfalls.

17. ***Our projects are subject to construction, financing and operational risks.***

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. We may need to undergo certain changes to our operations as a result of entering into these new projects. Entering into any new projects may pose significant challenges to our management, administrative, financial and operational resources. We cannot provide any assurance that we will succeed in any new projects we may enter into or that we will recover our investments. The funding requirement and project costs for our projects are based on cash flow analysis and any period of negative cash flow is provided with interest cost borrowing. If the funding requirements and project costs for these projects are higher than as estimated and the negative cash flow period is prolonged, we will need to find sources to fund the extra costs which may not be readily available. Any failure in the development, financing or operation of any of our new projects may materially and adversely affect our business, prospects, financial condition and results of operations.

For all of our projects, including any new projects that we undertake, we could be adversely affected because:

- the contractors hired by us may not be able to complete the construction of our projects on time, within budget or to the specifications and standards we have set out in our contracts with them;
- shortages of, and price increases in, materials and skilled and unskilled labour, and inflation in key supply markets;
- changes in laws and regulations, or in the interpretation and enforcement of laws and regulations, applicable to projects that we are developing;
- weather interferences or delays, or fire, typhoons or other natural disasters;
- geological, construction, excavation, regulatory and equipment problems;
- our raw material suppliers for our projects may not supply the same in the expected quantities/quality or at all;
- Governmental or other statutory approvals and other approvals that are required for completion, expansion or operation of our projects may be delayed or denied;
- delays in completion and commercial operation could increase the financing costs, including due to increase in prices of raw material, associated with the construction and cause our forecasted budget to exceed;
- we may not be able to obtain adequate working capital or other financing to complete construction of and to commence operations of our projects
- we may not be able to accurately estimate the pollutants in the feed water/ waste water; and
- other unanticipated circumstances or cost increases may occur.

Since a number of contracts include obligations for EPC activities as well as O&M activities, any delays or financial or operational difficulties in relation to these projects will not only have a negative effect on our EPC business, but also on our O&M business. Also, we do not have guarantees or indemnities for these projects from any independent third parties. While we maintain insurance policies to cover natural disaster risks and certain other insurable risks, we cannot assure you that any cost overruns or additional liabilities on our part would be adequately covered by such insurance policies, if at all. We may not achieve the economic benefits expected from projects owing to such cost overruns and the failure to obtain the expected economic benefits could adversely affect our business, financial condition and results of operations. There can be no assurance that our current or future projects will be completed, or, if completed, that they would be completed on time and/or within the anticipated budget.

18. We are subject to liquidated damages under our EPC and O&M contracts.

We provide performance guarantees to our customers which require us to complete projects within a specified timeframe. If we fail to complete a project as scheduled, or there is a performance shortfall in the quality and quantity of water/ waste water treated, we may generally be held liable for penalties in the form of agreed liquidated damages, which usually average 10% of the project cost and more, in a few instances. For instance, we have, in the past, paid one of our clients, an Indian oil company, liquidated damages on several occasions. Further, in certain cases, the customer may be entitled to appoint, at our expense, risk and cost, a third party to complete the project. To the extent that this happens and is not otherwise covered by the escalation clause in the relevant contract, the total cost of a project would exceed our original estimates and we could experience reduced profits or, in some cases, a loss on that project. In addition, any delays in the completion of projects could increase our working capital requirements.

We have in the past incurred certain expenditure in relation to such liquidated damages. For example, our Company incurred an expenditure of Rs. 986.97 lakhs, Rs. 1,988.87 lakhs and Rs. 187.99 lakhs in Fiscals 2008, 2009 and 2010 respectively, representing 2.34%, 1.49% and 0.65% respectively of the value of the contracts. Further by an order dated June 25, 2010, the arbitral tribunal hearing the matter of VA Tech Wabag Deutschland GmbH and S.C. Raja S.A. has upheld as lawful the invocation of the performance guarantee by Raja for an amount of EUR 1,599,112. For further details, please see the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations- Significant Developments after March 31, 2010" and "Outstanding Litigation and Material Developments – Litigation involving our Subsidiaries – Litigation by VA Tech Wabag Deutschland GmbH, Germany" on pages 279 and 293, respectively. We cannot assure you that we will always meet the timelines of the projects. In the event that we do not complete our projects on time or at all, we may be liable to other liabilities including liquidated damages and breach of contract. Any such inability of ours to complete these projects in a timely manner could adversely affect our business, financial condition and results of operations.

19. ***Our accounts receivable collection cycle is relatively long, which exposes us to higher client credit risk and seasonality in our results.***

Our accounts receivable collection cycle is fairly long as a result of the nature of our business and operations. Our Company's accounts receivable collection cycles were 211 days, 226 days and 220 days in Fiscals 2008, 2009 and 2010 respectively. This makes our business more susceptible to market downturns and client credit risk.

Our Company experiences seasonality in its financial results and there is a lack of uniformity and the results are generally lop-sided towards the last quarter, which accounts for approximately 40-45% of sales for a fiscal year. Our Subsidiaries also experience seasonality in their operations, and their results too are generally lop-sided towards the last quarter.

Further, although for some of our construction contracts the contracts provide for guaranteed payments supported by letters of credit, the failure of our clients to make timely payments could require us to write off accounts and made provisions against receivables or increase our working capital requirements or accounts receivable reserves, which could adversely affect our results of operations and financial condition.

20. ***We may not pre-qualify or be selected for the projects for which we propose to bid or bid.***

Most bidding processes for EPC, O&M and BOOT projects have pre-qualification technical criteria like experience with similar technology with executed plants running for a few years and pre-qualification financial criteria like the turnover, profitability of the company and availability of credit lines with banks. We may not be able to fulfill such criteria and may not be allowed to bid for certain projects.

We have in the past submitted, and are likely to continue to submit, bids for various EPC, O&M and BOOT projects for water and wastewater treatment. There might be delays in the bid selection process owing to a variety of reasons which may be outside our control, and our bids may not be selected or, if selected, may be challenged by non-successful bidders or may not be finalised within the expected time frame or on expected terms or at all.

Further, in selecting contractors or developers for major projects, clients generally limit the tender to bidders they have pre-qualified based on several criteria including experience, technological capacity and performance, reputation for quality, safety record, financial strength and bonding capacity and size of previous contracts in similar projects, although the price competitiveness of the bid is the most important selection criterion. Pre-qualification is key to our winning such major projects. We are currently only qualified to bid for projects up to a certain value and therefore may not be able to compete for larger projects. In order to bid for such large BOOT projects, we need to enter into MoUs and joint venture agreements with partner companies to meet capital adequacy, technical and other requirements that may be required to qualify to bid for projects up to a certain value. However, there is no assurance that we will be successful in forging an alliance with partner companies to meet such requirements. Our ability to bid for and win such projects is dependent on our ability to demonstrate experience in working on such large engineering, procurement and construction contracts as well as to develop strong engineering capabilities and credentials to execute more technically complex turnkey projects.

Further, in the event that our joint venture partner fails to perform its obligations satisfactorily, the joint venture may be unable to perform adequately or deliver its contracted services. In such a case, we may be required to make additional investments in the joint venture or become liable for the obligations of our partner, which could result in reduced profits or in some cases, significant losses and delays in completion of such projects. The inability of a joint venture partner to continue with a project due to financial or legal difficulties could mean that we would bear increased, or possibly sole, responsibility for the relevant projects.

We often undertake a cost-benefit analysis of the costs and risks of foregoing the business opportunity versus the costs and risks of abiding by the terms of the agreements. We may not adequately assess these costs and risks, and our decision to terminate could, accordingly, have a material adverse effect upon us and our reputation.

In our Indian and overseas operations, usually only the bidders who quote the lowest cost, are selected for municipal contracts and contracts with government-controlled entities, while private industrial clients may overlook such bids in favour of bidders quoting higher costs on criteria like past association with the contractor and brand and reputation of the contractors. If we are unable to successfully bid for and win contracts, our results of operations may be adversely affected.

21. We have had and may continue to have in the future, significant working capital requirement. If we experience insufficient cash flows or are unable to borrow funds to meet working capital, capital expenditure and other requirements, there may be an adverse effect on our results of operations.

Our business requires a significant amount of working capital and usually requires more non-fund based working capital and less fund based working capital. Significant amounts of working capital could be required to finance our growth in our existing businesses as well as growth in new lines of business like BOOT and TOT. We had a working capital requirement of Rs. 36,268 lakhs, Rs. 34,567 lakhs and Rs. 29,904 lakhs on a consolidated basis in Fiscals 2010, 2009 and 2008 respectively. Our Company had working capital requirements of Rs. 18,890 lakhs, Rs. 15,571 lakhs and Rs. 14,181 lakhs in Fiscals 2010, 2009 and 2008 respectively. We may experience circumstances or events which could create large cash outflows like losses resulting from fixed-price contracts, environmental liabilities, litigation costs, adverse political conditions, foreign exchange risks and professional and product liability claims. There could be situations where the total funds available may not be sufficient to fulfill our commitments, and hence we may need to incur additional indebtedness in the future or utilize cash flows from operations and other activities to satisfy our working capital and capital expenditure needs. As our clients pay us by way of progress payments and require retention money, any delay in progress payments or release of retention money may affect our working capital and cash flow. Our focus on entering the BOOT and TOT markets could increase our working capital requirements. Further, if we experience insufficient cash flows or are unable to borrow funds on a timely basis or at all to meet working capital, capital expenditure and other requirements, there may be an adverse effect on our results of operations.

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

22. In our EPC business, if we are unable to accurately estimate the overall risks of, income from, or costs of our contracts, or if we are unable to agree to the pricing of work done pursuant to change orders, we may earn lower than anticipated profits or incur losses on the contracts.

In our EPC business, most of our contracts with industrial customers are fixed-price in nature. Sometimes there are escalation clauses provided relating to variation due to change in input costs of the contract by the client over and above the value prescribed in the contract. Terms of these contracts require us to complete a project for a fixed-price and therefore expose us to cost overruns. Cost overruns, whether due to inaccurate estimates, inefficiency or other factors, result in a lower profit or a loss on a project. As a result, we will only realize our estimated profits on these contracts if we accurately estimate our project costs and avoid cost overruns. Unforeseen factors, such as changes in job conditions, variations in labor and equipment productivity over the term of a contract and unexpected increases in cost of materials may cause the income, cost and profit realized from a fixed-price contract to be lower than our originally estimated amounts, despite any contingencies we may have built into our bids for increases in labor, materials and other costs.

23. We are dependent on third parties for the supply of raw materials, services and finished goods and any inability on the part of these third parties to supply such raw materials, services or finished goods could have a material adverse effect on our business, financial condition and results of operations.

Our business is significantly affected by the availability, cost and quality of the raw materials and bought out items, which we need to construct, develop and provide for our projects, products and services. For further details, please see section titled “Our Business – Raw Materials” on page 159, for the principal raw materials and bought out items required in our businesses. The prices and supply of raw materials and bought out items depend on factors not under our control, including domestic and international general economic conditions, competition, availability of quality suppliers, production levels, transportation costs and import duties.

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

If any of our key suppliers for a particular project is unable to continue providing the raw materials and bought out items we need, at prices and on terms and conditions we consider acceptable, we will be required to obtain these items from other suppliers and our results of operations and business could suffer as a result.

24. Our projects are on a lumpsum payment basis, including fixed-price, which exposes us to significant pricing and other related risks.

Most of our projects are on lumpsum payment basis, out of which some are on a fixed-price contract basis. We derived 38% of our total income in the year ended March 31, 2010, from fixed-price contracts. Under these contracts, we generally agree to engineer and construct our projects or provide our products or services on a fixed-price basis for all or a limited range of materials to be used, subject to limited variations, such as to reflect changes in the client’s project requirements.

For our fixed-price contracts, an increase in the quantity of material, fuel and labor required to execute the project could cause the actual expense to us for executing the project to vary from the assumptions underlying our bid for such contract, which could expose us to increases in our actual costs and as such reduced profit margins or losses. Variations in the quantity of material, fuel and labour from that estimated by us could be caused by various factors, including:

(i) unanticipated changes in engineering or design of the project;
(ii) unanticipated site conditions, including soil, terrain and weather;
(iii) unforeseen construction conditions, including the inability of the client to acquire land or obtain environmental, right of way and other approvals, resulting in delays and increased costs;
(iv) suppliers' or sub-contractors' failure to perform; or
(v) unanticipated costs or delays in performing a part of any contract.

Even though, in some of our fixed-price contracts in our EPC business, we may provide for limited price contingencies based on, among other things, anticipated changes in prices of certain raw materials, such as steel and cement, based on commodities indices such as the Wholesale Price Index published by the Office of the Economic Advisor to the GoI, as a result of the inaccuracy of the price variation formula, including as a result of inappropriate choice or significant variations in indices, time lag in application or price variation ceiling limits, we continue to be exposed to price variation risk.

25. Our Order Book may not necessarily indicate future income.

Our Order Book, as on June 30, 2010, on a consolidated basis was Rs. 2,77,960 lakhs and for our Company was Rs. 1,86,080 lakhs. Our Order Book may not necessarily indicate future income, including as a result of cancellations, unanticipated variations or scope or schedule adjustments, which could adversely affect our results of operations. We cannot guarantee that the income anticipated in our Order Book will be realized, or, if realized, will be realized on time or result in profits. In addition, project cancellations or scope adjustments may occur from time to time, which could reduce the amount of our Order Book and the income and profits that we ultimately earn from the contracts. Whilst in our international operations, our clients provide us with letters of credit for the entire project cost, we are not provided such letters of credit in our Indian operations. Hence, whilst we may be compensated for the costs incurred by us in our Indian operations, we are not compensated for loss in anticipated profits based on our Order Book.

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

26. We may be subject to product liability claims for our EPC and O&M activities.

We construct plants for water treatment subject to our client's specifications in our EPC business and undertake O&M activities for such water treatment plants. Most of our contracts provide for a defects liability period of 12 months to two years, where we are liable for any failure to comply with the specification of the project. Further, beyond the defects liability period, if we fail to comply with the stipulated specifications in relation to such plants, we may be subject to risks and costs associated with the through-put of the specified quality and quantity of water and any claims with respect to product liability. Any such defects may result in monetary claims and/or litigation, which would require us to expend considerable resources. Any product liability claims against us could generate adverse publicity, leading to a loss of reputation, customers and/or increase our costs, thereby materially and adversely affecting our business, results of operations and financial condition.

27. We are dependent on the expertise of our senior management and skilled employees. The loss of one or more of our senior management and/or the loss of our skilled employees could have a material adverse effect on our business, financial condition and results of operations.

We are dependent on our Promoters and senior management for setting our strategic direction and managing our business, both of which are crucial to our success. Also, a significant number of our employees are skilled engineers and due to the limited pool of available skilled personnel, we face competition to recruit and retain skilled and professionally qualified staff. Given that our focus is to expand our business, in particular our EPC, O&M and BOOT businesses, our continued success will depend upon our ability to attract, recruit and retain a large group of experienced professionals and staff. The loss of the services of our senior management, including our Promoters, or our inability to recruit, train or retain a sufficient number of experienced personnel could have a material adverse effect on our operations and profitability. Our ability to retain experienced staff members as well as senior management, including our Promoters, will in part depend on our ability to maintain appropriate staff remuneration and incentive schemes. We cannot be sure that the remuneration and incentive schemes we have in place will be sufficient to retain the services of our senior management and skilled employees and to attract new employees.

We, in the long term, propose to de-centralise operations of certain of our Subsidiaries which are being currently managed through Wabag Austria. We plan to develop them as independently managed companies. This will require appointment of competent managerial personnel for the respective subsidiaries. We cannot assure you that we will be able to identify and appoint such management personnel.

28. Changes in technology may impact our business by making our products or services less competitive or obsolete or require us to incur additional capital expenditures.

In addition to non-proprietary technology used by us, we rely on proprietary technology of our subsidiary, Wabag Austria. Our future success will depend in part on our ability to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. Changes in technology may make newer products and services more competitive than ours or may require us to incur additional capital expenditures to upgrade our technology, innovations, research and development facilities in order to provide newer products or services. If we are unable to adapt our technology in a timely manner to changing market conditions, client requirements or technological changes, our business, financial performance and the results of operations could be affected.

29. Our clients can suspend or cancel delivery of our water and wastewater treatment plants, terminate contracts before completion, without cause and with little or no notice or payment of penalty, or decide not to further renew the contracts.

Our contracts with our clients usually provide milestones with respect to the specific volume of work done by us. Some of these contracts can be terminated without cause and in such instances, the compensation provided for EPC is to the extent of the volume of the work completed and for O&M, till the maintenance period, *i.e.* till the date of such termination.

Further, events of force majeure, such as disruptions of transportation services because of weather-related problems, strikes, lock-outs, inadequacies in road infrastructure, government actions or other events that are beyond the control of the parties, which allow our suppliers to suspend or cancel their deliveries of raw materials could impair our ability to source raw materials and components and our ability to supply our water and wastewater plants and systems to our customers, particularly in our EPC businesses. Similarly, our customers may suspend or cancel delivery of our products during a period of force majeure. The suspension, termination or cancellation of a contract by a key client or a number of smaller clients would reduce our revenues and may cause us to experience higher than expected number of unassigned employees and under-utilisation of infrastructure previously dedicated to those clients, thereby reducing our profit margin. We may not be able to replace any client that elects to terminate or not renew its contract with us, which may adversely affect our business and income.

30. Failure to comply with environmental, labour, health and safety laws and regulations or any other local laws or regulations in the countries in which we operate in, may adversely affect our business and results of operations.

We, in the normal course of our business operations, are required to comply with various laws and regulations relating to the environment. Although we believe that we comply in all material respects with all applicable statutes and with the regulations thereunder, we may incur substantial costs to comply with requirements of environmental laws and regulations in the future. Environmental laws and regulations in India are not as extensive as they are in other countries, such as Austria and Switzerland. They have, however, been increasing in stringency and it is possible that they will become significantly more stringent in the future. If any of our projects are suspended, we will continue to incur costs in complying with regulations, appealing any decision to stop construction, continuing to pay labour and other costs which continue even if construction has ceased. As a result, our overall operating expenses may increase, adversely affecting our business and results of operations. We are also subject to health and safety laws and regulations as well as laws and regulations governing its relationship with its employees in areas such as minimum wages, maximum working hours, overtime, working conditions, hiring and terminating employees, contract labour and work permits.

The success of our strategy to modernise and optimise our existing operations in the various sectors in which we operate is contingent upon, among other factors, receipt of all required licenses, permits and authorisations, building and zoning permits, environmental, and health and safety permits for BOOT projects. Changes in laws or regulations in the countries in which we operate may result in us incurring significant costs in order to maintain compliance with such laws and regulations and may delay or prevent project completion.

Our domestic operations and international operations are subject to various regulatory requirements. There can be no assurance that a failure to comply with any such regulations would not result in penalties, revocation of permits or licenses for our operations or litigation that may adversely affect our business, financial condition and results of operations. For details in relation to statutory proceedings pending against us under various labour statutes, please see the section titled "Outstanding Litigation and Material Developments – Rajiv Mittal – Statutory proceedings" and "Outstanding Litigation and Material Developments – Details of past penalties imposed on our Company or any of our Directors" on pages 295 and 299 respectively.

31. We may not have adequate insurance coverage.

Our significant insurance policies consist of comprehensive coverage for risks relating to physical loss or damage as well as business interruption loss. For details on insurance coverage of our Company, please see the section titled "Our Business – Insurance" on page 160. While we believe that the insurance coverage we maintain would reasonably be adequate to cover all normal risks associated with the operation of our business, there can be no assurance that any claim under the insurance policies maintained by us will be honoured fully, in part or on time.

To the extent that actual losses incurred by us exceed the amount insured, we could have to bear substantial losses which may have a material adverse effect on our financial position. Further, though we maintain insurance in respect of our engineering and construction projects in accordance with industry standards in India, there can be no assurance that such insurance will be sufficient to cover liabilities resulting from claims relating to our engineering and construction projects.

32. In our BOOT and TOT projects we may have disagreements with our strategic partners with respect to companies that are partially-owned by us, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

We may not own 100% in any of the companies through which we propose to undertake our BOOT and TOT businesses. To the extent there are disagreements between us and our partners regarding the business and operations of these companies and the projects undertaken by them, we cannot assure you that we will be able to resolve them in a manner that will be in our best interests.

Further, in order to bid for certain large BOOT and TOT projects, we may need to enter into MoUs and joint venture agreements with partner companies to meet capital adequacy, technical and other requirements that may be required to qualify to bid for projects up to a certain value. We cannot assure you that we will be able to resolve disagreements or disputes, if any, that may arise between us and our partner companies, including with respect to the execution of these projects, in a manner favorable to us.

In addition, other shareholders in such companies may:

- be unable or unwilling to fulfill their obligations, whether of a financial nature or otherwise;
- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions or requests or contrary to our policies and objectives;
- take actions that are not acceptable to regulatory authorities;
- have financial difficulties; or
- have disputes with us.

Any of the foregoing could have a material adverse effect on our business, prospects, financial condition and results of operations.

33. There are restrictive covenants under financing arrangements that we have entered into for our working capital requirements.

Our Company has entered into a working capital consortium agreement with the State Bank of India, ICICI Bank, Yes Bank Limited, HDFC Bank, IDBI Bank and Punjab National Bank under a consortium with the State Bank of India as the lead bank. There are restrictive covenants under the working capital consortium agreement, with respect to effecting any change in capital structure, formulating any scheme of amalgamation or reconstruction and undertaking any guarantee obligations on behalf of any third party, amongst others. For further details, please see the section titled “Financial Indebtedness” on page 280.

34. One of our shareholders, India Advantage Fund I, has certain affirmative voting rights under our shareholders’ agreement.

Pursuant to the terms of a shareholders’ agreement executed by us, India Advantage Fund I has certain affirmative voting rights in the shareholders meetings of our Company, including in relation to the amendment of the Memorandum and Articles of Association of our Company, the alteration of the authorized or paid up share capital of our Company and any public issue of equity shares in our Company. Further, in terms of such shareholders’ agreement, India Advantage Fund I also has certain other rights including, amongst others, a right to nominate a director to our Board of Directors so long as the shareholding of India Advantage Fund I and its affiliates in our Company does not reduce below 5%. Our Company has entered into a side letter with India Advantage Fund I for the termination of the shareholders’ agreement. However, some of the rights in the shareholders’ agreement will survive up till the listing of Equity Shares of our Company pursuant to the IPO, whilst the right to appoint a nominee director will survive until the shareholding of India Advantage Fund I is reduced below 5%. For further details, please see the section titled “History and Certain Corporate Matters” on page 168.

35. An adjacent parcel of land to the property acquired by our Company for the construction of our new corporate office is subject to litigation. Our Company has been made a party to this litigation.

Suit (O.S. No. 686 of 2007) has been filed by Ekambaram Naicker (the "Plaintiff") against our Company and another in respect of the land comprised in survey number 388/5A in Kancheepuram district, Tambaram taluk, S. Kolathur village, which is adjacent to our Company's property for the new corporate office. The Plaintiff has filed the suit seeking an injunction against our Company from interfering with his peaceful possession of the said land. For further details in relation to the suit filed against our Company, please see the section titled "Outstanding Litigation and Material Developments" on page 285. For further details in relation to the deed of sale and the construction of the new corporate office, please see the sections titled "Objects of the Issue" and "History and Certain Corporate Matters" on pages 88 and 168 respectively. In the event of an adverse ruling in this matter, we may have to change the layout of the gateway of our new corporate office.

36. We are dependent on third-party transportation providers for the supply and delivery of our raw materials and bought out items, and an interruption or delay in deliveries, or an unexpected increase in costs, could adversely affect us.

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

37. We do not own the brand "Wabag" and this may impact our identity and positioning which could have a material adverse effect on our results of operations.

The brand "Wabag" is registered in India by Wabag Austria, our wholly owned subsidiary. In terms of an agreement dated April 7, 2005, as amended by an addendum dated September 1, 2005 and an amendment dated September 21, 2009 ("Brand Usage Agreement"), we have been granted a perpetual right to use the "Wabag" brand name and logo. For further details, please see the section titled "History and Certain Corporate Matters" on page 168.

We operate in a competitive environment, and our brand name is a differentiating factor in the various bidding processes. In the event that the Brand Usage Agreement is terminated, we may need to change our logo. Any such change could require us to incur additional costs and may adversely affect our business, financial condition and results of operation.

38. We do not own our corporate name and this may impact our identity and positioning which could have a material adverse effect on our results of operations.

The trademark "VA Tech" is owned by Siemens Aktiengesellschaft Oesterreich ("Siemens"), an Austrian company, which is an erstwhile promoter of Wabag Austria. Pursuant to the share purchase agreement entered into between Siemens and our Company through its subsidiary Wabag Sinagpore for the acquisition of Wabag Austria (the "Siemens SPA"), Siemens, through a perpetual, non-exclusive and royalty free license, has allowed us to use "VA Tech" together with the term "Wabag" in our corporate name and brand. However, in terms of the Siemens SPA, we have acknowledged that "VA Tech", "VA Tech Wabag" and "Wabag" trademarks are used by specific third parties in certain countries and we cannot contest such use to the extent the same is lawful.

Thus, our Company does not enjoy the statutory protections accorded to a registered trademark. We have applied for the registration of the trade name "VA Tech Wabag" by an application dated September 24, 2009 with additional representations made on September 29, 2009 and registration is pending as of the date of this Red Herring Prospectus. There can be no assurance that our Company will be able to register the trademark and the logo or that third parties will not infringe its intellectual property, causing damage to its business prospects, reputation and goodwill. As a license holder, we do not enjoy the statutory protections accorded to a registered trademark and are subject to the risk of non-performance under the Siemens SPA as other contractual risks by Siemens, being the trademark holder of "VA Tech".

Further, Watech RO System (I) Private Limited ("Watech") has applied for registration of the trademark "WATECH". This application has been opposed by Siemens AG Osterriech, the proprietor of the "VA Tech" trademark. In its counter to the opposition by Siemens AG Osterriech, Watech has denied that our Company has been operating in India and using the "VA Tech" mark from 1999. Siemens AG Osterriech has filed a counter statement in the matter.The efforts of our Company to protect its corporate name may not be adequate and may lead to erosion of our business value and our operations could be adversely affected. Whilst our Company is not a party to these proceedings, our Company may need to litigate in order to determine the validity of such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. Our Company may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect against misuse of corporate name.

39. Failure by Wabag Austria and Wabag Wassertechnik to protect, enforce and defend its current and future intellectual property rights and industrial know how could erode its competitive advantage.

Our subsidiaries, Wabag Austria and Wabag Wassertechnik, have obtained several trademarks and approximately 157 patents, which includes process and product patents. The success of our processes depends in part on Wabag Austria's ability to protect current and future technologies, processes and products, and to defend its intellectual property rights. If it fails to do this, competitors may use similar processes. There is only limited certainty as to the scope, validity and enforceability of Wabag Austria's existing and future intellectual property rights and there is no assurance that such property rights will afford adequate protection to Wabag Austria in all of its geographical markets against its unauthorised use by others. This may adversely affect Wabag Austria's ability to exclusively use its processes in the relevant geographical markets.

In addition to its existing patents, Wabag Austria has lodged appoximately 51 patent applications which are currently being examined by the relevant authorities. There can be no assurance that patents will be issued with respect to any or all such applications and there is a risk that patents may be granted over a narrower range of applications or processes than is necessary to fully protect Wabag Austria's interests.

There can be no assurance that third parties are not currently infringing any of Wabag Austria's intellectual property rights or proprietary subject matter and may do so in the future. Any legal action to enforce its intellectual property rights may be costly and take up substantial management time and, even if action taken to protect intellectual property rights is successful, any infringement might still have a material adverse effect on its business, financial condition and/or results of operations.

40. We may infringe on the intellectual property rights of others.

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

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

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

Our Company's revenue has increased from Rs. 34,353 lakhs as on March 31, 2008 to Rs. 57,354 lakhs as on March 31, 2009 to Rs. 70,766 lakhs as on March 31, 2010, on an unconsolidated basis. Further, pursuant to our acquisition of Wabag Austria on November 6, 2007, our Company's revenue as on March 31, 2009, on a consolidated basis was Rs. 1,15,495 lakhs and for March 31, 2010 is Rs. 1,23,376 lakhs. However, subsequent to March 31, 2010, during the first quarter of operations, our Company has experienced decrease in income from operations and increase in employee costs, which has impacted our results of operations.

Further, a principal component of our strategy is to continue to grow by expanding the size and scope of our existing businesses. 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, a robust management talent pipeline, preserving our culture, integration of culture and values and entrepreneurial environment, and developing and improving our internal administrative infrastructure. An inability to manage such growth could disrupt our business prospects, impact our financial condition and adversely affect our results of operations.

In particular, continued expansion increases the challenges involved in:

- maintaining high levels of client satisfaction;
- recruiting, training and retaining sufficient skilled management, technical and marketing personnel;
- adhering to health, safety and environment and quality and process execution standards that meet client expectations;
- preserving a uniform culture, values and work environment in operations within and outside India;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, communications and other internal systems;
- integration of culture and values;
- developing a horizontal management policy, whereby decision making should not be restricted at the senior management level. In August 2007, pursuant to an E&Y study, our Company implemented Levels of Authority ("LOA") for the four SBUs and corporate services. LOA are derived from the ISO Quality Manual and common management procedures. Our Company aims to follow LOA in ERPs wherein decision points will be authorized electronically for better compliance procedures. Our Subsidiaries have a similar policy detailing LOAs.

42. A breakdown or non-availability of machines and equipment of our construction sub-contractors may adversely affect our results of operations.

We utilize various machines and equipment for our business, such as batching plants, diesel generator sets and trans-mixers to construct water and waste water treatment plants. Our construction sub-contractors have a limited ability to pass on increases in machine and equipment maintenance and running costs, including those resulting from a breakdown or temporary non-availability of machines and equipment. Unanticipated increases in equipment costs may also adversely affect our results of operations. Further, any significant operational problems or the loss of our machines and equipment for an extended period of time could result in delays or incomplete projects, products or services and adversely affect our results of operations.

43. We have applied for certain registrations required in the ordinary course of business and the failure to obtain them in a timely manner or at all may adversely affect our operations.

We require certain approvals, licenses, registrations and permissions for operating our business, some of which have expired and for which we have either made or are in the process of making an application for obtaining the approval or its renewal. For more information, please see the section titled "Government Approvals" on page 301. If we fail to obtain any of these approvals or licenses, or renewals thereof, in a timely manner, or at all, our business may be adversely affected.

44. Our controlling shareholders may take actions that are not in, or may conflict with, our shareholders' best interests.

Our Promoters currently own 34.34% of the Equity Shares of our Company, which will be further diluted upon the issuance of Equity Shares pursuant to the Issue. Our Promoters will continue to have the ability to exercise a controlling influence over our business, and may cause us to take actions that are not in, or may conflict with, our or our shareholders' best interests, including matters relating to our management and policies and the election of our directors and senior management, the approval of lending and investment policies, revenue budgets, capital expenditure, dividend policy and strategic acquisitions. There can be no assurance that our Promoters will not expand their presence in the business in which our Company is already present or invest in companies in direct competition with our Company. Our Promoters are not obligated to provide any business opportunities identified by them to our Company. If our Promoters invest in another company that is in competition with our Company, our Company will lose the support provided to it by our Promoters, which would materially adversely affect our business, financial condition and results of operations.

Our Promoters will be able to influence our major policy decisions, including our overall strategic and investment decisions, by controlling the election of our Directors and, in turn, indirectly controlling the selection of our senior management, determining the timing and amount of any dividend payments, approving our annual budgets, deciding on increases or decreases in our share capital, determining our issuance of new securities, approving mergers, acquisitions and disposals of our assets or businesses, and amending our articles of association.

For further information, please see the section titled "Our Management" on page 184.

45. Our Company does not own the premises where its Registered Office is located.

Our Company does not own the premises where its Registered Office is located. Our Company pays an annual rent of Rs. 75.20 lakhs and the lease of the premises expires on September 30, 2012. In the event that our Company is unable to renew the lease and is required to vacate the premises on which its Registered Office is situated, it shall be required to make alternative arrangements for office space and related infrastructure.

46. Our Company has made issuances of Equity Shares during the last 12 months at a price that may be lower than the Issue Price.

Our Company has, in the last 12 months made the following issuances of Equity Shares at a price that could be lower than the Issue Price:

Date of issue	Aggregate number of Equity Shares issued	Persons to whom the Equity Shares were issued	Reasons for the Issue	Price at which the shares were issued (In Rs.)
September 7, 2009	839	Shanmugasundara Babu, Mohamad Ismail Khan, Devadatta Sabaji Patil, Alok Srivastava and Amrinder Singh Virdee, "eligible employees" as defined under the ESOP Scheme 2006. None of these persons form part of our Promoter Group.	Allotment of Equity Shares pursuant to the ESOP Scheme 2006.	417
September 19, 2009	10,39,629	Existing shareholders of the Company, including the Promoters. Except, for our Promoters, none of these persons form part of our Promoter Group.	Bonus issue of shares in the ratio 1:8 pursuant to capitalization of share premium.	N/A as this was a bonus issue
August 12, 2010	1,84,192	219 "eligible employees" as defined under the ESOP Scheme 2006. None of these persons form part of our Promoter Group.	Allotment of Equity Shares pursuant to the ESOP Scheme 2006.	185.44

For further details of such issuances of Equity Shares, please see the section titled "Capital Structure" on page 70.

47. The proceeds to be raised from the Offer for Sale exceed the proceeds to be raised from the Fresh Issue.

The Issue comprises the Fresh Issue and the Offer for Sale. Our Company is making a Fresh Issue to raise up to Rs. 12,500 lakhs to achieve the objects of the Issue as provided in the section "Objects of the Issue" on page 88. The object of the Offer for Sale is to carry out the disinvestment of 26,53,383 Equity Shares by the Selling Shareholders. The proceeds to be raised from the Offer for Sale exceed the proceeds of the Fresh Issue and our Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

48. Our Promoters are also our key managerial personnel.

Our Promoters are also our key managerial personnel. Our Promoters will have the ability to exercise a controlling influence over our business and will be able to influence our major policy decisions. They will also control matters relating to our management and be able to control our day to day operations.

49. The proceeds proposed to be raised through the Fresh Issue are significantly less than the cash and bank balances of our Company.

Our Company is making a Fresh Issue to raise up to Rs. 12,500 lakhs to achieve the objects of the Issue as provided in the section "Objects of the Issue" on page 88. As on March 31, 2010, our cash and bank balances were approximately Rs. 21,851 lakhs on a consolidated basis, which is significantly more than the amount proposed to be raised through the Fresh Issue. Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to utilise the existing cash and bank balances to invest in BOOT/TOT models to build treatment plants and undertake O&M operations for longer tenure. In addition, our Board may use our cash and bank balances for investment in subsidiaries/strategic investment in companies carrying on business similar to ours, in order to augment our business strategy. Out of our total cash and bank balances of Rs. 21,851 lakhs, Rs. 5,681 lakhs is restricted for cash margin for certain bank guarantees in Iran, and for availing borrowing facilities in Algeria for customs purposes.

50. The NAV per Equity Share is comprised of a limited proportion of tangible fixed assets of our Company.

Our Company's NAV per Equity Share as on March 31, 2010 was Rs. 259, of which the tangible fixed assets of our Company constituted only 10.19%. Investors should note the same while evaluating our prospects.

External Risk Factors

51. Demand for our services is dependent on industry and general economic conditions as well as political conditions.

Demand for our services is substantially dependent on general economic conditions, industry conditions, specifically infrastructure industry, and the political conditions in the jurisdictions where we operate.

The recent economic downturn, delays in project execution, longer delivery time which affects project schedule, delays in obtaining engineering clearances, cost escalation, rise in interest rates and financing charges and our growing interest in BOOT projects amidst a capital constrained environment and slowdown in construction sector may have material impact on our financial condition. Our clients may be affected by the general economic conditions and we in turn will be affected by this. For instance, one of our clients in the Czech Republic faced bankruptcy, as a result of which we have written off about CZK 18,440,366. Our business is also directly affected by changes in government policies, infrastructure spending and capital expenditures. Most of our industrial clients operate in the infrastructure industry, which is vulnerable to general economic downturns. Any change or downturn that leads to decreased spending in the infrastructure sector shall have a significant impact on the water treatment industry, which could adversely affect its business and its results may vary depending upon the demand for future such projects.

In addition, changes in the global and Indian credit and financial markets have recently significantly diminished the availability of credit and led to an increase in the cost of financing. We may have difficulty accessing the financial markets, which could make it more difficult or expensive to obtain funding in future. There can be no assurance that we will be able to raise finance at a reasonable cost.

Further, as most of our clients in India and overseas are government related or controlled, the prevailing political conditions affect our business operations and any adverse change may cause a delay in our projects or make our projects unfeasible in such jurisdictions. This may have a materially adverse effect on our business operations and financial condition.

52. Our operations in foreign countries are subject to political, economic, regulatory and other risks of doing business in those countries.

We have international operations in the Middle East, the Asia Pacific region, Europe, China and Africa. Our operations outside India accounted for approximately 55% of our total income in the year ended March 31, 2010.

Consequently, we are subject to the jurisdiction of a significant number of tax authorities and regimes. As some of our clients are foreign government-owned entities like Rural Area Electrification Company in Oman, we are subject to additional risks, such as risks associated with uncertain political and economic environments and government instability, as well as legal systems, laws and regulations that are different from the legal systems, laws and regulations that we are familiar with in India, and which may be less established or predictable than those in more developed countries. In addition, we could be subject to expropriation or deprivation of assets or contract rights, foreign currency restrictions, exchange rate fluctuations and unanticipated taxes or encounter potential incompatibility with foreign joint venture partners.

We are currently executing projects in Algeria, Tunisia, Egypt, Romania, Turkey, Iran, Saudi, Libya, Pakistan, Poland, Slovakia, Bosnia, Macao, China, Malaysia, Italy, Spain, Switzerland, Czech Republic, and some of our employees travel to these countries. In order to manage our day-to-day operations, we must overcome social, cultural and language barriers and assimilate different business practices. In addition, we are required to create compensation programs, employment policies, codes of conduct and other administrative programs that comply with the laws and customs of different jurisdictions. Our failure to manage successfully our geographically diverse operations, including our abilities to react quickly to changing business and market conditions and comply with a range of industry and legal standards and procedures, could adversely affect our business and operations.

53. Fluctuation in foreign currencies may have an adverse effect on our results of operations.

Our business operations are spread across India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia. A substantial portion of our revenues is denominated in Indian Rupees. We incur significant payment obligations denominated in foreign currencies in relation to various equipments for our projects under various verticals. Accordingly, any depreciation of the Rupee against these currencies will increase the Rupee cost to us for servicing our payment obligations to international suppliers. This may adversely affect our results of operations and financial condition.

We also derive a proportion of our revenues from our international operations in foreign currencies. These cashflows are mainly generated from our operations in Europe and the Middle East. Accordingly, any fluctuations in foreign currencies *vis-à-vis* the Rupee may adversely affect our results of operations and financial condition. Additionally, sometimes, whilst the contract payment to us is made in one currency, the payments for raw materials for the said project are made by us in another currency. Thus, cross currency exchange rate fluctuations may have an adverse effect on our revenue and profit.

To the extent that our income and expenditure are not denominated in the same currency, exchange rate fluctuations could cause some of our costs to grow higher than the proportionate revenues on a given contract or could also result in some of our costs falling below budget resulting in higher profitability. Our future capital expenditure may include imported equipment and machinery which may be denominated in currencies other than Indian rupees. Therefore, any decline in the value of the rupee against such other currencies could increase the rupee cost of servicing our debt or purchasing such equipment.

54. A slow-down in economic growth in India and other political and economic factors may adversely affect our business and results of operations.

Substantially all of our Company's projects are located in India and a significant part of our revenues is derived from the domestic market. The Central 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 the Equity Shares, may be affected by foreign exchange rates and controls, interest rates, changes in Central Government policy, taxation, social and civil unrest and political, economic or other developments in or affecting India. A slowdown in the Indian economy could adversely affect our business, including our ability to implement our strategy.

Conditions outside India, such as slowdown 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. While successive Central Governments have pursued policies of economic liberalisation and financial sector reforms, the role of the Central and State Governments in the Indian economy as producers, consumers and regulators has remained significant. However, there can be no assurance that the liberalisation policies announced by the Government in the past will continue in the future. A significant change in the Government's policies could affect business and economic conditions in India and could also adversely affect our financial condition and results of operations.

55. Any downgrading of India's debt rating by an international rating agency could have a negative impact on our business and the trading price of the Equity Shares.

Any adverse revisions to India's credit ratings for domestic and international debt by international rating agencies may adversely affect our ability to raise additional financing and the interest rates and other commercial terms at which such additional financing is available. This could have an adverse effect on our business and future financial performance and our ability to obtain financing to fund its growth, as well as the trading price of the Equity Shares.

56. Instability in financial markets could materially and adversely affect our results of operations and financial condition.

The Indian economy and financial markets are significantly influenced by worldwide economic, financial and market conditions. Any financial turmoil, especially in the United States of America or Europe, may have a negative impact on the Indian economy. Although economic conditions differ in each country, investors' reactions to any significant developments in one country can have adverse effects on the financial and market conditions in other countries. A loss in investor confidence in the financial systems, particularly in other emerging markets, may cause increased volatility in Indian financial markets.

The global financial turmoil, an outcome of the sub-prime mortgage crisis which originated in the United States of America, led to a loss of investor confidence in worldwide financial markets. Indian financial markets have also experienced the contagion effect of the global financial turmoil, evident from the sharp decline in SENSEX, BSE's benchmark index. Any prolonged financial crisis may have an adverse impact on the Indian economy and us, thereby resulting in a material and adverse effect on our business, operations, financial condition, profitability and price of our Equity Shares.

57. The occurrence of natural or man-made disasters could adversely affect our results of operations and financial condition.

The occurrence of natural disasters, including hurricanes, floods, earthquakes, tornadoes, fires, explosions, pandemic disease and man-made disasters, including acts of terrorism and military actions, could adversely affect our results of operations or financial condition, including in the following respects:

Catastrophic loss of life due to natural or man-made disasters could cause us to pay benefits at higher levels and/or materially earlier than anticipated and could lead to unexpected changes in persistency rates.

A natural or man-made disaster could result in losses in our investment portfolio, or the failure of our counterparties to perform, or cause significant volatility in global financial markets.

Pandemic disease, caused by a virus such as H5N1, the "avian flu" virus, or H1N1, the "swine flu" virus, could have a severe adverse effect on our business. The potential impact of such a pandemic on our results of operations and financial position is highly speculative, and would depend on numerous factors, including: the probability of the virus mutating to a form that can be passed from human to human; the rate of contagion if and when that occurs; the regions of the world most affected; the effectiveness of treatment of the infected population; the rates of mortality and morbidity among various segments of the insured versus the uninsured population; our insurance coverage and related exclusions; the possible macroeconomic effects of a pandemic on our asset portfolio; the effect on lapses and surrenders of existing policies, as well as sales of new policies; and many other variables.

58. The market value of an investor's investment may fluctuate due to the volatility of the Indian securities markets.

Stock Exchanges in India have in the past experienced substantial fluctuations in the prices of listed securities. Further, the Stock Exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Stock

Exchanges have from time to time imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and Stock Exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

59. 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 and hence could constrain its 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 it without onerous conditions, if at all. Limitations on raising foreign debt may have an adverse effect on our business growth, financial condition and results of operations.

60. A third party could be prevented or deterred from acquiring control of our Company because of the takeover regulations under Indian law.

There are provisions in Indian law that may delay, deter or prevent a future takeover or change in control of our Company, even if a change in control would result in the purchase of your Shares at a premium to the market price or would otherwise be beneficial to you. These provisions may discourage or prevent certain types of transactions involving actual or threatened change in control of us. Under the takeover regulations an acquirer has been defined as any person who, directly or indirectly, acquires or agrees to acquire shares or voting rights or control over a company, whether individually or acting in concert with others.

Although these provisions have been formulated to ensure that interests of investors/shareholders are protected, these provisions may also discourage a third party from attempting to take control of our Company. Consequently, even if a potential takeover of our Company would result in the purchase of the Equity Shares at a premium to their market price or would otherwise be beneficial to its stakeholders, it is possible that such a takeover would not be attempted or consummated because of Indian takeover regulations.

Risks Related to this Issue

61. The price of the Equity Shares may be volatile, and investors may be unable to resell the Equity Shares at or above the Issue Price, or at all.

Prior to the Issue, there has been no public market for the 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 to the market price of the Equity Shares after the Issue.
The prices of the Equity Shares on the Indian Stock Exchanges may fluctuate after this Issue as a result of several factors, including:

(i) volatility in the Indian and global securities market or in the Rupee's value relative to the U.S. dollar, the Euro and other foreign currencies;

(ii) our profitability and performance;

(iii) perceptions about our future performance or the performance of Indian companies in general;

(iv) performance of our competitors and the perception in the market about investments in the water treatment industry;

(v) adverse media reports about us or the Indian water treatment industry;

(vi) changes in the estimates of our performance or recommendations by financial analysts;

(vii) significant developments in India's economic liberalisation and deregulation policies; and

(viii) significant developments in India's fiscal and environmental regulations.

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

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

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

63. Any future issuance of Equity Shares by our Company may dilute investors' shareholding and adversely affect the trading price of the Equity Shares.

Any future issuance of Equity Shares by our Company may dilute shareholding of investors in our Company; adversely affect the trading price of the Equity Shares and its ability to raise capital through an issue of its securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of the Equity Shares. Additionally the disposal, pledge or encumbrance of Equity Shares by any of our Company's 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 our Company will not issue Equity Shares or that such shareholders will not dispose of, pledge or encumber their Equity Shares in the future.

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

Subsequent to listing, our Company will be subject to a daily circuit breaker imposed on listed companies by all Stock Exchanges in India which does not allow transactions beyond certain volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by SEBI on the Stock Exchanges. The percentage limit on our Company's circuit breaker is set by the Stock Exchanges based on the historical volatility in the price and trading volume of the Equity Shares. The Stock Exchanges are not required to inform our Company of the percentage limit of the circuit breaker from time to time, and may change it without its knowledge. This circuit breaker would effectively limit the upward and downward movements in the price of the Equity Shares. As a result of this circuit breaker, there can be no assurance regarding the ability of shareholders to sell the Equity Shares or the price at which shareholders may be able to sell their Equity Shares.

65. Investors will not be able to sell immediately on an Indian Stock Exchange any of the Equity Shares they purchase in the Issue until the Issue receives the appropriate trading approvals.

Our Company's Equity Shares will be listed on the NSE and the BSE. Pursuant to Indian regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within three Working Days of the date on which the basis of allotment is approved by NSE and the BSE. Thereafter, upon receipt of final approval from the NSE and the BSE, trading in the Equity Shares is expected to commence within five Working Days of the date on which the basis of allotment is approved by the Designated Stock Exchange. Our Company cannot assure investors that the Equity Shares will be credited to investors' demat accounts, or that trading in the Equity Shares will commence, within the time periods specified above. Any delay in obtaining the approvals would restrict our Company's ability to dispose of its Equity Shares.

Prominent Notes:

1. Public Issue of [●] Equity Shares of our Company, comprising of a Fresh Issue of [●] Equity Shares aggregating to Rs. 12,500 lakhs and an Offer for Sale of 26,53,383 Equity Shares. The Issue will aggregate to [●] Equity Shares amounting to Rs. [●]. The Issue will constitute [●]% of the fully diluted post Issue paid-up capital of our Company.

2. Our net worth as of March 31, 2010 was Rs. 40,080 lakhs based on our restated consolidated financial statements under Indian GAAP.

3. Our book value per share as of March 31, 2010 is Rs. 428 per equity share based on our restated consolidated financial statements under Indian GAAP.

4. The average cost of acquisition of or subscription to the Equity Shares by our Promoters is set forth in the table below:

Name of the Promoter	No. of Equity Shares held	Average price per Equity Share (in Rs.)*
Rajiv Mittal	19,19,144	11.72
Amit Sengupta	4,83,632	8.97
S. N. Saraf	4,36,440	3.14
S. Vardarajan	4,36,440	3.14

* The average cost of acquisition of Equity Shares by our Promoters has been calculated by taking the average of the amount paid by them to acquire the Equity Shares issued by our Company, including bonus shares.

5. There are no group companies having business interests or other interests in our Company.

6. Our Company has entered into certain related party transactions as disclosed in the section titled "Related Party Transactions" on page 202.

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

8. Investors may contact the BRLMs for any complaints, information or clarifications pertaining to the Issue.

9. Our Company has not changed its name during the last three years immediately preceding the date of the filing of the Draft Red Herring Prospectus with SEBI.

SECTION III – INTRODUCTION

SUMMARY OF INDUSTRY

The amount of freshwater on Earth is finite. But the demand for water continues to escalate at an unsustainable rate, fueled by population growth and industrial expansion. And supply of clean, potable water and sanitation are among the key challenges of the 21st century. Demographic processes such as population growth, age distribution, urbanization and migration are also adversely affecting water availability and quality through increased water demands and consumption and through pollution resulting from water use. Changing climate is also causing significant impacts on the availability of water, as well as the quality and quantity of water that is available and accessible.

Traditionally, there has been very little focus by various governments on improving water infrastructure which has created a significant backlog of investment in the sector. As per Global Water Markets 2008 data only 58% of the world's population is believed to have access to piped water supply, while a mere 36% of the global population is connected to a sewer network. Investment is also required in the operation and maintenance of physical infrastructure so that it meets appropriate standards and functions efficiently. While developing nations require huge investments to bridge the gaps, the developed nations need to refurbish, maintain and upgrade their existing run down infrastructure and meet the stringent environmental regulations.

Recent Trends:

- In a time of increasing awareness with regard to the environment, climate change and management of natural resources, water and sanitation issues are appearing more and more on the political agenda and the development plans of multilateral agencies. In the emerging countries, the Millennium Development Goals (MDG), adopted by members of the United Nations invites States to commit to reduce by half, the proportion of people who do not have access to drinking water or wastewater treatment by the year 2015. The World Bank estimates up to additional USD 11 billion each year in investments is needed to meet the MDG commitments. It is evident that the sector is gaining increasing focus of governments around the world and this should provide significant growth impetus to the industry for next several years.

- Technological changes are driving the way water is used, cleaned and reused for meeting human requirements. Industries are investing in new technologies and processes that reduce water use and wastewater discharges. Desalination is gaining acceptance not only in water scarce regions like Middle East, North Africa and Spain but also in non-traditional markets like India, China and USA.

- Due to the capital intensive nature coupled with inadequate funding sources, lot of private participation is being sought to develop the water infrastructure in many countries. In recent years not only the developed countries but even many developing countries have started to liberalize their water industry, by inviting private-sector participation through public-private-partnerships (PPPs).

The growth of the water sector which really matters from a commercial point of view is the proportion of the business which is open to private enterprise. Considering the momentum at which the sector is opening up for private players, the rate of growth that companies in the sector will experience is expected to accelerate in future.

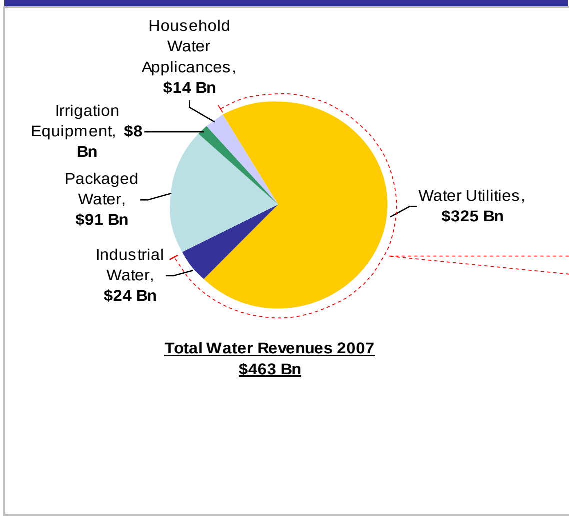
Water Industry

Well and surface water is pumped and fed to a water treatment plant in order to filter or/and disinfect it so that it can be made suitable for residential, commercial, and industrial applications. Water/waste water treatment processes involves the removal of solids, bacteria, algae, plants, inorganic and organic compounds. Also certain industrial processes need more intensive or advanced filtration for applications such as semiconductors, pharmaceuticals etc. After water is used it has to be collected and treated in a waste water treatment plant before discharge. Water recycling is also undertaken so that the waste water can be reused again in some of the industrial applications.

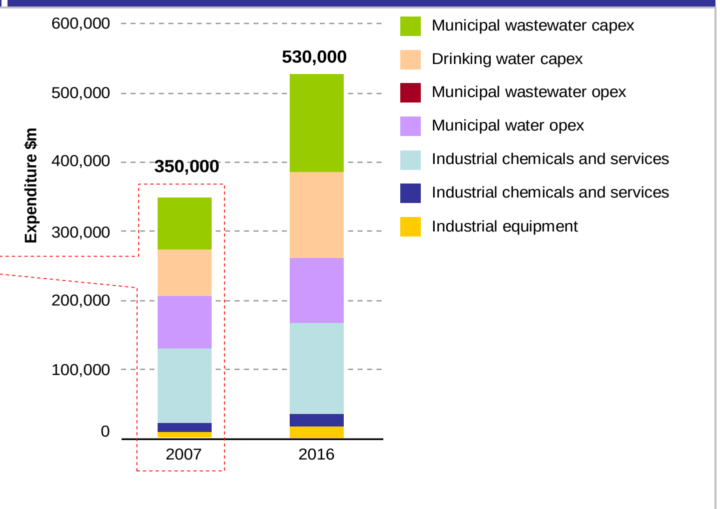
Global Water Market Size

As per Global Water Markets 2008, the global water industry is estimated to be USD 463 billion in 2007. In the market for water related services the major clients are governments and government owned utilities which provide water to the people, or the industries which treat water either for input requirements or to meet output water conditions. The water utilities and Industrial market comprises of almost 75% of the market or about USD 350 billion market in 2007 and expected to grow to USD 530 billion by 2016 as per Global Water Markets 2008. Water treatment industry can be further classified into four kinds of water plants, namely water treatment, desalination, wastewater treatment and water recycling. Designing and engineering of projects in the water and wastewater treatment segment is technically complex and technology is a critical part of such projects.

Total Water Market Size (2007)



Municipal and Industrial Water Market (2007-2016)



Source: Global Water Markets 2008

[I] Municipal Water and Waste Water Treatment Market

In general, local public entities are responsible for organizing both drinking water distribution and wastewater treatment services. The total piped municipal water supply meets around 42% of domestic demand, 15% of industrial demand and 0.2% of agricultural demand.

Water is very capital-intensive utility service; most of the capital is required to maintain and extend the distribution network. The total expenditure on Municipal water and waste water is estimated to be USD 326 billion in 2007 and is slated to go upto USD 490 billion by 2016. *(Source: Global Water Markets 2008).* The capital intensity of the sector is increasing, driven on the one hand by the cost of rehabilitating aging networks, and on the other hand by the need for more technology in water treatment to meet the challenges of declining raw water quality. Operations and Maintenance of these networks and water treatments plants involves even higher expenditure.

In many countries private players are playing an active role in operating and maintaining the water supply facilities for municipalities and water utilities. Operation and maintenance pie is also getting bigger with increased adoption of innovative models of service delivery like DBO (Design-Build-Operate), BOT (Build-Operate-Transfer), TOT (Transfer-Operate-Transfer) and BOOT (Build-Own-Operate-Transfer). These offerings are based on a holistic life cycle model, extending from project development to long-term operation.

[II] Industrial Water and Waste Water Treatment Market

Industries use twice as much water as households, and this water usually requires a higher degree of treatment both before and after it is used. Water is an important production factor for industries like power, food and beverages, pulp and paper, pharmaceuticals, refineries etc. The spectrum of industrial water ranges from cooling and boiler feed water in power stations and process water for a wide range of industrial uses to ultra pure water for the electronics and pharmaceutical industries.

Overall, however, the industrial water market is considered to be smaller than the municipal water market. The industrial water market is less homogenous than the municipal water treatment market. Although the same water treatment technologies (reverse osmosis, ultra-filtration, ion exchange, and membrane degasification) are used across many different industries, each application will be specific to the industrial process in which it is used.

Competitive Landscape:

Water is a very regional business – locally oriented, and driven by local regulations, local water supply, local demand and local contracts. Players' knowledge of local regulations and environment is very important. Therefore currently the water industry is highly fragmented industry with very few global players. But as the industry moves towards larger and more complex projects, the industry gets more organized. The global players with the dual advantage of global brand/technological competence and a local setup gain prominence and a larger share of the total industry pie. A global brand and technology base coupled with the local cost can make companies desirable bidders for a project.

The contracts in the sector are not about the lowest bidder, but the most competent bidder, one who can understand the client needs and arrive at cost efficient solutions for its clients. Prerequisites for a successful market penetration are comprehensive technological experience on the one hand and local set-ups, to ensure direct access between municipalities and reliable water experts, on the other.

Market Growth

As per Global Water Markets 2008, majority of the fastest growing countries in the water sector are from the emerging and developing regions. Water scarcity is acute in the case of many rapidly expanding economies and these countries are lagging far behind in terms of water infrastructure, water and sanitation coverage and reuse of water.

While the looming water crisis is a challenge, it is also a mega business opportunity for the private sector across the entire value chain of water projects. Companies, which are able to offer solutions for providing a growing global population with safe drinking water within an increasingly urbanized world, are facing high growth potentials, especially in dry regions like North Africa, Near/Middle East and in emerging economies, such as China and India and others in Far East.

Regional Markets

India:

While the water situation in India is grim, reforms on the regulation front have begun to take shape and success of these can throw up potentially huge investment opportunities. In view of huge demand for water, expected shortages and likely reforms, the water sector provides vast opportunities for water management companies. The key business drivers for the water engineering business in India are summarized below:

- Huge gap in safe water supply and sanitation infrastructure availability in the country.
- Large budgetary allocation from the Government in water supply and sanitation.
- Increased funding from multilateral agencies like World Bank, ADB, etc. with emphasis on private participation.
- Stricter disposal norms for industrial waste water. Need to recycle treated waste water to solve the problem of disposal and fresh water availability simultaneously.

- BOT / BOOT concession projects which are cash intensive but provide higher margins in the long run. Increasing trend to outsource O&M services.

Asian Water Market

The rapid economic development in Asian region has led to a boost in urbanization and water demand. Meanwhile the available water resources have been more and more contaminated by industrial waste. These tendencies call for an improvement of existing water treatment facilities in order to meet the quality requirements of both potable and industrial water. Also, water and sanitation coverage in many of the Asian countries is significantly lower than the developed world. Hence most countries are putting large-scale water infrastructure in place. Companies present in the Asian region can benefit from the multi billion public investments into the water processing sector. The government is also subsidizing water reuse technologies such as membranes, filters or ground water improvement. The large investment volumes will lead to the increase in BOT/PPP projects.

Middle East and North Africa ("MENA") Water Market

The MENA is the most water scarce region in the world. The entire region, however, is on the way to improve efficiency and to improve water services. Here the threat of a water crisis has also been acknowledged and made into an important political topic. This means that water ministries will have to allocate their capital more effectively and to invest into efficient water processing systems. Many important markets like Saudi Arabia and UAE offer a suitable legal framework for water processing investments and are eager to reform their ways of supply. They are also in a strong financial position and are likely to execute the majority of their projects. Even though this region is subject to high competition and therefore low margins meanwhile players may benefit from market size and upcoming need for investments in water infrastructure. The Middle East market is not price sensitive and is open to use of advanced technology which augurs well for the growth of water market in this region. On the other hand the focus of the World Bank and other Multilateral Agencies on bridging gaps in the North African region would lead to higher growth rates in this region.

European Water Market

Europe's water sector has strong fundamentals. The combination of high tariffs, increased regulatory standards and generous European Union funding gives it a solid foundation for growth over the next decade. While the western European countries have extensive systems but these will need refurbishment in the near future at the same time some eastern European countries are establishing significant water infrastructure to comply with strict EU environmental regulations before their accession into the EU.

Outdated infrastructure combined with strict EU regulations in the new EU member states as well as in countries aspiring to become EU members bears chances for EPC contractors and O&M providers especially regarding water treatment plants. Growing demand for safe potable water accelerates governmental decisions to refurbish current water treatment plants or even to build new ones. In addition increasing attention to improve waste water treatment capacities, Eastern European governments have decided to enlarge current budgets for environmental protection. There is an essential precondition for countries in the region to catch up with environmental regulations released by European authorities which opens up new opportunities in this sector.

SUMMARY OF OUR BUSINESS, STRENGTHS AND STRATEGY

The following information is qualified in its entirety, and should be read together with, the more detailed financial and other information included in this Red Herring Prospectus, including the information contained in the section titled "Risk Factors", on page 14.

Overview

We are a multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through our principal offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao. We are headquartered in Chennai and conduct our global operations through our Subsidiaries and branch and representative offices. We share strategic and technical expertise across our Subsidiaries that, we believe, allows research, operational and marketing synergies.

We offer complete life cycle solutions including conceptualization, design, engineering, procurement, supply, installation, construction and O&M services. We provide a range of EPC and O&M solutions for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse for institutional clients like municipal corporations and companies in the infrastructure sector such as power, steel and oil and gas companies. As on July 31, 2010, our Company has executed 113 projects and is currently executing 81 projects.

We are technology focussed. We have R & D centres located in Chennai, India and at Vienna and Winterthur in Austria and Switzerland respectively. Wabag Austria and Wabag Wassertechnik own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. As at July 31, 2010, we had a workforce of approximately 1,469 including 757 qualified engineers while our Company had a workforce of 754 including 588 qualified engineers. Bureau Veritas has certified our Indian operations as ISO 9001: 2008. Bureau Veritas has certified Austria, Germany, Switzerland, the Czech Republic, Romania and Macao as ISO 9001; Austria, Germany, Romania and Macao as ISO 14001; Austria, Germany and Romania as OHSAS 18001; and Austria as ÖNORM.M7812.

We benefit from our association with the Wabag brand name. In 2007, our Company acquired Wabag Austria and hence took over the Wabag group. The Wabag group was founded in 1924. We have a project reference list of more than 2,250 projects over the last three decades. For further details please see the section titled "History and Certain Corporate Matters" on page 168. Our association with the Wabag brand name facilitates our entry into newer markets and helps us to pre-qualify for our projects.

For the year ended March 31, 2010, our consolidated income and total restated profit after tax was Rs. 1,23,376 lakhs and Rs. 4,939 lakhs, respectively, compared to our consolidated income and total restated profit after tax of Rs. 1,15,495 lakhs and Rs. 4,222 lakhs, representing an increase of 7% and 17%, respectively.

For the year ended March 31, 2010, our Company's income and total restated profit after tax was Rs. 70,766 lakhs and Rs. 4,692 lakhs, respectively, compared to our Company's income and total profit after tax of Rs. 57,354 lakhs and Rs. 2,599 lakhs, representing an increase of 23% and 81%, respectively.

Our Promoters

Our promoters are Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Vardarajan. Our Promoters are all qualified professionals with an average of 20 years of work experience in the industry. They have a long association with our Company and possess a breadth of experience in the water industry. In September 2005, our Promoters, with the support of India Advantage Fund I and represented by the investment manager ICICI Venture Funds Management Company Limited, effected a management buy-out of our Company from Siemens. In November 2007, our Company, through our wholly owned subsidiary, Wabag Singapore acquired the entire shareholding of Wabag Austria. Pursuant to this acquisition, Wabag Austria and its subsidiaries became our subsidiaries. For further details, please see the section titled "History and Certain Corporate Matters" on page 168.

Competitive Strengths

We believe that we have significant industry expertise and knowledge as a result of our project reference list of more than 2,250 projects over the last three decades in more than 19 countries across the world. In particular, we believe that the following strengths help differentiate us from our competitors and enable us to compete successfully in our industry:

Complete water solutions provider

We provide engineering solutions in the water industry for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse and offer a comprehensive range of services throughout the entire life cycle of water including conceptualization, project design, installation, construction and O&M support. Our clients are institutional, both municipal corporations and industries. We execute projects on a turnkey basis or an item rate basis; however our principal expertise is technology and we sub-contract the civil works. We believe that we are able to attract more clients because of our ability to provide services over the entire life-cycle of a project.

Our Company has completed the Perungudi plant on a DBO basis where we constructed a plant with a capacity of 54 MLD and have an O&M contract for a period of 10 years. Similarly, our Company is constructing a 62.5 MLD plant at Delawas near Jaipur and also has an O&M contract for a period of 20 years. We are setting up a wastewater treatment plant in Tehran, Iran for the Tehran Sewerage Company with a capacity of 450,000 m^3/d. This is a turn-key project on a DBO basis and we also have a contract for the O&M of the plant for a period of five years. Our Company has been awarded the contract for a sea water reverse osmosis desalination plant with a capacity of 100 MLD in Chennai including an O&M contract for seven years. Our Company has also completed the execution of a 455 MLD water treatment plant at Panjrapur for the Brihanmumbai Municipal Corporation.

In October 2007, our Company completed the construction of a plant water systems package for Durgapur Projects Limited for the project at Durgapur. We are currently executing a plant water systems package for the Damodar Valley Corporation for their 2 x 500 MW power plant at Durgapur which was scheduled to be completed in July 2010. Our Company is in the process of making an application requesting for an extension of time for the completion of this project.

Wabag brand recognition

We leverage our business on the Wabag brand, which was established in 1924. Over the years, we have continued to invest resources to build our brand. Our brand accords us the opportunity to penetrate new markets, pre-qualify for bids and expand our services in new areas such as BOOT and TOT. It also helps us in attracting and retaining skilled personnel. Additionally, it facilitates our operations in competitive markets where we are able to partner with other companies for our projects, if required.

Brand recognition combined with our technical competencies and ability to meet client requirements has won us repeat orders from our clients. We have a strong reference list with a dominant presence across various municipal markets in India, including Bengaluru, Chennai, Kolkata, Mumbai and New Delhi.

Lower investments and capital expenditure in our projects due to our outsourcing model

We usually outsource the civil works, construction and erection works for our projects to third party contractors. This benefits our returns on investments in each project as our fixed assets costs are low. For Fiscal 2010, our Company's gross block of fixed assets was 10% of its total assets. Out of 113 projects completed by our Company as of the date of the Red Herring Prospectus, 83 were turnkey projects, where the civil works, construction and erection works were outsourced. We utilise this outsourcing model as it allows scalability and allows us to focus on engineering, design and technology to provide quality water engineering solutions. We have been using this model since 1996 and we believe that this has been a key factor in the efficient execution of our projects. We have experienced and capable project management teams who oversee the civil and construction works being undertaken by third party contractors and execute all aspects of our projects. We undertake appropriate quality checks and controls throughout the process to ensure timely and appropriate completion of our projects. This model allows us to expand in different cities and countries at a fast pace and without excessive capital expenditure. Our outsourcing model enables us to leverage the expertise of service providers in the jurisdiction where the project is located, thus increasing efficiency and reducing our costs for the project. This also enables our management to focus on technology development and efficient project management. We also believe that our outsourcing model provides us with the scalability required not only to undertake large developments such as the 50 MGD water treatment plant at Dwarka for the Delhi Jal Board and the 100 MLD sea water reverse osmosis desalination plant for the Chennai Metropolitan Water Supply and Sewerage Board but also to explore opportunities and undertake similar and other projects in different parts of India and overseas.

Use of advanced technology

The designing and engineering of projects in the water and wastewater treatment segment is technically complex, time consuming and resource intensive because of unique client requirements. We constantly upgrade our technical abilities to offer our clients the full range of services at lower cost and without compromising quality. For instance, we have used state-of-the-art membrane based bio reactors for our project in Muscat. This enables the client to achieve filter water quality standards for re-use purposes. For a country, which has scarce water resources, this technology enables the client to re-use the water for other purposes including irrigation, construction, among others. The BeiXiaoHe wastewater treatment plant produces recycled water for the Olympic Park in Beijing and is a membrane bioreactor plant fitted with state-of-the-art technology for the reuse of cleaned wastewater. The contract comprised the modernisation and enlargement of an existing municipal wastewater treatment plant and an increase in its capacity from 40,000 m^3/d to 100,000 m^3/d. The new plant guarantees environment-friendly water reuse. Plant enlargement involved the addition of a completely new wastewater line, designed for water reclamation and with output of 60,000 m^3/d. The plant contains hollow fibre membranes (Memcor Memjet) with a total membrane area of 180,000 m2. Our technology enables us to meet the requirements of a broad spectrum of construction activity for a wide variety of clients.

Further, our Subsidiaries own several technologies for waste water treatment and we utilize the same for our various projects. Wabag Austria and Wabag Wassertechnik own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. For instance, we have used the Bio-Active Fixed Film (“BAFF”) Technology (“BIOPUR”®) at the Sierre Plant in Switzerland with a capacity of 60,000 $m^3$where the treated sewage is discharged into the river. The same technology is also used at the Marburg plant in Germany which has a capacity of 155,000 cubic metre where the treated sewage is discharged into the river. We have developed the Hybrid® process which is a two stage activated sludge process for nitrogen removal jointly with the Vienna University of Technology and facilitates a considerable reduction in the tank volume required and has been used for the municipal wastewater treatment plant with a capacity of 4,500,000 p.e. in Vienna. Our Subsidiaries have developed BIODEN® which is a biological process for ground water denitrification which uses natural micro organisms controlling their activity by nutrient dosing. The process consists of nutrient dosage, a biological filter, subsequent aeration for oxygen enrichment, downstream flocculation filtration and final safety disinfection. We have completed a sewage treatment plant in Vienna, Austria for a 4,300,000 population equivalent. We are setting up a drinking water treatment plant in Czestochowa, Poland, with a capacity of 12,000 m^3/d designed for the treatment of groundwater with a high level of nitrates caused by intensive agriculture where we treat water and reduce nitrate content from 80 ppm to five ppm.

The Southern wastewater treatment plant Tehran, Modules 1-4 (municipal waste water treatment plant) constructed under a contract for planning, installation and operational management for five years, treats municipal waste water generated in the area of Tehran, the capital of Iran and has a capacity of 450,000 m3/d. The plant is designed for carbon and partial nutrient removal using activated sludge process, trickling filters and applying anaerobic sludge digestion. The plant is designed in four parallel trains and serves the equivalent of 21 lakhs of the population. The Southern Tehran wastewater treatment plant enables the coverage of 80% of the plant’s electricity needs through the use of biogas, which is produced in six digesters (each 9,000 m^3) and is utilized by four co-generators for generation of electric and thermal power. The new plant guarantees environment-friendly water reuse. The treated effluent is reused for agricultural irrigation purposes in the area of the Varamin plain.

In India, we have used several technologies such as dual media filter, ultra filtration and reverse osmosis and mixed bed filter at the refinery in Panipat where the effluent is recycled after treatment for its industrial purpose like boiler feed water and process water.

Strong execution track record and Order Book

We have a demonstrated track record of utilising our management bandwidth, skills and internal systems to execute large and complex projects that take several years to complete. We concentrate on executing projects that leverage our experience, expertise and our proprietary processes and technology.

Our Company has proven its execution capabilities in large EPC contracts such as the construction of a 455 MLD plant for water treatment at Panjrapur for the Brihanmumbai Municipal Corporation and demineralization plant and condensate polishing at the refinery in Panipat. The average period for the execution for EPC projects is between 18 to 24 months. The average period for execution varies between one year and 10 years for O&M projects.

The construction of water and wastewater treatment projects requires a significant amount of technical expertise and skill in execution. We utilize proprietary technology held by our Subsidiaries, as well as experience for our projects. BIOPUR® is an example of our proprietary technology used in several of our projects**.** Additional technologies used by us include fine sieving in Switzerland, Denitirifcation plant in Austria, Poland and Saudi Arabia as well as FLUOPUR® in Switzerland as well as the filter system in Switzerland, China and Romania. Pre-qualification for bidding of projects is often based on past experience of execution of similar projects and financial strength. We were pre-qualified because our reference of projects such as for the wastewater projects for IZMIR in Turkey as well as the membrane bio reactor in Bejing, China. We were pre-qualified for the Kondli water treatment plant by the Delhi Jal Board because of our projects reference in this segment. We believe that our expertise in such diverse project implementation provides us with a significant competitive advantage in an industry where substantial expansion is expected in the future.

Our Order Book as on June 30, 2010 was Rs. 2,77,960 lakhs and for our Company was Rs. 1,86,080 lakhs. Of our Order Book on a consolidated basis and for our Company on an unconsolidated basis, 88% was attributable to municipal clients and 12% to industrial clients.

Domestic and International Presence

The level of growth in our industry depends upon many factors including water demand and supply mismatch, the level of development, the standard of living and the demographics of various regions. According to Global Water Markets 2008, the 15 largest growth markets in the world include Saudi Arabia, Romania, Algeria, India, Oman, Egypt, China, Libya, Spain, Iran, UAE and Turkey and we have market presence in all of these markets.

We have offices in India, Austria, the Czech Republic, China, Switzerland, Algeria Romania, Tunisia, UAE, Libya and Macao and have a market presence in the Middle East, North Africa, Central and Eastern Europe, China, India and the South East Asia. We believe our presence in various countries allows us to identify and evaluate projects in new jurisdictions effectively, establish client relations, understand local markets, culture and requirements, procure raw materials locally, reduce currency risks and meet client expectations efficiently. Our experience in diverse jurisdictions helps us to assess risks and the potential returns of a new project helps us to pre-qualify for large projects globally.

Strong Management Team and Experienced Staff

Our Promoters are part of our senior management team and have been with us for several years. They are actively involved in our day to day activities and possess a breadth of experience in our industry. They combine entrepreneurial skills with professional commitment.

We have a highly qualified, experienced and dedicated management team and a skilled work-force. As at July 31, 2010 we had a workforce of approximately 1,469 including 757 qualified engineers while our Company had a workforce of 754 including 588 qualified engineers. This large pool of engineering and technical workers is essential for the efficient and effective execution of our projects. In addition, our senior management includes highly qualified people with extensive experience in our business with engineering or technical background, which enhances our ability to successfully execute large projects. Our staff also has diversified experience in various types of construction projects, which enables us to execute varied projects and deploy the most appropriate people for various projects. We are dedicated to the development of expertise and know-how of our employees and we continue to invest in them through training and skills.

Business Strategy

Our goal is to maintain and expand our presence as a global player in the water treatment industry by leveraging our reputation and delivering excellence, quality, performance and reliability across all types of water and wastewater treatment in a cost efficient manner. Our plan is to achieve this goal by focusing our business growth strategy on the following key elements:

Strengthen our presence in high growth emerging markets

In the past, we have focussed on emerging markets as a part of our strategy and intend to continue our focus on these markets in the future. We believe that certain markets including India, regions in North Africa, Middle East, China, South East Asia and Central and Eastern Europe, many of which regions we are currently present in, provide significant growth opportunities for our business. In many of these countries, the water infrastructure is not adequate and given the demands of urban populations, most of these countries are focus areas of multilateral agencies for infrastructure upgradation. We plan to leverage our market leadership, our brand name and execution capabilities to attract new clients and obtain new projects in these geographies. We plan to expand in newer markets within these regions and aim to deliver quality in a cost efficient manner by using indigenous labour and skills. We may enter into partnerships/ alliances with local partners to understand local markets better and build on our capabilities.

Emphasis on the higher margin through stronger presence in the O&M Segment

As the market is evolving for O&M, we plan to further penetrate the water and wastewater treatment sector through DBO contracts drawing on our capabilities in the water and wastewater treatment sector through EPC contracts. From executing O&M contracts for our own projects, we are gradually moving towards executing O&M contracts for projects built by other players. Our capabilities as an established player allows us to focus and bid more for O&M contracts across all the focus geographies which, we believe, offers steady cash flow and adds significantly to the company's margins. We intend to increase the proportion of revenues from this segment so as to improve our overall profitability.

Growth and expansion through BOOT and TOT models

As water and wastewater treatment reaches national prominence in more and more countries, governments across the world are inviting private participation to meet the funding requirements of the sector. In all the markets that we have presence in, we intend to bid for all such opportunities and expand our presence in BOOT projects by leveraging our technical and financial credentials. BOOT projects involve an arrangement by which a private developer builds an infrastructure facility using limited or non-recourse financing in return for the right to operate the facility and charges users a fee in order to generate a commercially acceptable rate of return on investment. BOOT projects provide consistent and assured revenue throughout the concession period, which is usually 25 to 30 years. As BOOT projects require substantial capital commitment, we may enter into partnerships with other companies to bid and develop the same. Further, in order to initiate operations in a new market, we may enter into partnerships with established companies in the same market.

In Central and Eastern European countries where the demand for refurbishment equals or at times, is higher than new demand, we endeavour to enter the TOT market where we refurbish an existing plant, built by us or a different contractor, for a consideration and operate the plant and gain revenue from it for a few years before transferring it back to the client. The average concession period for O&M of such projects is three to 10 years. We have been transferred a plant at a refinery in Romania for renovation and refurbishment as well as O&M for a period of three years.

Growth and expansion through acquisitions

We intend to expand inorganically by identifying acquisition opportunities. We intend to pursue acquisitions of companies which have a better treatment technology or a reference list of projects executed internationally than ours which can help us in further expanding our water and wastewater treatment technology portfolio as well as companies that will enhance our presence in some of the emerging geographies that we are present in. We intend to acquire companies which provide us further depth in the regional markets or a new business model. We also seek to acquire companies in the BOOT space in the markets where we are present.

Our goal is to pursue acquisitions which can enhance our existing portfolio of offerings and help us in staying in a preferred position in all the markets where we operate to efficiently realize the opportunities presented by the water market globally.

Consolidate our position as an international player and further strengthen the execution capabilities of our Subsidiaries and regional offices to serve local customers better

We aim to empower our Subsidiaries enabling us to decentralise business and strengthen the execution capabilities of our Subsidiaries. We intend to develop and nurture internal management teams authorised to take decisions. We believe that this will enable us to operate efficiently and effectively with local teams executing projects with centralised control only for important decisions. We are also working towards empowering local management teams of our Subsidiaries to ensure independent operations that enable regional teams to fully utilize their knowledge of the local markets in growing sales and profitability of our Company. This would also help in building close relationships with clients, give us the ability to service them better and ensure smooth and timely completion of projects.

Structural and process improvements to reduce costs

We acquired Wabag Austria in November 2007 and some of our operational subsidiaries are held through it. We are in the process of consolidating and realizing synergies through a structured and time bound integration for efficient utilization of the resources of our Company and our Subsidiaries.

We believe there are significant synergies in the areas of engineering and procurement, two primary business activities for us. For engineering, we propose to share technological support efficiently, by centralizing engineering assistance through international engineering teams currently operating from Pune in India and Tunisia in North Africa and by adopting a global procurement policy like negotiating rate contracts with global suppliers. Further, as a part of developing a global procurement policy, we are developing a low cost sourcing model by sharing vendors and material cost data across offices in different jurisdictions to source materials in a cost-effective manner.

To enhance the integration of technological support, we are establishing an ERP system which standardises accounting, project planning and execution of documentation across all our offices and assists in the creation of a common platform for data sharing with respect to technology, engineering and procurement. Further, our management is actively involved in the integration process and a substantial time of our key managerial persons is allocated to the same. We create opportunities for our employees to work in diverse markets through secondments, transfers and group interactions to enable knowledge sharing and integration of work culture.

Continue to enhance our core strengths by attracting, retaining and training qualified personnel

We believe that our ability to effectively execute and manage projects is crucial to our continued success as a global water and wastewater treatment player. We understand that maintaining quality, minimising costs and ensuring timely completion of our projects depends largely on the skill and workmanship of our employees. As competition for qualified personnel increases among engineering and construction companies in India, particularly with the entry of international companies, we seek to improve competitiveness by increasing our focus on training our staff. We offer our engineering and technical personnel a wide range of work experience and learning opportunities by providing them with continuous training in latest systems, techniques and knowledge upgradation. We have implemented an employee share option plan and granted options to our employees as part of our strategy to attract and retain employees and to be a preferred employer.

SUMMARY FINANCIAL INFORMATION

The following tables set forth summary financial information derived from our restated consolidated as of and for the years ended March 31, 2008, 2009, and 2010 and unconsolidated financial statements as of and for the years ended March 31, 2006, 2007, 2008, 2009 and 2010. These financial statements have been prepared in accordance with the Indian GAAP, the Companies Act and the SEBI Regulations and presented under the section entitled "Financial Statements" on page 204. The summary financial information presented below should be read in conjunction with our restated unconsolidated and consolidated financial statements, the notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Financial Statements" on pages 261 and 204 respectively.

Consolidated Summary Statement of Assets and Liabilities, as Restated

(*in Rs. lakhs*)

Particulars	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008
A. Fixed assets			
Tangible assets			
Gross block	5,145	5,028	4,162
Less: Depreciation	1,952	1,537	1,318
Net block	**3,193**	**3,491**	**2,844**
Intangible assets	800	1,084	1,041
Capital work-in-progress including capital advances	584	12	48
	4,577	**4,587**	**3,933**
B. Investments	**1,337**	**1,468**	**1,265**
C. Deferred tax assets (net)	**1,810**	**1,264**	**671**
D. Current assets, loans and advances			
Inventories	3,512	5,482	3,907
Sundry debtors	63,530	57,438	38,318
Cash and bank balances	21,851	31,449	36,056
Other current assets	23	23	15
Loans and advances	12,827	13,731	9,320
	101,743	**108,123**	**87,616**
E. Liabilities and provisions			
Secured loans	3,912	4,592	4,472
Current liabilities	53,790	62,333	49,848
Provisions	11,685	11,223	7,864
	69,387	**78,148**	**62,184**
Net worth(A+B+C+D-E)	**40,080**	**37,294**	**31,301**
Represented by			
Share capital			
- Equity shares	468	415	415
Reserves and surplus	39,612	36,739	30,753
Minority interest	-	140	133
Net worth	**40,080**	**37,294**	**31,301**

Consolidated Summary Statement of Profits and Losses, as Restated

(*in Rs. lakhs*)

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008
Income			
Income from operations	1,22,374	1,13,328	61,089
Other income	1,002	2,167	1,231
Total income	**1,23,376**	**1,15,495**	**62,320**
Expenditure			
Cost of sales and services	84,632	83,332	49,149
Employee costs	16,744	15,554	6,180
General, selling and administrative expenses	9,870	8,298	3,999
Interest and bank charges	2,990	3,537	1,440
Depreciation and amortization	1,389	844	528
Total expenditure	**1,15,625**	**1,11,565**	**61,296**
Profit before tax and Prior period	**7,751**	**3,930**	**1,024**
Expenditure			
Prior period expenditure [Refer Annexure IX (II)]			
Amortisation of goodwill	(311)	0	0
Amortisation of deferred employee compensation	0	(126)	0
Gratuity expenses	0	(15)	0
Profit before tax and extraordinary items	**7,440**	**3,789**	**1,024**
Provision for tax			
Current tax	3,584	1,108	306
Deferred tax	(549)	(754)	(115)
Fringe benefit tax	0	47	34
MAT credit entitlement	0	0	(122)
Profit before extraordinary items	**4,405**	**3,388**	**921**
Extraordinary items (net of tax)	0	0	0
Profit after extraordinary items before minority interest	**4,405**	**3,388**	**921**
Share of profit/ (loss) from Associate	69	106	(6)
Minority interest	0	(7)	(32)
Net profit before adjustments	**4,474**	**3,487**	**883**
Adjustments, net of tax [Refer Annexure IX (III)]:			
Changes in accounting policies	0	28	33
Other material adjustments	465	707	(373)
Net profit as restated	**4,939**	**4,222**	**543**
Balance brought forward from previous year	8,094	3,872	3,329
Transfer to Other reserves	(2)	0	0
Acquisition of minority interest	134	0	0
Balance carried to Balance Sheet	**13,165**	**8,094**	**3,872**

Consolidated Summary Statement of Cash Flows, as Restated

(*in Rs. lakhs*)

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008
A. Cash flow from operating activities			
Net Profit before tax, as restated	8,122	4,986	777
Adjustments for:			
Depreciation and amortization	1,389	844	528
Interest expenses	419	716	375
Interest income	(405)	(1,159)	(707)
Dividend Income	(14)	0	0
(Profit)/loss on sale of fixed assets, net	(41)	1	-
(Profit)/loss on sale of investment	-	0	(73)
Amortisation of deferred employees compensation	93	93	93
Share of profit/(loss) from associate	(69)	(106)	6
Operating profit before working capital changes	**9,494**	**5,375**	**999**
Adjustments for:			
(Increase)/ decrease in sundry debtors	(7,907)	(17,535)	(1,520)
(Increase)/ decrease in loans and advances and other current assets	(1,006)	364	(3,791)
(Increase)/ decrease in inventory	1,740	(1,378)	4,769
Increase/ (decrease) in sundry creditors	(3,806)	5,331	8,461
Increase/ (decrease) in provisions	(2,049)	3,595	55
Cash generated from operations	**(3,534)**	**(4,248)**	**8,973**
Direct taxes paid	(2,047)	(1,518)	(613)
Net cash generated from operating activities	**(5,581)**	**(5,766)**	**8,360**
B. Cash flow from investing activities			
Purchase of fixed assets (including capital work in progress)	(1,598)	(1,437)	(2,408)
Proceeds on disposal of fixed assets	58	19	4
Purchase of Investments	(1,301)	0	0
Investment in subsidiaries	0	0	14,577
Receipt of inter corporate deposits	0	0	1,000
Movement in restricted cash	4,620	1,249	(10,248)
Proceeds from sale of investments	1,315	0	105
Interest received	405	1,151	735
Net cash used in investing activities	**3,499**	**982**	**3,765**
C. Cash flow from financing activities			
Proceeds from issue of share capital including share premium	48	38	4,113
Redemption of preference shares	0	0	(1,071)
Movement in cash credit and other short term borrowings	869	(1,200)	4,198

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008
Proceeds/(repayment) from working capital demand loan	(1,000)	1,000	(440)
Proceeds/(repayment) of secured loan	(33)	22	(26)
Interest paid to banks and others	(419)	(716)	(375)
Net cash used in financing activities	**(535)**	**(856)**	**6,399**
D. Net cash flows during the year (A+B+C)	**(2,617)**	**(5,640)**	**18,524**
Effects of foreign currency translation	(1,444)	1,584	1,497
E. Cash and cash equivalents at the beginning	20,231	24,287	4,266
F. Cash and cash equivalents at the end (D+E)	**16,170**	**20,231**	**24,287**
Note:			
1. Components of cash and cash equivalents			
Cash in hand	701	467	299
Balances with scheduled banks::			
Current accounts	1,558	2,951	1,047
Deposit account	4,831	3,619	3,656
Balances with non-scheduled banks::			
Current accounts	7,245	14,000	22,941
Deposit account	7,516	10,412	8,113
	21,851	**31,449**	**36,056**
Less: Margin money and restricted cash	5,681	11,218	11,769
Cash and cash equivalents	**16,170**	**20,231**	**24,287**

Unconsolidated Summary Statement of Assets and Liabilities, as Restated

(in Rs. lakhs)

Particulars	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
A. Fixed assets					
Tangible assets					
Gross block	3,458	3,219	2,951	845	716
Less: Depreciation	1,050	814	615	475	371
Net block	**2,408**	**2,405**	**2,336**	**370**	**345**
Intangible assets	606	895	950	1,262	8
Capital work-in-progress including capital advances	64	12	49	16	0
	3,078	**3,312**	**3,335**	**1,648**	**353**
B. Investments	**555**	**555**	**31**	**47**	**3**
C. Deferred tax assets (net)	**1,731**	**1,132**	**400**	**366**	**506**
D. Current assets, loans and advances					
Inventories	1,834	3,606	1,326	3,076	3,078
Sundry debtors	40,634	35,157	18,649	14,068	8,291

Particulars	As at March 31, 2010	As at March 31, 2009	As at March 31, 2008	As at March 31, 2007	As at March 31, 2006
Cash and bank balances	6,411	6,576	4,719	5,255	1,118
Other current assets	23	23	15	43	4
Loans and advances	6,881	7,192	6,024	4,200	1,422
	55,783	**52,554**	**30,733**	**26,642**	**13,913**
E. Liabilities and provisions					
Secured loans	0	1,150	1,219	472	2,547
Current liabilities	32,901	34,606	16,036	13,873	7,739
Provisions	3,992	2,377	516	590	465
	36,893	**38,133**	**17,771**	**14,935**	**10,751**
Net worth(A+B+C+D-E)	**24,254**	**19,420**	**16,728**	**13,768**	**4,024**
Represented by					
Share capital					
- Equity shares	468	415	415	397	408
- Preference Shares	0	0	0	483	0
Reserves and surplus	23,786	19,005	16,313	12,888	3,616
Net worth	**24,254**	**19,420**	**16,728**	**13,768**	**4,024**

Note: The proportion of sundry debtors in the related party transactions is nil. The proportion of the current liabilities arising out of the related party transactions is 0.62%.

Unconsolidated Summary Statement of Profits and Losses, as Restated

(*in Rs. lakhs*)

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008	For year ended March 31, 2007	For the period from January 1st 2005 to March 31, 2006
Income					
Income from operations	70,097	56,885	33,275	25,825	27,493
Other income	669	469	1,078	71	48
Total income	**70,766**	**57,354**	**34,353**	**25,896**	**27,541**
Expenditure					
Cost of sales and services	53,631	47,274	29,343	21,296	22,865
Employee costs	3,668	2,910	1,972	1,387	1,162
General, selling and administrative expenses	4,657	3,343	1,686	1,394	1,463
Interest and bank charges	861	1,054	693	704	477
Depreciation and amortization	794	545	475	115	111
Total expenditure	**63,611**	**55,126**	**34,169**	**24,896**	**26,078**
Profit before tax and Prior period	**7,155**	**2,228**	**184**	**1,000**	**1,463**
Expenditure					
Prior period expenditure [Refer Annexure IX (II)]					
Amortisation of goodwill	(311)	0	0	0	0

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008	For year ended March 31, 2007	For the period from January 1st 2005 to March 31, 2006
Amortisation of deferred employee compensation	0	(126)	0	0	0
Gratuity expenses	0	(15)	0	0	0
Royalty expenses	(40)	0	0	0	0
Profit before tax and extraordinary items	**6,804**	**2,087**	**184**	**1,000**	**1,463**
Provision for tax					
Current tax	3,310	972	89	100	4
Deferred tax	(602)	(840)	0	202	(338)
Fringe benefit tax	0	47	34	21	16
MAT credit entitlement	0	0	(122)	0	0
Profit before extraordinary items	**4,096**	**1,908**	**183**	**677**	**1,781**
Extraordinary items (net of tax)	-	-	-	-	-
Profit after extraordinary items before Adjustments	**4,096**	**1,908**	**183**	**677**	**1,781**
Adjustments, net of tax [Refer Annexure IX (III)]:					
Changes in accounting policies	0	28	33	(19)	2
Other material adjustments	596	663	(391)	(509)	(325)
Net profit/(loss) as restated	**4,692**	**2,599**	**(175)**	**149**	**1,458**
Balance brought forward from previous year	5,753	3,154	3,329	3,180	2,979
Balance available for Appropriation as restated	**10,445**	**5,753**	**3,154**	**3,329**	**4,437**
Transfer to General Reserve	0	0	0	0	186
Dividend	0	0	0	0	939
Tax on Dividend	0	0	0	0	132
Total Appropriation	0	0	0	0	**1,257**
Balance carried to Balance Sheet	**10,445**	**5,753**	**3,154**	**3,329**	**3,180**

Unconsolidated Summary Statement of Cash Flows, as Restated

(*in Rs. lakhs*)

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008	For year ended March 31, 2007	For the period from January 1, 2005 to March 31, 2006
A. Cash flow from operating activities					
Net Profit before tax, as restated	7,547	3,134	(75)	319	1,042
Adjustments for:					
Depreciation and amortization	794	545	475	426	111
Interest expenses	196	442	332	456	192
Interest income	(192)	(341)	(366)	(45)	(5)

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008	For year ended March 31, 2007	For the period from January 1, 2005 to March 31, 2006
Income from Mutual fund investment	(14)	-	-	-	-
Unrealized foreign exchange gain / loss	106	(185)	13	(24)	21
(Profit)/loss on sale of fixed assets, net	1	-	-	1	(2)
(Profit)/loss on sale of investment	-	-	(73)	-	-
Amortisation of deferred employees compensation	93	93	93	33	-
Provision for doubtful advances	1,642	(304)	230	218	130
Provision for leave encashment and gratuity	41	60	10	34	10
Provision for liquidated damages and warranty	766	1,806	(89)	(119)	(76)
Operating profit before working capital changes	**10,981**	**5,250**	**550**	**1,299**	**1,423**
Adjustments for:					
(Increase)/ decrease in sundry debtors	(7,226)	(16,019)	(4,824)	(6,114)	(1,365)
(Increase)/ decrease in loans and advances and other current assets	(1,145)	(1,634)	(2,317)	(1,209)	150
(Increase)/ decrease in inventory	1,772	(2,280)	1,750	2	(2,005)
Increase/ (decrease) in sundry creditors	(1,012)	18,570	2,163	6,130	754
Cash generated from operations	**3,370**	**3,887**	**(2,678)**	**108**	**(1,043)**
Direct taxes paid	(1,877)	(806)	(636)	(388)	(218)
Net cash generated/(used) from operating activities	**1,493**	**3,081**	**(3,314)**	**(280)**	**(1,261)**
B. Cash flow from investing activities					
Purchase of fixed assets (including capital work in progress)	(574)	(536)	(2,166)	(172)	(218)
Proceeds on disposal of fixed assets	8	14	4	6	13
Purchase of Mutual funds	(1,301)	-	-	-	-
Investment in subsidiaries		(524)	(16)	559	-
Investment in Associate	-	-	-	(13)	-
Sale of Investment	1,315	-	105	-	-
Payment of Intercorporate deposit	-	-	-	(1,000)	-
Receipt of Intercorporate deposit	-	-	1,000	-	-
Margin money deposits made					

Particulars	For year ended March 31, 2010	For year ended March 31, 2009	For year ended March 31, 2008	For year ended March 31, 2007	For the period from January 1, 2005 to March 31, 2006
	-	-	(2,667)	(930)	-
Receipt of Margin money deposit	-	37	-	-	143
Movement in Margin money deposit	3,613	-	-	-	-
Interest received	191	333	394	6	5
Net cash generated/(used in) investing activities	**3,252**	**(676)**	**(3,346)**	**(1,544)**	**(57)**
C. Cash flow from financing activities					
Proceeds from issue of share capital including share premium	48	-	4,113	9,562	-
Redemption of preference shares	-	-	(1,071)	-	-
Proceeds from Short term borrowing	-	1,000	1,187	440	2,547
Repayment of Short term borrowing	(1,150)	(1,069)	(440)	(4,515)	-
Dividend paid during the year	-	-	-	-	(1,071)
Interest paid to banks and others	(196)	(442)	(332)	(456)	(192)
Net cash generated/(used) in financing activities	**(1,297)**	**(511)**	**3,457**	**5,031**	**1,284**
D. Net cash flows during the year (A+B+C)	**3,448**	**1,894**	**(3,203)**	**3,207**	**(34)**
E. Cash and cash equivalents at the beginning	2,957	1,063	4,266	1,059	1,093
F. Cash and cash equivalents at the end (D+E)	**6,405**	**2,957**	**1,063**	**4,266**	**1,059**
Note:					
1. Components of cash and cash equivalents					
Cash in hand	23	6	16	76	64
Balances with scheduled banks::					
Current accounts	1,557	2,951	1,047	640	963
Deposit account	4,831	3,619	3,656	4,539	59
Balances with non-scheduled banks::					
Current accounts	-	-	-	-	32
	6,411	**6,576**	**4,719**	**5,255**	**1,118**
Less: Margin money and restricted cash	6	3,619	3,656	989	59
Cash and cash equivalents	**6,405**	**2,957**	**1,063**	**4,266**	**1,059**

THE ISSUE

Issue of Equity Shares	Rs. [●] lakhs*
Of which:	
I) Fresh Issue by our Company	Rs. 12,500 lakhs*
II) Offer for Sale by the Selling Shareholders	26,53,383 Equity Shares*
Of which:	
A) Qualified Institutional Buyers (QIBs) Portion#	Up to [●] Equity Shares*
Of which	
Available for Mutual Funds only	[●] Equity Shares*
Balance of QIB Portion (available for QIBs including Mutual Funds)	[●] Equity Shares*
B) Non-Institutional Portion	Not less than [●] Equity Shares*
C) Retail Portion	Not less than [●] Equity Shares*
Pre and post-Issue Equity Shares	
Equity Shares outstanding prior to the Issue	95,40,813 Equity Shares
Equity Shares outstanding after the Issue	[●] Equity Shares
Use of Issue Proceeds	Please see the section titled "Objects of the Issue" on page 88 for information about the use of the Issue Proceeds.

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

** Under-subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders, in consultation with the BRLMs.*

 # Our Company and the Selling Shareholders may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic mutual funds, subject to valid Bids being received from domestic mutual funds at or above the price at which allocation is being done to Anchor Investors. For further details, please see the section titled "Issue Procedure" on page 331.

GENERAL INFORMATION

Our Company was incorporated as Balcke Durr Cooling Towers Limited, a public limited company on February 17, 1995 under the Companies Act. Our Company's name was changed to Balcke Durr and Wabag Technologies Limited pursuant to a special resolution dated July 29, 1996. A fresh certificate of incorporation consequent upon the name change was granted to our Company on September 12, 1996. Our Company's name was changed to VA Tech Wabag Limited pursuant to a special resolution dated March 10, 2000. A fresh certificate of incorporation consequent upon the name change was granted to our Company on April 4, 2000. For further details, please see the section titled "History and Certain Corporate Matters" on page 168.

Registered and Corporate Office of our Company

VA Tech Wabag Limited

No.11, Murray's Gate Road
Alwarpet, Chennai 600 018
Tel: +91 44 4223 2323
Fax: +91 44 4223 2324
Website: www.wabag.com
Registration Number: 18-30231
Company Identification Number: U45205TN1995PLC030231

Address of the Registrar of Companies

Our Company is registered with the Registrar of Companies, Tamil Nadu situated at the following address:

Block No.6 "B" Wing
2nd Floor, Shastri Bhavan
No. 26, Haddows Road
Nungambakkam
Chennai 600 034
Tamil Nadu

Board of Directors of our Company

Our Board of Directors comprises the following:

Name and Designation	Age (years)	DIN	Address
Bhagwan Dass Narang *Chairman, non-executive Independent Director*	65	00038052	Flat No.29, DDA Apartments, Pocket F, SFS Scheme, Sheikh Sarai, Phase – I, New Delhi 110 017
Rajiv Mittal *Managing Director*	50	01299110	No.13A, Jeevarathinam Nagar, 1st street, Adyar, Chennai 600 020
Sumit Chandwani *Non-executive non-Independent Nominee Director*	42	00179100	2001, Era 3 Marathon Nextgen, Ganpatrao Kadam Marg, Lower Parel,Mumbai 400 013
Dr. Guenter Heisler *Non-executive Independent Director*	57	01359297	Huetteldorferstre., 349/8 A-1410, Vienna, Austria
Jaithirth Rao *Non-executive Independent Director*	57	00025289	#61, Umang, Kashibai Navrang Marg, Gamdevi, Mumbai 400 007

For further details of our Directors, please see the section titled "Our Management" on page 184.

Company Secretary and Compliance Officer

S. Ramasundaram is the Company Secretary and Compliance Officer of our Company. His contact details are as follows:

S. Ramasundaram
No. 11, Murray's Gate Road, Alwarpet
Chennai 600 018
Tel: +91 44 4223 2411
Fax: +91 44 4223 2324
Email: companysecretary@wabag.in

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

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to the SCSBs, giving full details such as name, address of applicant, application number, number of Equity Shares applied for, amount paid on application and designated branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Book Running Lead Managers

Enam Securities Private Limited
801/ 802, Dalamal Towers
Nariman Point
Mumbai 400 021
Tel: +91 22 6638 1800
Fax: +91 22 2284 6824
E-mail: vatech.ipo@enam.com
Investor grievance email: complaints@enam.com
Website: www.enam.com
Contact Person: Kanika Sarawgi
SEBI Reg. No.: INM000006856

IDFC Capital Limited
Naman Chambers, C-32
G-Block, Bandra Kurla Complex
Bandra (East)
Mumbai 400 051
Tel: +91 22 6622 2600
Fax: +91 22 6622 2501
Email: wabag.ipo@idfc.com
Investor grievance email: complaints@idfc.com
Website: www.idfccapital.com
Contact Person: Shirish Chikalge
SEBI Registration No.: INM000011336

Syndicate Members

Sharekhan Limited
A 206, Phoenix House
Second Floor, Senapati Bapat Marg
Lower Parel
Mumbai 400 013
Tel: + 91 44 6748 2000

Fax: +91 44 2498 2626
Email: pankajp@sharekhan.com
Contact Person: Pankaj Patel
SEBI Registration No.:
BSE – INB231073330
NSE – INB011073351

Self Certified Syndicate Banks

The list of banks that have been notified by SEBI to act as SCSBs for the ASBA process are provided on http://www.sebi.gov.in/pmd/scsb.pdf. For details on designated branches of SCSBs collecting the ASBA Bid cum Application Forms, please refer to the above mentioned SEBI link.

Legal Counsel to the Issue

Amarchand & Mangaldas & Suresh A. Shroff & Co.
5th Floor, Peninsula Chambers
Peninsula Corporate Park
Ganpatrao Kadam Marg
Lower Parel
Mumbai 400 013
Tel.: +91 22 2496 4455
Fax: +91 22 2496 3666

Registrar to the Issue

Karvy Computershare Private Limited
Plot Nos. 17-24, Vittal Rao Nagar
Madhapur,
Hyderabad 500 081
Tel: + 91 40 2342 0815-28
Fax: + 91 40 2343 1551
Email: einward.ris@karvy.com
Investor Grievance Email: vatech.ipo@karvy.com
Website: http://karisma.karvy.com
Contact Person: Murli Krishna
SEBI Registration No.: INR000000221

Bankers to the Issue and Escrow Collection Banks

ICICI Bank Limited
Capital Markets Division
30, Mumbai Samachar Marg
Mumbai 400 001
Tel: +91 22 6631 0311/ 6631 0312
Fax: +91 22 2261 1138/ 6631 0350
Contact Person: Viral Bharani
Email: viral.bharani@icicibank.com
Website: www.icicibank.com

State Bank of India
Cash Management Product Centre
Corporate Accounts Group Central
31, Mahal Industrial Estate, Ground Floor
Off Mahakali Caves Road
Andheri (East), Mumbai 400 093
Tel: +91 22 2687 4455/ +91 9920740551
Fax: +91 22 2687 5060
Contact Person: Ashok Nayyar
Email: dgm.cmp@sbi.co.in
Website: www.statebankofindia.com

HDFC Bank Limited
FIG-OPS Department – Lodha
I Think Techno Campus, O-3, Level
Kanjurmarg (East)

Standard Chartered Bank
270 D.N. Road
Fort
Mumbai 400 001

Mumbai 400 042
Tel: +91 22 3075 2928
Fax: +91 22 2579 9801
Contact Person: Deepak Rane
Email: deepak.rane@hdfcbank.com
Website: www.hdfcbank.com

Tel: +91 22 2268 3955
Fax: +91 22 2209 6067
Contact Person: Joseph George
Email: Joseph.George@sc.com
Website: www.standardchartered.co.in

Bankers to our Company

State Bank of India
Industrial Finance Branch
Anna Salai
Chennai 600 002
Tel: +91 44 655 13170
Fax: +91 44 2860 0572
Contact Person: R. Ingersal
Email: ingersal.r@sbi.co.in
Website: www.sbi.in

ICICI Bank Limited
ICICI Bank Towers 4th floor
Plot No. 24 South Phase
Ambattur Industrial Estate
Chennai
Tel: +91 44 3051 7910
Fax: +91 44 3051 8015
Contact Person: Rangarajan R.
Email: rangarajan.r@icicibank.com
Website: www.icicibank.com

Punjab National Bank
No. 10 Raja Street
T. Nagar
Chennai 600 017
Tel: +91 44 6572 0001
Fax: +91 44 2434 1050
Contact Person: S. V Sekar
Email: bo345@pnb.co.in
Website: www.pnb.in

Yes Bank Limited
Nungambakkam High Road
Nungambakkam
Chennai 600 034
Tel: +91 44 2831 9000
Fax: +91 44 2831 9001
Contact Person: K. Vijayakumar
Email: k.vijayakumar@yesbank.in
Website: www.yesbank.in

HDFC Bank Limited
No. 115, Radhakrishnan Salai
Mylapore
Chennai 600 004
Tel: +91 44 2847 7244
Fax: +91 44 2847 7250
Contact Person: Archana Vasudevan
Email: archana.vasudevan@hdfcbank.com
Website: www. hdfcbank.com

IDBI Bank Limited
7 Chevalier Sivaji Ganesan Road
(South Boag Road)
T. Nagar
Chennai 600 017
Tel: +91 44 2432 5408
Fax: +91 44 2431 5370
Contact Person: V. Venkatakrishnan
Email: v_vkrishnan@idbibank.com
Website: www.idbibank.com

Auditors to our Company

Walker, Chandiok & Co.
Unit No.13,14 & 16, III Floor
No.31, Thiru-vi-ka Road
Royapettah,
Chennai 600 014
Tel: +91 44 4551 002, +91 44 4551 003
Fax: +91 44 4551 0005
Email: mohan.Ramakrishna@wcgt.in
Firm Registration No.: 001076N

Monitoring Agency

There is no requirement to appoint a Monitoring Agency for the Issue as the size of the Fresh Issue is less than Rs. 50,000 lakhs.

Inter-se Allocation of Responsibilities

The following table sets forth the distribution of responsibility and co-ordination for various activities amongst the BRLMs:

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

Credit Rating

This being an issue of Equity Shares, no credit rating is required. The details of the ratings received by our Company for various securities/ instruments in the last three years are as follows:

Borrowing Programs	Amount (in Rs. lakhs)	Rating Agency	Rating	Date of Rating Letter
Fund based limits (Cash Credit)	4050	ICRA	LA-	October 21, 2009
Non-fund based limits (Bank guarantees and letter of credit)	62,300*	ICRA	LA-/A2+	October 21, 2009

** Bank guarantees and letter of credit facility are interchangeable, wherein bank guarantee utilized is long-term in nature and the letter of credit utilized is short-term in nature.*

IPO Grading

This Issue has been graded by ICRA, a SEBI-registered credit rating agency, as 4/5, indicating above average fundamentals. The IPO grading is assigned on a five point scale from 1 to 5 with an "IPO Grade 5" indicating strong fundamentals and an "IPO Grade 1" indicating poor fundamentals. A copy of the report provided by ICRA, furnishing its rationale for its grading has been annexed to this Red Herring Prospectus and will be made available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date. For details in relation to the summary of the rationale for the grading assigned by ICRA, please see the section titled "Other Regulatory and Statutory Disclosures" on page 312.

Experts

Except as stated below, our Company has not obtained any expert opinions:

We have received consent from our Statutory Auditors namely, Walker, Chandiok & Co., Chartered Accountants, to include their names as an expert in this Red Herring Prospectus in relation to the statement of tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus.

ICRA, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of its report in the form and context in which it will appear in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the RoC and the Designated Stock Exchange.

Project Appraisal

None of the objects of the Issue have been appraised by an independent agency.

Trustee

As this is an Issue of Equity Shares, the appointment of a trustee is not required.

Book Building Process

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

- Our Company;
- The Selling Shareholders;
- The BRLMs;
- Syndicate Members who are intermediaries registered with SEBI or registered as brokers with BSE/NSE

and eligible to act as Underwriters. The Syndicate Members are appointed by the BRLMs;

- Registrar to the Issue;
- Escrow Collection Banks; and
- SCSBs.

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIBs, 5% of the QIB Portion (excluding the Anchor Investor Portion) 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 QIB Bidders, including Mutual Funds, subject to valid Bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

In accordance with the SEBI Regulations, QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. For further details, please see the section titled "Terms of the Issue" on page 323.

Our Company will comply with the SEBI Regulations and any other ancillary directions issued by SEBI for this Issue. In this regard, our Company has appointed the BRLMs to manage the Issue and procure subscriptions to the Issue.

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

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

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

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

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

Steps to be taken by the Bidders for Bidding

1. Check eligibility for making a Bid (see the section titled "Issue Procedure - Who Can Bid?" on page 332);

2. Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid cum Application Form;

3. Ensure that you have mentioned PAN in you Bid cum Application Form. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction;

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

5. Bids by QIBs (including Anchor Investors) will have to be submitted to the BRLMs only.

Withdrawal of the Issue

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

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

Notwithstanding the foregoing, this Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and the final RoC approval of the Prospectus after it is filed with the RoC.

Bid/Issue Programme

BID/ISSUE OPENS ON	**SEPTEMBER 22, 2010***
BID/ISSUE CLOSES ON (FOR NON QIB BIDDERS) **BID/ISSUE CLOSES ON (FOR QIB BIDDERS)**	**SEPTEMBER 27, 2010** **SEPTEMBER 24, 2010**

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

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

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holiday).

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

On the Bid/ Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the

Bids received by Retail Individual Bidders after taking into account the total number of Bids received up to the closure of time period for acceptance of Bid cum Application Forms as stated herein and reported by the BRLMs to the Stock Exchange within half an hour of such closure.

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

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

Underwriting Agreement

After the determination of the Issue Price and allocation of the Equity Shares, but prior to the filing of the Prospectus with the RoC, our Company and the Selling Shareholders will enter into an Underwriting Agreement with the Underwriters for the Equity Shares proposed to be offered through the Issue. It is proposed that pursuant to the terms of the Underwriting Agreement, the BRLMs shall be responsible for bringing in the amount devolved in the event that their respective Syndicate Members do not fulfil their underwriting obligations. The underwriting shall be to the extent of the Bids uploaded by the Underwriters including through its Syndicate/Sub Syndicate. The Underwriting Agreement is dated [●]. Pursuant to the terms of the Underwriting Agreement, the obligations of the Underwriters are several and are subject to certain conditions specified therein.

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

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

Name and Address of the Underwriters	Indicated Number of Equity Shares to be Underwritten	Amount Underwritten (In Rs. lakhs)
[●]	[●]	[●]
[●]	[●]	[●]

In the opinion of our Board of Directors (based on the certificates given by the Underwriters), the resources of the above mentioned Underwriters are sufficient to enable them to discharge their underwriting obligations in full. The abovementioned Underwriters are registered with SEBI under section 12 (1) of the SEBI Act or registered as brokers with the Stock Exchanges. Our Board of Directors, at its meeting held on [●], has accepted and entered into the Underwriting Agreement mentioned above on behalf of our Company. The Underwriting Agreement has been authorised by India Advantage Fund I, Dynamic India Fund I, Rainbow Fund Trust, GLG Emerging Markets Fund and Passport India Investments (Mauritius) Limited by respective resolutions of their board of directors as set out below:

Name of Selling Shareholder	Date of Board Resolution
India Advantage Fund I	[●]
Dynamic India Fund I	[●]
Rainbow Fund Trust	[●]
GLG Emerging Markets Fund	[●]
Passport India Investments(Mauritius) Limited	[●]

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments.

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

Notwithstanding the foregoing, the Issue is also subject to obtaining (i) final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment; and (ii) the final approval of the RoC after the Prospectus is filed with the RoC.

CAPITAL STRUCTURE

The share capital of our Company as at the date of this Red Herring Prospectus is set forth below:

(In Rupees)

		Aggregate Value at Face Value	Aggregate Value at Issue Price
A	**AUTHORISED CAPITAL**		
	2,03,50,000 Equity Shares of Rs. 5 each	10,17,50,000	
	48,25,000 Preference Shares of Rs. 10 each	4,82,50,000	
B	**ISSUED, SUBSCRIBED AND PAID-UP CAPITAL BEFORE THE ISSUE**		
	95,40,813 Equity Shares of Rs. 5 each	4,77,04,065	
C	**PRESENT ISSUE IN TERMS OF THIS RED HERRING PROSPECTUS**		
	[●] Equity Shares of Rs. 5 each	[●]	[●]
	Out of the above: a) Fresh Issue of [●] Equity Shares aggregating to Rs. 12,500 lakhs[1] b) Offer for Sale of 26,53,383 Equity Shares of Rs. 5 each[2]		
D	**EQUITY CAPITAL AFTER THE ISSUE**		
	[●] Equity Shares of Rs. 5 each fully paid up	[●]	
E	**SECURITIES PREMIUM ACCOUNT**		
	Before the Issue	130,03,19,912	
	After the Issue	[●]	

1. *The Fresh Issue has been authorized by a resolution of our Board dated September 7, 2009 and by special resolutions passed pursuant to section 81(1A) of the Companies Act, at the EGM of the shareholders of our Company held on September 14, 2009 and the AGM of the shareholders of our Company held on August 2, 2010.*
2. *The Offer for Sale has been authorized by India Advantage Fund I, Dynamic India Fund I, Rainbow Fund Trust, GLG Emerging Markets Fund and Passport India Investments (Mauritius) Limited by respective resolutions of their boards of directors dated March 5, 2010, March 10, 2010, March 5, 2010, March 9, 2010 and March 5, 2010.*

Changes in the Authorised Capital

1. The initial authorised share capital of Rs. 50,00,000 divided into 5,00,000 Equity Shares of Rs. 10 each was increased to Rs. 1,00,00,000 divided into 10,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders dated July 29, 1996.

2. The authorised share capital of Rs. 1,00,00,000 divided into 10,00,000 Equity Shares of Rs. 10 each was increased to Rs. 2,00,00,000 divided into 20,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders dated December 17, 1997.

3. The authorised share capital of Rs. 2,00,00,000 divided into 20,00,000 Equity Shares of Rs. 10 each was increased to Rs. 2,50,00,000 divided into 25,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders dated July 24, 1998.

4. The authorised share capital of Rs. 2,50,00,000 divided into 25,00,000 Equity Shares of Rs. 10 each was increased to Rs. 4,50,00,000 divided into 45,00,000 Equity Shares of Rs. 10 each pursuant to a resolution of the shareholders dated October 24, 2000.

5. The authorised share capital of Rs. 4,50,00,000 divided into 45,00,000 Equity Shares of Rs. 10 each was increased to Rs. 15,00,00,000 divided into 1,01,75,000 Equity Shares of Rs. 10 each and 48,25,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders dated August 3, 2006.

6. The authorised share capital of Rs. 15,00,00,000 divided into 1,01,75,000 Equity Shares of Rs.10 each and 48,25,000 preference shares of Rs. 10 each was sub-divided into 2,03,50,000 Equity Shares of Rs. 5 each and 48,25,000 preference shares of Rs. 10 each pursuant to a resolution of the shareholders dated September 14, 2009.

Notes to the Capital Structure

1. Share Capital History of our Company

(a) Equity Share Capital History

Except as specifically stated, all the allotments made by our Company and indicated below were made on on fully paid up basis.

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative No. of Equity Shares	Cumulative paid-up Equity Capital (Rs.)	Cumulative Securities Premium (Rs.)
February 17, 1995	7	10.00	10.00	Cash	Subscription to Memorandum	7	70	-
July 1, 1996	4,49,993	10.00	10.00	Cash	Preferential allotment to BDAG Balcke-Durr Aktiengesellschaft and Deutsche Babcock Limited	4,50,000	45,00,000	-
June 2, 1997	5,50,000	10.00	10.00	Cash	Preferential allotment to BDAG Balcke-Durr Aktiengesellschaft and Deutsche Babcock Limited	10,00,000	1,00,00,000	-
December 16, 1998	10,00,000	10.00	10.00	Cash	Preferential allotment to BDAG Balcke-Durr Aktiengesellschaft and Deutsche Babcock Limited	20,00,000	2,00,00,000	-
December 28, 1998	81,600	10.00	10.00	Cash	Preferential allotment to Deutsche Babcock Limited	20,81,600	2,08,16,000	-
March 31, 2001	20,00,000	10.00	10.00	Cash	Allotment to Wabag Austria pursuant to the rights issue	40,81,600	4,08,16,000	-
August 25, 2006	28,40,000	10.00	NA	Other than cash	Allotment to erstwhile shareholders of IVEN Water Treatment Technologies	69,21,600	6,92,16,000	-

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative No. of Equity Shares	Cumulative paid-up Equity Capital (Rs.)	Cumulative Securities Premium (Rs.)
					Limited pursuant to scheme of amalgamation approved by the High Court at Madras dated June 26, 2006[1]			
August 25, 2006	33,83,639	10.00	NA	Other than cash	Cancellation of Equity Shares held by IVEN Water Treatment Technologies Limited pursuant to the scheme of amalgamation approved by the High Court at Madras dated June 26, 2006[1]	35,37,961	3,53,79,610	-
February 6, 2007	35,737	10.00	839.47	Cash	Preferential allotment to Jaithirth Rao	35,73,698	3,57,36,980	2,96,42,630
March 9, 2007	3,97,078	10.00	2,224.63	Cash	Preferential allotment to GLG Emerging Markets Fund, Cayman Islands	39,70,776	3,97,07,760	90,90,21,850
December 20, 2007	3,177	10.00	1,259.05	Cash	Preferential allotment to Shri Venimadhav Portfolio Private Limited	39,73,953	3,97,39,530	85,41,25,080[2]
December 28, 2007	3,970	10.00	1,259.07	Cash	Preferential allotment of partly paid up Equity Shares to Dr. Guenter Heisler[3]	39,77,923	3,97,43,500	85,46,11,310
December 28, 2007	34,523	10.00	417.00	Cash	Allotment made to eligible employees under the ESOP Scheme 2006[4]	40,12,446	4,00,88,730	86,86,62,171
January 11, 2008	1,44,593	10.00	2,766.39	Cash	Allotment to Government of Singapore, Passport India Investments (Mauritius) Limited and Sattva India Opportunities Company Limited, Mauritius	41,57,039	41,53,46,60	126,72,16,871
October 22, 2008	105	10.00	417.00	Cash	Allotment made to eligible employees under	41,57,144	4,15,35,710	126,72,59,606

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative No. of Equity Shares	Cumulative paid-up Equity Capital (Rs.)	Cumulative Securities Premium (Rs.)
					the ESOP Scheme 2006[(5)]			
June 4, 2009	513	10.00	417.00	Cash	Allotment made to eligible employees under the ESOP Scheme 2006[(6)]	41,57,657	4,15,40,840	126,74,68,396
August 31, 2009	-	10	1,259.07	Cash	Partly paid up equity shares were fully paid by Dr. Guenter Heisler	-	4,15,76,570	127,19,40,979
September 7, 2009	839	10.00	417.00	Cash	Allotment made to eligible employees under the ESOP Scheme 2006[(7)]	41,58,496	4,15,84,960	127,22,82,449
September 19, 2009	-	-	-	Nil	Split of equity shares from the face value of Rs. 10 to Rs. 5	83,16,992	4,15,84,960	127,22,82,449
September 19, 2009	10,39,629	5.00	-	Nil	Bonus issuance in the ratio of 1:8 pursuant to capitalization of share premium	93,56,621	4,67,83,105	126,70,84,308
August 12, 2010	1,84,192	5.00	185.44	Cash	Allotment made to eligible employees under the ESOP Scheme 2006[(8)]	95,40,813	4,77,04,065	130,03,19,912

(1) *For further details please see section titled "History and Certain Corporate Matters – Key Agreements/ Scheme of Arrangements on page 172"*

(2) *Premium of Rs. 12.20 per preference share was paid on the redemption of preference shares of Rs. 10 each out of the securities premium account. For further details, please see the section titled "Capital Structure – Preference Share Capital History" on page* 74.

(3) *The said Equity Shares were made fully paid up on August 31, 2009.*

(4) *The allotment was made pursuant to the ESOP Scheme 2006 to 256 eligible employees. None of the 256 eligible employees are related to the Promoters of our Company.*

(5) *The allotment was made pursuant to the ESOP Scheme 2006 to Sivaramakrishnan, an eligible employee. Sivaramakrishnan is not related to the Promoters of our Company.*

(6) *Pursuant to exercise of employee stock options, Manikadan, Makarand Kapre and Savita Nagabhooshana were allotted 37,139 and 337 Equity Shares respectively. The above mentioned allotments have been made pursuant to the ESOP Scheme 2006 to the eligible employees of our Company. None of the aforementioned employees are related to the Promoters of our Company.*

(7) *Pursuant to the exercise of employee stock options, Shanmugasundara Babu, Mohamad Ismail Khan, Devadatta Sabaji Patil, Alok Srivastava and Amrinder Singh Virdee were allotted 70, 85, 87, 500 and 97 Equity Shares. The above mentioned allotments have been made pursuant to the ESOP Scheme 2006 to the eligible employees of our Company. None of the aforementioned employees are related to the Promoters of our Company.*

(8) *The allotment was made pursuant to the ESOP Scheme 2006 to 219 eligible employees. None of the 219 eligible employees are related to the Promoters of our Company.*

The issue price for all allotments pursuant to the ESOP Scheme 2006 includes the intrinsic value of the Equity Shares, which is the difference between the fair value of the Equity Shares and the exercise price of the options.

(b) *Equity Shares allotted for consideration other than cash*

Date of allotment of the Equity Shares	No. of Equity Shares	Face Value (Rs.)	Issue Price (Rs.)	Consideration	Reasons for allotment	Persons to whom Equity Shares were allotted	Benefit to the Company
August 25, 2006	28,40,000	10.00	NA	Other than cash	Allotment to erstwhile shareholders of IVEN Water Treatment Technologies Limited* pursuant to scheme of amalgamation approved by the High Court at Madras dated June 26, 2006[(1)]	Allotment of 21,30,000 Equity Shares of face value Rs. 10 each to Western India Trustee and Executor Company Limited, 3,90,500 Equity Shares of face value Rs. 10 each to Rajiv Mittal, 1,06,500 Equity Shares of face value Rs. 10 each to Amit Sengupta, 1,06,500 Equity Shares of face value Rs. 10 each to Shiv Narayan Saraf and 1,06,500 Equity Shares of face value Rs. 10 each to S. Varadarajan.	Nil
August 25, 2006	33,83,639	10.00	NA	Other than cash	Cancellation of Equity Shares held by IVEN Water Treatment Technologies Limited** pursuant to the scheme of amalgamation approved by the High Court at Madras dated June 26, 2006[(1)]	Nil	Nil
September 19, 2009	-	-	-	Nil	Split of equity shares from the face value of Rs. 10 to Rs. 5	All shareholders as on September 18, 2009, being the record date	Nil
September 19, 2009	10,39,629	5.00	-	Nil	Bonus issuance in the ratio of 1:8 pursuant to capitalization of share premium	All shareholders as on September 18, 2009, being the record date	Nil

** Western India Trustee and Executor Company Limited, Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan.*

***IVEN Water Treatment Technologies Limited was transferred 33,83,639 Equity Shares held by Wabag Austria pursuant to a share purchase agreement dated April 7, 2005 with addenda dated June 24, 2005 and September 1, 2005 and an amendment dated October 24, 2007. For further details please see the section titled "History and Certain Corporate Matters – Share Subscription, Share Purchase and Shareholders' Agreements"*

[(1)] *For further details please see section titled "History and Certain Corporate Matters – Key Agreements/ Scheme of Arrangements on page 172"*

(c) Preference Share Capital History

Date of allotment of the Preference Shares	No. of Preference Shares	Face Value (Rs.)	Issue Price (Rs.)	Nature of Payment	Reasons for allotment	Cumulative No. of Preference Shares	Cumulative paid-up Preference Capital (Rs.)	Cumulative Securities Premium (Rs.)
August 25, 2006	48,25,000	10.00	10.00	Cash	Preferential allotment to India Advantage Fund I, Amit Sengupta and Rajiv Mittal	48,25,000	4,82,50,000	-
October 19, 2007	(48,25,000)	10.00	10.00	Cash	Redemption of preference shares at a premium of Rs. 12.20 per share	Nil	Nil	85,01,56,850

Issue of Equity Shares in the Past Year at a price lower than the Issue Price

Our Company has made the following issues of Equity Shares during a period of one year preceding the date of this Red Herring Prospectus which may be at a price lower than the Issue Price:

1. Our Company has issued 10,39,629 Equity Shares on September 19, 2009 to its existing shareholders, including our Promoters, pursuant to a bonus issue in the ratio of 1:8.

2. The following Equity Shares have been issued pursuant to the ESOP Scheme 2006:

Date of issue	Aggregate number of Equity Shares issued	Price at which the shares were issued (In Rs.)
September 7, 2009	839	417
August 12, 2010	1,84,192	185.44
Total	1,85,031	

For details in relation to the persons to whom the allotments have been made, please see the section titled "Capital Structure – Share Capital History of our Company". None of the eligible employees to whom allotments were made under the ESOP Scheme 2006 are related to our Promoters.

2. Build-up of Promoters Shareholding

Date of Allotment/ Transfer and when made fully paid up	Nature of consideration	Nature of Transaction	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition/ Transfer Price (Rs.)	Cumulative no. of Equity Shares	Percentage of total pre-Issue capital	Percentage of total post-Issue capital
Rajiv Mittal								
March 28, 2001	Cash	Transfer	1	10	10	1		
August 25, 2006	Other than cash	Allotment pursuant to scheme of amalgamation approved by	3,90,500	10	NA	3,90,501		

Date of Allotment/ Transfer and when made fully paid up	Nature of consideration	Nature of Transaction	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition/ Transfer Price (Rs.)	Cumulative no. of Equity Shares	Percentage of total pre-Issue capital	Percentage of total post-Issue capital
		the High Court at Madras dated June 26, 2006*						
November 2, 2007	Cash	Transfer from Wabag Austria	1,18,616	10	153.37	5,09,117		
December 18, 2007	Other than cash	Transfer from India Advantage Fund I**	3,89,175	10	-	8,98,292		
September 19, 2009	-	Split of Equity Shares		5	-	17,96,584		
September 19, 2009	-	Issue of bonus Equity Shares	2,24,573	5	-	20,21,157	21.60%	
August 20, 2010	Cash	Transfer to IDFC Investment Advisors Limited	(87,502)	5	1,231.55	19,33,655	20.27%	
August 24, 2010	Cash	Transfer to Enam Financial Consultants Private Limited	(13,711)	5	1,231.55	19,19,944	20.12%	[●]***
Amit Sengupta								
August 25, 2006	Other than cash	Allotment pursuant to scheme of amalgamation approved by the High Court at Madras dated June 26, 2006*	1,06,500	10	NA	1,06,500		
November 2, 2007	Cash	Transfer from Wabag Austria	20,975	10	153.37	1,27,475		
December 18, 2007	Other than cash	Transfer from India Advantage Fund I**	1,06,139	10	-	2,33,614		
September 19, 2009	-	Split of Equity Shares		5	-	4,67,228		
September 19, 2009	-	Issue of bonus Equity Shares	58,404	5	-	5,25,632	5.62%	
August 24, 2010	Cash	Transfer to IDFC Investment Advisors Limited	(42,000)	5	1,231.55	4,83,632	5.08%	[●]***
Shiv Narayan Saraf								

Date of Allotment/ Transfer and when made fully paid up	Nature of consideration	Nature of Transaction	No. of Equity Shares	Face Value (Rs.)	Issue/ Acquisition/ Transfer Price (Rs.)	Cumulative no. of Equity Shares	Percentage of total pre-Issue capital	Percentage of total post-Issue capital
August 30, 2002	Cash	Transfer	1	10	10	1		
August 25, 2006	Other than Cash	Allotment pursuant to scheme of amalgamation approved by the High Court at Madras dated June 26, 2006*	1,06,500	10	NA	1,06,501		
December 18, 2007	Other than Cash	Transfer from India Advantage Fund I**	1,06,139	10	-	2,12,640		
September 19, 2009	-	Split of Equity Shares		5	-	4,25,280		
September 19, 2009	-	Issue of bonus Equity Shares	53,160	5	-	4,78,440	5.11%	
August 24, 2010	Cash	Transfer to IDFC Investment Advisors Limited	(42,000)	5	1,231.55	4,36,440	4.57%	[●]***
S. Varadarajan								
March 28, 2001	Cash	Transfer	1	10	10	1		
August 25, 2006	Other than cash	Allotment pursuant to scheme of amalgamation approved by the High Court at Madras dated June 26, 2006*	1,06,500	10	NA	1,06,501		
December 18, 2007	Cash	India Advantage Fund I**	1,06,139	10	-	2,12,640		
September 19, 2009	-	Split of Equity Shares		5	-	4,25,280		
September 19, 2009	-	Issue of bonus Equity Shares	53,160	5	-	4,78,440	5.11%	
August 20, 2010	Cash	Transfer to IDFC Investment Advisors Limited	(42,000)	5	1,231.55	4,36,440	4.57%	[●]***

**For further details please see the section titled "History and Certain Corporate Matters – Key Agreements/ Scheme of Arrangements – Scheme of Amalgamation of I-Ven Water Treatment Technologies Limited with our Company" on page 172"*

*** For further details please see the section titled "History and Certain Corporate Matters – Key Agreements/ Scheme of Arrangements – Side letter between our Company, Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan and India Advantage Fund I dated March 10, 2010 on page 175"*

**** To be finalised after determination of Issue Price.*

3. Promoters' Contribution and Lock-in

All Equity Shares, which are being locked-in, are eligible for computation of Promoters' contribution as per Regulation 33 of the SEBI Regulations and are being locked-in under Regulation 36 of the SEBI Regulations.

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

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

Name	Date of Acquisition and when made fully paid-up	Nature of Allotment/Transfer	Nature of Consideration (Cash, bonus, kind, etc.)	No. of Equity Shares*	Face Value (Rs.)	Issue Price/ Acquisition Price (Rs.)	Percentage of Post-Issue paid-up capital	Lock-in Period
Rajiv Mittal	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Amit Sengupta	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
Shiv Narayan Saraf	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
S. Varadarajan	[●]	[●]	[●]	[●]	[●]	[●]	[●]	[●]
			Total	[●]			[●]	

** The figures to be provided in this table shall be finalised upon determination of the Issue Price and the number of Equity Shares to be issued in the Fresh Issue, consequent to the Book Building process.*

Out of the aggregate pre-Issue shareholding of the Promoters of Equity Shares all 32,76,456 Equity Shares held by them are eligible for minimum Promoters' contribution in accordance with the SEBI Regulations. The Equity Shares constituting the minimum Promoters' contribution in the Issue which shall be locked-in for three years are eligible therefor in terms of the SEBI Regulations.

Further, in terms of Regulation 40 of the SEBI Regulations, Equity Shares held by the Promoters and locked-in as per Regulation 36, may be transferred to and among the Promoters or to a new promoter or persons in control of our 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.

b) Lock-in of Equity Shares to be issued, if any, to the Anchor Investor

Any Equity Shares allotted to Anchor Investors in the Anchor Investor Portion shall be locked-in for a period of 30 days from the date of Allotment of Equity Shares in the Issue.

c) Details of Equity Shares locked in for one year:

In terms of Regulations 36 and 37 of the SEBI Regulations, in addition to 20% of post-Issue shareholding of our Company held by the Promoters and locked-in for three years, as specified above and other than 26,53,383 Equity Shares being offered by way of an Offer for Sale which are exempt from lock in, our entire pre-Issue equity share capital will be locked-in for a period of one year from the date of Allotment in this Issue. However, 7,28,145 Equity Shares held by India Advantage Fund I and 8,12,614 Equity Shares held by Dynamic India Fund I as on the date of this Red Herring Prospectus will not be subject to any lock-in as India Advantage Fund I is a Venture Capital Fund registered with SEBI and Dynamic India Fund I is an FVCI. India Advantage Fund I and Dynamic India Fund have held these Equity Shares for more than one year. The Equity Shares locked in for one year include the Equity Shares issued by our Company to employees of our Company pursuant to the ESOP Scheme 2006 which was later made compliant with the SEBI ESOP Guidelines.

In terms of Regulation 40 of the SEBI Regulations, the Equity Shares held by persons other than the Promoters prior to the Issue may be transferred to any other person holding the Equity Shares which are locked-in as per Regulation 37 of the SEBI Regulations, subject to continuation of the lock-in in the hands of the transferees for the remaining period and compliance with the Takeover Code as applicable.

In terms of Regulation 39 of the SEBI Regulations, the locked-in securities held by the Promoters may be pledged only with banks or financial institutions as collateral security for loans granted by such banks or financial institutions, provided that the pledge of the Equity Shares is one of the terms of the sanction of the loan and further that the loan has been granted by such banks or financial institutions for the purposes of financing one or more of the Objects of the Issue.

Subject to compliance with applicable regulations in relation to the Issue, our Promoters may transfer some of the Equity Shares held by them to certain persons, including to any of the Bidders in the Issue, anytime after the Bid/Issue Closing Date but prior to the Allotment of the Equity Shares in the Issue. Our Promoters confirm that they have not entered into any agreements or identified any purchasers for the Equity Shares held by them. Further, our Company undertakes that it will report any transactions in the Equity Shares of our Company by our Promoters during this period of lock-in within 24 hours of the transaction.

4. Our shareholding pattern

The table below presents our shareholding pattern before and after the proposed Issue:

Category Code (I)	Category of shareholder (II)	No. of shareholders (III)	Total no. of shares (IV)	No. of shares held in dematerialised form (V)	Total shareholding as a percentage of total (pre-Issue)		Total shareholding as a percentage of total (post-Issue)	Shares pledged or otherwise encumbered	
					As a Percentage of (A+B) (VI)	As a percentage of (A+B+C) (VII)		No. of shares (VIII)	As a percentage (IX)
(A)	**Promoter and Promoter Group**								
(1)	**Indian**								
(a)	Individuals/ HUF	3	13,56,512	13,56,512	14.22	14.22	[●]	0	0
(b)	Central Government/ State Government (s)	-	-	-	-	-	[●]	-	-
(c)	Bodies Corporate	-	'-	-	-	-	[●]	-	-
(d)	Financial Institutions/ Banks	-	-	-	-	-	[●]	-	-
(e)	Any Other	-	-	-	-	-	[●]	-	-
						-	[●]		
	Sub Total (A)(1)	3	13,56,512	13,56,512	14.22	14.22	[●]	-	-
(2)	**Foreign**								
(a)	Individuals(Non Resident Individuals/ Foreign Individuals)	1	19,19,944	19,19,944	20.12	20.12	[●]	-	-
(b)	Bodies Corporate	-	-	-	-	-	[●]	-	-
(c)	Institutions	-	-	-	-	-	[●]	-	-
(d)	Any Other	-	-	-	-	-	[●]	-	-
	Sub Total (A)(2)	1	19,19,944	19,19,944	20.12	20.12	[●]	0	0
	Total Shareholding of promoter and Promoter Group (A) = (A)(1) + (A)(2)	**4**	**32,76,456**	**32,76,456**	**34.34**	**34.34**	[●]	0	0
(B)	**Public Shareholding**								
(1)	**Institutions**							NA	NA
(a)	Mutual Funds/ UTI	-	-	-	-	-	[●]	NA	NA
(b)	Financial Institutions/Banks	-	-	-	-	-	[●]	NA	NA

Category Code (I)	Category of shareholder (II)	No. of shareholders (III)	Total no. of shares (IV)	No. of shares held in dematerialised form	Total shareholding as a percentage of total (pre-Issue)		Total shareholding as a percentage	Shares pledged or otherwise encumbered	
(c)	Central Government/State Govt(s)	-	-	-	-	-	[●]	NA	NA
(d)	Venture Capital Funds#	1	12,11,596	12,11,596	12.70	12.70	[●]	NA	NA
(e)	Insurance companies	-	-	-	-	-	[●]	NA	NA
(f)	Foreign Venture Capital Investors*	1	13,52,148	13,52,148	14.17	14.17	[●]	NA	NA
(g)	Foreign Institutional Investors**	3	12,02,039	12,02,039	12.60	12.60	[●]	NA	NA
(h)	Any other (specify) - Trust	1	6,242	6,242	0.07	0.07	[●]	NA	NA
	Sub-Total (B)(1)	**6**	**37,72,025**	**37,72,025**	**39.54**	**39.54**	[●]	**NA**	**NA**
(2)	**Non-institutions**								
(a)	Bodies Corporate	3	5,89,659	5,82,511	6.18	6.18	[●]	NA	NA
(b)	Individuals (i) individual shareholders holding nominal share capital upto Rs.1 lakh	6	924	844	0.01	0.01	[●]	-	-
	(ii) individual shareholders holding nominal share capital excess of Rs. 1 lakh	-	-	-	-	-	[●]	-	-
(c)	Any other (specify)								
(i)	NRIs	-	-	-	-	-	[●]	-	-
(ii)	HUF	-	-	-	-	-	[●]	-	-
(iii)	Director	2	89,341	80,408	0.93	0.93	[●]	0	0
(iv)	Clearing Members	-	-	-	-	-	[●]	-	-
(v)	Foreign Companies***	6	18,12,408	18,12,408	19.00	19.00	[●]	0	0
	Sub-Total (B)(2)	**17**	**24,92,332**	**24,76,171**	**26.12**	**26.12**	[●]	**0**	**0**
	Total Public Shareholding (B) = (B)(1)+(B)(2)	**23**	**62,64,357**	**62,48,196**	**65.66**	**65.66**	[●]	**0**	**0**
	Total (A) + (B)	**27**	**95,40,813**	**95,24,652**	**100.00**	**100.00**	[●]	**0**	**0**
(C)	**Shares held by Custodians and against which Depository Receipts have been issued**	**0**	**0**	**0**	**0**	**0**	[●]	**0**	**0**
	GRAND TOTAL (A)+(B)+(C)	**27**	**95,40,813**	**95,24,652**	**100.00**	**100.00**		**0**	**0**

 # India Advantage Fund I
** Dynamic India Fund I*
*** Passport India Investments (Mauritius) Limited, EMSAF-Mauritius and Tree Line Asia Master Fund (Singapore) Pte Ltd.*
****GLG Emerging Markets Funds, Cayman Islands; Government of Singapore Investment Corporation Pte. Ltd.; Monetary Authority of Singapore; Monetary Authority of Singapore B; Sattva India Opportunities Company Ltd.; Sattva India Opportunities Company II Ltd.*

For further details on Equity Shares held by our Promoters, refer to note 2 of Notes to the Capital Structure. The details regarding the shareholding of the Directors in our Company are as follows:

S.No.	Name of the Shareholder	No. of Equity Shares	Pre-Issue Percentage Shareholding (in %)	Post-Issue Percentage Shareholding
Directors of our Company				
1.	Bhagwan Dass Narang*	Nil	Nil	[●]
2.	Rajiv Mittal	19,19,944	20.12	[●]
3.	Sumit Chandwani	Nil	Nil	[●]
4.	Dr. Guenter Heisler	8,933	0.09	[●]
5.	Jaithirth Rao	80,408	0.84	[●]

**Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn holds 7,148 Equity Shares of our Company.*

5. The list of our top 10 shareholders and the number of Equity Shares held by them is provided below:

(a) Our top 10 shareholders as on the date of filing of this Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage (in %)
1	Rajiv Mittal	19,19,944	20.12
2	Dynamic India Fund I, Mauritius	13,52,148	14.17
3	IDBI Trusteeship Services Limited – India Advantage Fund I	12,11,596	12.70
4	Passport Capital LLC - Passport India Investments (Mauritius) Limited	8,30,000	8.70
5	GLG Emerging Markets Fund, Cayman Islands	7,94,156	8.32
6	Government of Singapore Investment Corporation Pte. Ltd.	4,95,437	5.19
7	Amit Sengupta	4,83,632	5.08
8	S. Varadarajan	4,36,440	4.57
9	Shiv Narayan Saraf	4,36,440	4.57
10	IDFC Investments Advisors Limited	4,05,992	4.26

(b) Our top 10 shareholders 10 days prior to filing of this Red Herring Prospectus are as follows:

S. No.	Shareholder	No. of Equity Shares Held	Percentage (in %)
1	Rajiv Mittal	19,19,944	20.12
2	Dynamic India Fund I, Mauritius	13,52,148	14.17
3	IDBI Trusteeship Services Limited – India Advantage Fund I	12,11,596	12.70
4	Passport Capital LLC - Passport India Investments (Mauritius) Limited	8,30,000	8.70
5	GLG Emerging Markets Fund, Cayman Islands	7,94,156	8.32
6	Government of Singapore Investment Corporation Pte Ltd	4,95,437	5.19
7	Amit Sengupta	4,83,632	5.08
8	S. Varadarajan	4,36,440	4.57
9	Shiv Narayan Saraf	4,36,440	4.57
10.	IDFC Investment Advisors Limited	4,05,992	4.26

(c) Our top 10 shareholders as of two years prior to filing of this Red Herring Prospectus were as follows:

S. No.	Shareholders	No. of Equity Shares Held	Percentage (in %)
1	Rajiv Mittal	8,98,292	21.60
2	Dynamic India Fund – I, Mauritius	6,76,074	16.26
3	Western India Trustee – India Advantage Fund I	6,05,798	14.57
4	Passport Capital LLC – Passport India Investments (Mauritius) Limited	4,15,000	9.98
5	GLG Emerging Markets Fund, Cayman Islands	3,97,078	9.55
6	Amit Sengupta	2,33,614	5.62
7	Government of Singapore Investment Corporation Pte. Ltd.	2,20,194	5.30
8	Shiv Narayan Saraf	2,12,640	5.12
9	S. Varadarajan	2,12,640	5.12
10	Sattva India Opportunities Company Ltd.	1,44,593	3.48

6. Employee stock option plans

The ESOP Scheme 2006

We have an employee stock option scheme, namely, the ESOP Scheme 2006 in compliance with the SEBI ESOP Guidelines.

The ESOP Scheme 2006 was approved by our Board by its resolution dated August 1, 2006 and by our shareholders at an extraordinary general meeting dated August 3, 2006, wherein approval was granted for issue of up to 5% of the paid up capital of our Company as on June 30, 2006. Pursuant to the shareholders' resolution, 2,04,080 Equity Shares were proposed to be issued to eligible employees of our Company in terms of the SEBI ESOP Guidelines. Pursuant to the ESOP Scheme 2006, as on August 20, 2010 the following Equity Shares were allotted to eligible employees.

Particulars	**Details**			
	Cumulative as on August 20, 2010	**Fiscal 2010**	**Fiscal 2009**	**Fiscal 2008**
Options granted	3,98,021*	-	-	-
Exercise price of options	Each option carries the right to the holder to apply for one equity share of our Company at the exercise price of Rs. 200. Pursuant to the split and bonus of Equity Shares effected on September 19, 2009, the exercise price was adjusted to Rs. 89.			
Options vested	2,74,234*	1,08,820*	40,772	38,787
Options exercised	2,65,147*	1,352	105	34,523
Total number of equity shares arising as a result of full exercise of options	2,65,147*	3,042*	105	34,523
Options lapsed	21,149*	5,624*	4,410	2,287
Variations in terms of options	The options granted and vested and the exercise price have been adjusted for the split in the face value of the Equity Shares from Rs. 10 per share to Rs. 5 per share and for issue of bonus shares.			
Money realised by exercise of options	Rs. 2,35,89,088	Rs.2,70,400	Rs. 21,000	Rs.69,04,600
Total number of options in force	1,11,725*	2,97,097*	1,35,573	1,40,088
Employee-wise details of options granted to				
i) Directors and key managerial employees	See table below			
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	None			
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	None			
Vesting schedule	Not earlier than one year and not later than five years from the date of grant			
	Fiscal 2010	**Fiscal 2009**		**Fiscal 2008**
Fully diluted EPS on a pre-issue basis based on restated unconsolidated financials (in Rs.)	49.31	27.34		(1.90)
Lock-in	2,65,147 Equity Shares			
Difference between employee compensation cost computed using intrinsic value of stock options and employee compensation cost that would have been recognised if fair value of options had been used (in Rs. lakhs)	(54.00)	(54.00)		(54.00)
Impact of this difference on the profits of the Company (in Rs. lakhs)	(54.00)	(54.00)		(54.00)
Impact of this difference on the EPS of the Company (in Rs.) i. Basic ii. Diluted	(0.57) (0.56)	(0.57) (0.57)		(0.58) (0.57)
Weighted average exercise prices and weighted average fair values of options whose exercise price	Rs. 89.00 and Rs. 157.54	Rs. 200.00 and Rs. 354.45		Rs. 200.00 and Rs.

Particulars	Details			
	Cumulative as on August 20, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
either equals or exceeds or is less than the market price of the stock				354.45
Method and significant assumptions used during the year to estimate the fair values of options, including weighted average information: i. Risk-free interest rate; ii. Expected life; iii. Expected volatility; iv. Expected dividends; and v. Price of underlying share in market at the time of grant of the option	The Black-scholes method has been used to estimate the fair value of options with the following assumptions: i. Risk-free interest rate: 7%; ii. Expected life: 3 years to 4.5 years; iii. Expected volatility: 70% to 130%; iv. Expected dividends: Nil v. Price of underlying share in market at the time of grant of the option: Rs. 417			
The impact on profits and on the earnings per share of the last three years if the Issuer had followed the accounting policies specified in clause 13 of the SEBI ESOP Guidelines in respect of options granted in the last three years	Nil	Nil		Nil

** Note: The consolidated options have been adjusted for split and bonus of the Equity Shares effected on September 19, 2009.*

Note 1: Details regarding options granted to our key managerial personnel are set forth below:

Name of key managerial personnel	No. of options granted	No. of options exercised	No. of options outstanding	No of Equity Shares held
Patrick Andrade	11,700*	7,000*	3,263*	Nil

* As adjusted for the split in shares pursuant to a resolution of our shareholders on September 14, 2009 and the bonus issue of shares made by our Company on September 19, 2009 pursuant to a resolution of our shareholders on September 14, 2009.

None of our Directors have been issued options pursuant to the ESOP Scheme 2006.

All our employees who have been allotted Equity Shares on the exercise of the options granted under the ESOP Scheme 2006 have confirmed to us that they do not intend to sell any Equity Shares arising from such options for three months after the date of listing of the Equity Shares in this Issue.

The ESOP Scheme 2010

Our Company has established an employee stock option scheme pursuant to which options to acquire Equity Shares will be granted to selected employees of our Company and Subsidiaries (the "ESOP Scheme 2010"). The purpose of ESOP Scheme 2010 is to attract, retain, reward and motivate employees to contribute to the growth and profitability of our Company and Subsidiaries.

Our Board and shareholders have, through their resolutions dated June 3, 2010 and July 19, 2010, respectively approved our Company's proposal to establish the ESOP Scheme 2010, pursuant to which our Company may grant up to 4,67,831 options. The ESOP Scheme 2010 is in compliance with the SEBI ESOP Guidelines.

The following table sets forth the particulars of the options granted and the Equity Shares proposed to be allotted under the ESOP Scheme 2010:

Particulars	Details			
	Cumulative as on August 20, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
Options granted	4,36,929	-	-	-
Exercise price of options	A) For the first grant: Rs. 900 per option; B) For future grants: Discount up to a maximum of 25% to the			

Particulars	Details			
	Cumulative as on August 20, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
	closing market price per option, where the closing market price shall be the latest available closing price one day prior to the date of the meeting of the Remuneration cum Compensation Committee in which the options are granted (the market price on the stock exchange showing the highest volume of trading would be considered), where the discount will be decided by the Remuneration cum Compensation Committee for each of the future grants of options.			
Options vested	Nil			
Options exercised	Nil			
Total number of equity shares arising as a result of full exercise of options	4,36,929	Nil	Nil	Nil
Options lapsed	Nil			
Variations in terms of options	Nil			
Money realised by exercise of options	Nil	Nil	Nil	Nil
Total number of options in force	4,36,929	Nil	Nil	Nil
Employee-wise details of options granted to				
i) Directors and key managerial employees	See table below			
ii) Any other employee who received a grant in any one year of options amounting to 5% or more of the options granted during the year	None			
iii) Identified employees who are granted options, during any one year equal to exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of our Company at the time of grant	None			
Vesting schedule	Not earlier than one year and not later than five years from the date of grant			
	Fiscal 2010	**Fiscal 2009**		**Fiscal 2008**
Fully diluted EPS on a pre-issue basis based on restated unconsolidated financials (in Rs.)	N.A.	N.A.		N.A.
Lock-in	Nil			
Difference between employee compensation cost computed using intrinsic value of stock options and employee compensation cost that would have been recognised if fair value of options had been used (in Rs. lakhs)	N.A.			
Impact of this difference on the profits of the Company (in Rs. lakhs)	N.A.			
Impact of this difference on the EPS of the Company (in Rs.) iii. Basic iv. Diluted	N.A.			
Weighted average exercise prices and weighted average fair values of options whose exercise price either equals or exceeds or is less than the market price of the stock	N.A.	N.A.		N.A.
Method and significant assumptions used during the year to estimate the fair values of options, including weighted average information: vi. Risk-free interest rate; vii. Expected life;	N.A			

Particulars	Details			
	Cumulative as on August 20, 2010	Fiscal 2010	Fiscal 2009	Fiscal 2008
viii. Expected volatility; ix. Expected dividends; and x. Price of underlying share in market at the time of grant of the option				
The impact on profits and on the earnings per share of the last three years if the Issuer had followed the accounting policies specified in clause 13 of the SEBI ESOP Guidelines in respect of options granted in the last three years	Nil	Nil	Nil	

Note 1: Details regarding options granted to our key managerial personnel are set forth below:

Name of key managerial personnel	No. of options granted	No. of options exercised	No. of options outstanding	No of Equity Shares held
Patrick Andrade	5,500	Nil	5,500	Nil
Rahul Jaiswal	12,000	Nil	12,000	Nil
K. N. Gokhale	5,500	Nil	5,500	Nil
Erik P Gothlin	15,000	Nil	15,000	Nil
Josef Schnaitl	4,000	Nil	4,000	Nil
Gerhard Jantscher	4,000	Nil	4,000	Nil
Gerhard Ryhiner	3,000	Nil	3,000	Nil
Arnold Gmunder	3,000	Nil	3,000	Nil
Tomislav Smid	2,500	Nil	2,500	Nil

None of our Directors have been issued options pursuant to the ESOP Scheme 2010.

No Equity Shares have been allotted pursuant to the ESOP Scheme 2010. In terms of the ESOP Scheme 2010, the options shall vest in the employees not earlier than one year from the date of grant of options under the ESOP Scheme 2010, i.e. not earlier than August 12, 2011.

7. ***Transfer of Equity Shares***

Date of Transfer	Nature of consideration	Transferee	No. of Equity Shares	Face Value (Rs.)	Transfer Price (Rs.)
Rajiv Mittal					
August 20, 2010	Cash	IDFC Investment Advisors Limited	87,502	5	1,231.55
August 24, 2010	Cash	Enam Financial Consultants Private Limited	13,711	5	1,231.55
Amit Sengupta					
August 24, 2010	Cash	IDFC Investment Advisors Limited	42,000	5	1,231.55
Shiv Narayan Saraf					
August 24, 2010	Cash	IDFC Investment Advisors Limited	42,000	5	1,231.55
S. Varadarajan					
August 20, 2010	Cash	IDFC Investment Advisors Limited	42,000	5	1,231.55
Employees of our Company*					
August 20, 2010	Cash	IDFC Investment Advisors Limited	1,92,490	5	1,231.55
Dynamic India Fund I**					

Date of Transfer	Nature of consideration	Transferee	No. of Equity Shares	Face Value (Rs.)	Transfer Price (Rs.)
August 24, 2010	Cash	Tree Line Asia Master Fund (Singapore) Pte Ltd	1,44,300	5	1,231.55
August 24, 2010	Cash	EMSAF-Mauritius	24,719	5	1,231.55
IDBI Trusteeship Services Limited – India Advantage Fund I**					
August 24, 2010	Cash	Enam Financial Consultants Private Limited	1,51,450	5	1,231.55
Rainbow Fund Trust**					
August 24, 2010	Cash	Enam Financial Consultants Private Limited	11,358	5	1,231.55
GLG Emerging Markets Fund					
August 24, 2010	Cash	EMSAF-Mauritius	99,270	5	1,231.55
Passport India Investments Mauritius Limited					
August 24, 2010	Cash	EMSAF-Mauritius	1,03,750	5	1,231.55

** 229 Employees of our Company transferred 1,92,490 Equity Shares which were allotted to them pursuant to the ESOP Scheme 2006 to IDFC Investment Advisors Limited pursuant to an agreement dated August 17, 2010. For details in relation to this agreement, please see the section titled "History and Certain Corporate Matters" on page 168.*

*** Pursuant to these transfers and the Offer for Sale, assuming full subscription of the Equity Shares offered by the Selling Shareholders, India Advantage Fund I and Dynamic India Fund I will hold 7,28,145 and 8,12,614 Equity Shares respectively, of our Company, which will be exempt from lock-in. For details, please see the section titled "Capital Structure – Notes to Capital Structure – Details of Equity Shares locked in for one year"on page 78.*

8. Our Company, our Promoters, our Directors and the BRLMs have not entered into any buy-back and/or standby arrangements for the purchase of Equity Shares from any person.

9. There are no financing agreements whereby our Promoter Group, our Directors and their relatives have financed the acquisition of Equity Shares during the period of six months immediately preceding the filing of the Draft Red Herring Prospectus.

10. The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to QIB Bidders, 5% of the QIB Portion (excluding the Anchor Investor Portion) 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 QIB Bidders, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

11. Under-subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories, at the discretion of our Company and the Selling Shareholders, in consultation with the BRLMs.

12. None of our Directors, our Promoter Group or our Promoters or their relatives as defined under the SEBI Regulations have purchased or sold any securities of our Company, during a period of six months preceding the date of filing of the Red Herring Prospectus with SEBI.

13. An investor cannot make a Bid for more than the number of Equity Shares offered through the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of investors.

14. There will be no further issue of capital whether by way of issue of bonus shares, preferential allotment, rights issue or in any other manner during the period commencing from submission of the Draft Red Herring Prospectus with SEBI until the Equity Shares to be issued pursuant to the Issue have been listed.

15. There shall be only one denomination of the Equity Shares, unless otherwise permitted by law. We shall comply with all disclosure and accounting norms as may be specified by SEBI from time to time in this regard.

16. As on the date of filing of this Red Herring Prospectus, the total number of holders of Equity Shares is 27, excluding holders of options outstanding under the ESOP Scheme 2006 and under the ESOP Scheme 2010.

17. We have not raised any bridge loans against the Net Proceeds.

18. We have not issued any Equity Shares out of revaluation reserves. Further, except as disclosed in the section titled "Capital Structure – Equity Shares allotted for consideration other than cash", we have not issued any Equity Shares for consideration other than cash.

19. Other than options granted under the ESOP Scheme 2006 and ESOP Scheme 2010 as set forth in note 6 above, there are no outstanding warrants, options or rights to convert debentures, loans or other instruments into the Equity Shares.

20. The Equity Shares held by our Promoters are not subject to any pledge.

21. An oversubscription to the extent of 10% of the Issue can be retained for the purpose of rounding off to the minimum allotment lot and further to the nearest multiple of market lot.

22. Our Promoters and the members of the Promoter Group will not participate in this Issue.

23. We presently do not intend or propose to alter our capital structure for a period of six months from the Bid/ Issue Opening Date, by way of split or consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly for Equity Shares) whether preferential or otherwise, except that we may grant stock options to the employees and Directors as per the prevailing stock option scheme and allot further Equity Shares to our employees pursuant to exercise of options granted earlier under our ESOP Scheme 2006 and ESOP Scheme 2010. Additionally, if we enter into acquisitions or joint ventures, we may, subject to necessary approvals, consider using our Equity Shares as currency for acquisitions or participation in such joint ventures, we may enter into and/or we may raise additional capital to fund accelerated growth.

24. As on date of filing this Red Herring Prospectus with SEBI, the entire issued share capital of our Company is fully paid up.

25. The Equity Shares issued pursuant to this Issue shall be fully paid up at the time of Allotment, failing which no Allotment shall be made.

26. Our Company has allotted Equity Shares pursuant to a scheme of merger under sections 391 to 394 of the Companies Act for the amalgamation of I-Ven Water Treatment Technologies Limited with our Company. For details, please see the section titled "History and Certain Corporate Matters" on page 168.

27. Enam Financial Consultants Private Limited and IDFC Investment Advisors Limited, which are associates of the BRLMs, hold 1,76,519 Equity Shares (representing 1.85% of the paid-up equity share capital of our Company) and 4,05,992 Equity Shares (representing 4.26% of the paid-up equity share capital of our Company) in our Company, respectively.

OBJECTS OF THE ISSUE

The Issue comprises the Fresh Issue and the Offer for Sale. The object of the Offer for Sale is to carry out the disinvestment of 26,53,383 Equity Shares by the Selling Shareholders. Our Company will not receive any proceeds from the Offer for Sale by the Selling Shareholders.

The objects of the Fresh Issue are:

1. Funding working capital requirements of our Company;
2. Construction of a corporate office at Chennai;
3. Implementation of global IT systems; and
4. General corporate purposes.

The objects of the Issue are also to achieve the benefits of listing on the Stock Exchanges. We believe that listing will enhance our Company's brand name and provide liquidity to our Company's existing shareholders. Listing will also provide a public market for our Equity Shares in India.

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

The details of the Net Proceeds are summarized in the table below:

Funding Plan

(In Rs. lakhs)

Particulars	Amount
Gross Proceeds of the Issue	[●]
Less: Issue related expenses*	[●]
Less: Proceeds of the Offer for Sale*	[●]
Net Proceeds*	[●]

**To be finalized upon determination of the Issue Price*

The fund requirements are summarized in the table below:

Fund Requirements

(In Rs. lakhs)

Particulars	Amount
Funding working capital requirements of our Company	6,450.59
Construction of corporate office at Chennai	3,474.19
Implementation of global IT systems	1,105.13
General corporate purposes	[●]*

** To be finalized upon determination of Issue Price*

The fund requirements are based on our Company's current business plan and internal management estimates and have not been appraised by any bank or financial institution or any independent agency.

Our Company, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time and consequently our funding requirement and deployment of funds may also change. This may also include rescheduling the proposed utilization of Net Proceeds and increasing or decreasing expenditure for a particular object *vis-à-vis* the utilization of Net Proceeds. In case of a shortfall in the Net Proceeds or cost overruns, our management may explore a range of options including utilizing our internal accruals or seeking debt from lenders.

The entire requirements of the objects detailed above are intended to be funded from the Net Proceeds. Accordingly, we confirm that there is no requirement for us to make firm arrangements of finance through verifiable means towards at least 75% of the stated means of finance, excluding the amount to be raised from the Fresh Issue.

Details of the Objects

1. Funding working capital

Our Company's existing working capital requirements and funding on an unconsolidated basis as of March 31, 2010 was as follows:

(In Rs. lakhs)

Particulars as on March 31, 2010	
Current Assets	55,783
Inventories	1,834
Debtors	40,634
Cash and bank balance	6,411
Other current assets	6,904
Current Liabilities	36,893
Sundry creditors	23,456
Advances from customers	9,445
Provisions	3,992
Total Working Capital Requirements	18,890
Existing Funding Pattern	
Working Capital funding from banks	0
Own funds	18,890
Total	**18,890**

Considering our Company's current Order Book as on June 30, 2010 of Rs. 1,86,080 lakhs, our expected long term working capital requirements are as follows:

(In Rs. lakhs)

Particulars	
Current Assets	83,094.21
Inventories	6,010.97
Debtors	61,849.32
Cash and bank balance	6,328.77
Other current assets	8,905.15
Current Liabilities	53,703.62
Sundry creditors	35,620.60
Advances from customers	14,383.56
Provisions	3,699.46
Total Working Capital Requirements	29,390.59
Proposed Funding Pattern	
Working Capital funding from banks	4,050.00
Part Proceeds of the Fresh Issue	6,450.59
Own funds	18,890.00
Total	**29,390.59**

Assumptions for Working Capital requirements

Particulars	Number of days outstanding
Inventories	27
Sundry debtors	215
Cash and bank balance	22

Particulars	Number of days outstanding
Other Current Assets	40
Sundry Creditors	160
Advances from customers	50
Provisions	13

Note: While the sundry debtors, cash and bank balance, advances from customers and provisions are in terms of number of days 'Sales', the other three parameters namely, inventories, other current assets and current liabilities are in terms of number of days 'Cost of Sales'.

2. Construction of corporate office at Chennai

Our Company proposes to construct a new office facility, to be named Wabag House, at Chennai admeasuring approximately 1,50,000 sq. ft, which is the maximum permissible built up area of the land purchased, as per the certificate dated September 16, 2009 of Rajendran Associates, Architects. The planned office facility will be our global headquarters and will house our employees across various SBUs working on various projects and proposals as well as our corporate team, including teams responsible for group management, accounts and finance and human resources.

Our Company has purchased land located at plot no. 989, old door no. 153 (new no.17), Madras Metropolitan Radial Transit Road, Sunnambukulathur village, Chennai 600 117. Our Company bought the land on July 18, 2007 at a total cost of Rs. 1,697.56 lakhs funded from internal accruals of our Company. The same has been certified by our Statutory Auditors by way of a certificate dated January 28, 2010. A suit (O.S. No. 686 of 2007) has been filed by Ekambaram Naicker in respect of a parcel of the land adjacent to the land on which our Company is constructing a new office facility. Our Company has been made a party to this suit. For further details, please see the section titled "Outstanding Litigation and Material Developments" on page 285.

Construction of the facility has begun in July 2010 and the facility is expected to be fully operational by July 2012. The detailed drawings for these buildings are under preparation at present. For details in relation to the approvals obtained and applied for in respect of the facility, please see the section titled "Government Approvals" on page 301.

Our Company estimates to incur an expenditure of approximately Rs. 3,474.19 lakhs, excluding the cost of the land already purchased by our Company, towards the establishment of this facility. The break-down of the expenditure and estimated periods of completion is as set forth below:

(In Rs. lakhs)

Item	Fund Requirement	Estimated period of completion
Civil works and construction	2,066.19	February 2012
Interior and fitouts/furniture	638.00	July 2012
Equipment and installation	770	July 2012
Total	**3,474.19**	-

The schedule for funds deployment for the construction of the corporate office at Chennai is as given below:

(In Rs. lakhs)

	Estimated cost	Amount Deployed as of July 31, 2010*	Balance Fund Requirement	Estimated Schedule of fund deployment		
				Further fund Deployment in Fiscal 2011	Fund Deployment in Fiscal 2012	Fund Deployment in Fiscal 2013

Construction of corporate office at Chennai**	3,474.19	229.48	3,244.71	1,870.52	1,000.00	374.19

** The amount deployed is as per the certificate from Walker, Chandiok & Co., chartered accountants, dated August 20, 2010 which has been financed out of internal accruals, debts and advances. This amount will be reimbursed from the Net Proceeds.*
*** Not including escalation costs, if any*

Our Company will use internal accruals to fund deployment which will be recouped from the Net Proceeds.

The above estimates, excluding land, are based on a quotation dated February 8, 2010 received from Allied Investments and Housing Private Limited and reviewed by our in-house project management team.

3. Implementation of global IT systems

Our Company plans to develop and implement a global IT system to facilitate the integration of the business process between our Company and certain of our Subsidiaries. Our Company proposes to implement a global wide area network by housing the global data base on a common server and by interfacing the various users across the globe using MPLS VPN technology. Thus, transactions by our Company and Subsidiaries across different countries would be carried out using an ERP software, the IFS, with customized project management modules developed to suit our nature of business.

Our Company estimates to incur an expenditure of approximately Rs. 1,105.13 lakhs towards the establishment of this facility. The break-down of the expenditure is as set forth below:

(In Rs. lakhs)

Item	Estimated cost
IFS Product cost	184.79
IFS implementation man day cost	239.65
IFS logistics expenses for implementation	141.73
Wabag Europe Consultant Cost	57.00
Basic infrastructure cost	50.48
Global connectivity	9.58
Business continuity solution	52.75
Wrench	22.88
Customisation of IFS modules	28.80
HR module implementation	30.42
Data centre in Chennai and disaster recovery centre in Pune	287.05
Total	**1,105.13**

The schedule for funds deployment for the implementation of global IT systems is as given below:

(In Rs. lakhs)

	Estimated cost	Amount deployed as of July 31, 2010*	Balance Fund Requirement	Estimated Schedule of deployment of Net Proceeds	
				Further fund Deployment in Fiscal 2011	Fund Deployment in Fiscal 2012
Implementation of global IT systems	1,105.13	486.12	619.01	513.88	105.13

** The amount deployed is as per the certificate from Walker, Chandiok & Co., chartered accountants, dated August 20, 2010 which has been financed out of internal accruals, debts and advances. This amount will be reimbursed from the Net Proceeds.*

The above estimates are based on quotations from several suppliers which have been reviewed by our in-house project management team.

4. **General Corporate Purposes**

The Net Proceeds will be first utilised towards the aforesaid items and the balance is proposed to be utilized for general corporate purposes including strategic initiatives, brand building exercises and strengthening of our marketing capabilities.

Our Company, in accordance with the policies of our Board, will have flexibility in utilizing the proceeds earmarked for general corporate purposes.

Expenses of the Issue

The breakdown of the total estimated expenses for the Issue is as follows:

(Rs. lakhs)

Activity	Expenses*	Percentage of the Issue Expenses*	Percentage of the Issue Size*
Lead management fees	[●]	[●]	[●]
Underwriting commission, brokerage and selling commission (including SCSB commission)	[●]	[●]	[●]
Registrar's fees	[●]	[●]	[●]
Advertising and marketing	[●]	[●]	[●]
Printing and distribution	[●]	[●]	[●]
Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, fees paid to the IPO Grading agency, fees to the legal advisors, etc.)	[●]	[●]	[●]
Total estimated issue expenses	**[●]**	**[●]**	**[●]**

** Will be incorporated after finalization of Issue Price*

Other than listing fees which will be paid by our Company, all expenses with respect to the Issue will be shared between our Company and the Selling Shareholders who have offered their Equity Shares for sale on a *pro-rata* basis, in the ratio of the Equity Shares issued by our Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale.

Bridge Financing Facilities

Our Company has not raised any bridge loans from any bank or financial institution as of the date of this Red Herring Prospectus which are proposed to be repaid from the Net Proceeds.

Appraisal Report

None of the projects for which the Net Proceeds will be utilised have been financially appraised by any banks, financial institutions or agency and the estimates of the costs of the projects mentioned above are based on the internal estimates of our Company.

Interim Use of Proceeds

Our Company's management, in accordance with the policies established by our Board from time to time, will have flexibility in deploying the Net Proceeds. Pending utilization of the Net Proceeds for the purposes described above, we intend to temporarily invest the Net Proceeds in high quality interest bearing liquid instruments including investment in mutual funds, deposits with banks or temporarily deploy the funds in working capital loan accounts. Such investments would be in accordance with the investment policies approved by our Board from time to time. Our Company confirms that pending utilisation of the Net Proceeds, it shall not use the funds for any investments in equity shares.

Monitoring of Utilization of Funds

Our Board shall monitor the utilization of the Net Proceeds. Our Company will disclose the utilization of the Net Proceeds under a separate head in our Company's balance sheet for Fiscals 2011, 2012 and 2013 clearly specifying the purpose for which such proceeds have been utilized. Our Company will also, in our Company's balance sheet for Fiscals 2011, 2012 and 2013, provide details, if any, in relation to all such Net Proceeds that have not been utilized and also indicating investments, if any, of such unutilized Net Proceeds.

Pursuant to clause 49 of the Listing Agreement, our Company shall on a quarterly basis disclose to the Audit Committee the uses and applications of the Net Proceeds. On an annual basis, our Company shall prepare a statement of funds utilised for purposes other than those stated in this Red Herring Prospectus and place it before the Audit Committee. Such disclosure shall be made only until such time that all the Net Proceeds have been utilised in full. The statement shall be certified by the statutory auditors of our Company. Furthermore, in accordance with clause 43A of the Listing Agreement, our Company shall furnish to the stock exchanges on a quarterly basis, a statement including material deviations if any, in the utilisation of the process of the Issue from the objects of the Issue as stated above. This information will also be published newspapers simultaneously with the interim or annual financial results, after placing the same before the Audit Committee.

No part of the Net Proceeds will be paid by our Company as consideration to our Promoters, our Directors, associates or our Company's key managerial personnel except in the usual course of business. Additionally, there are no existing or anticipated transactions in relation to the utilisation of the Net Proceeds with our Promoters, our Directors, associates and the key managerial personnel of our Company.

BASIS FOR ISSUE PRICE

The Issue Price of Rs. [●] per Equity Share will be determined by our Company and the Selling Shareholders, in consultation with the BRLMs, on the basis of assessment of market demand for the Equity Shares offered by the Book Building process and on the basis of the following qualitative and quantitative factors. The face value of the Equity Shares is Rs. 5 and the Issue Price is [●] times the face value at the Floor Price and [●] times the face value at the Cap Price.

Specific attention of the investors is drawn to the sections titled "Risk Factors" and "Financial Statements" on pages 14 and 204, respectively, to have a more informed view about the investment proposition.

Qualitative Factors

We believe that we have significant industry expertise and knowledge as a result of our project reference list of more than 2,250 projects over the last three decades in more than 19 countries across the world. In particular, we believe that the following strengths help differentiate us from our competitors and enable us to compete successfully in our industry:

- Complete water solutions provider
- Wabag brand recognition
- Use of advanced technology
- Strong execution track record and Order Book
- Domestic and international presence
- Strong management team and experienced staff

For further details, please see the section titled "Our Business – Competitive Strengths" on page 139.

Quantitative Factors

Information presented in this section is derived from our unconsolidated and consolidated restated financial statements prepared in accordance with Indian GAAP.

1. Earnings per Share (EPS) on consolidated basis

Year ended	EPS based on Consolidated Restated Financial Statements (Rs.)		Weight
	Basic	Diluted	
March 31, 2008	6.00	5.90	1
March 31, 2009	45.18	44.41	2
March 31, 2010	53.23	52.34	3
Weighted Average	42.68	41.96	

Earnings per Share (EPS) on an unconsolidated basis

Year ended	EPS based on Unconsolidated Restated Financial Statements (Rs.)		Weight
	Basic	Diluted	
March 31, 2008	(1.93)	(1.90)	1
March 31, 2009	27.81	27.34	2
March 31, 2010	50.15	49.31	3
Weighted Average	34.02	33.45	

Notes

1. Basic EPS has been calculated as per the following formula:
   (Net profit/ (loss) as restated, attributable to Equity Shareholders)/ (Weighted average number of Equity Shares outstanding during the year/period)
2. Diluted EPS has been calculated as per the following formula:
   (Net profit/(loss) as restated, attributable to Equity Shareholders)/ (Diluted weighted average number of Equity Shares outstanding during the year/period)
3. Earnings per share calculations are in accordance with Accounting Standard 20 "Earnings per Share" prescribed by the Companies (Accounting Standard) Rules, 2006
4. The face value of each Equity Share is Rs.5.

2. *Price Earning Ratio (P/E) in relation to the Issue Price of Rs. [●] per share of Rs. 5 each*

S. No.	Particulars	Unconsolidated	Consolidated
a.	P/E ratio based on basic EPS for the Fiscal 2010 at the Floor Price:	[●]	[●]
b.	P/E ratio based on diluted EPS for the Fiscal 2010 at the Floor Price:	[●]	[●]
c.	P/E ratio based on basic Weighted average EPS for the Fiscal 2010 at the Floor Price:	[●]	[●]
d.	P/E ratio based on diluted Weighted average EPS for the Fiscal 2010 at the Floor Price:	[●]	[●]
e.	P/E ratio based on basic EPS for the Fiscal 2010 at the Cap Price:	[●]	[●]
f.	P/E ratio based on diluted EPS for the Fiscal 2010 at the Cap Price:	[●]	[●]
g.	P/E ratio based on basic Weighted average EPS for the Fiscal 2010 at the Cap Price:	[●]	[●]
h.	P/E ratio based on diluted Weighted average EPS for the Fiscal 2010 at the Cap Price:	[●]	[●]
i.	Industry P/E*		
	Highest – IVRCL Infrastructure & Projects Limited	63.2	
	Lowest – Nagarjuna Constructions	19.2	
	Industry Composite	41.2	

** Source: Capital Markets, Volume XXV/14 dated Sep 06-19, 2010 (Industry-Construction, Engineering & Engineering-turnkey services)*

3. *Weighted Average Return on Net Worth*

Year ended	Return on Net Worth (%)	Weight
	Consolidated	
March 31, 2008	1.74	1
March 31, 2009	11.36	2
March 31, 2010	12.43	3
Weighted Average	10.29	

Year ended	Return on Net Worth (%)	Weight
	Unconsolidated	
March 31, 2008	(1.02)	1
March 31, 2009	13.19	2
March 31, 2010	19.35	3
Weighted Average	13.90	

Note: Return on Net worth has been calculated as per the following formula:
Net profit/loss after tax, as restated / Net worth excluding preference share capital and revaluation reserve

4. *Minimum Return on Total Net Worth after issue needed to maintain pre-Issue EPS as on March 31, 2010*

a. **At the Floor Price on basic EPS –** [●]% and [●]% based on unconsolidated and consolidated financial statements respectively.

b. **At the Cap Price on basic EPS -** [●]% and [●]% based on unconsolidated and consolidated financial statements respectively.

c. **At the Floor Price on diluted EPS –** [●]% and [●]% based on unconsolidated and consolidated financial statements respectively.

d. **At the Cap Price on diluted EPS -** [●]% and [●]% based on unconsolidated and consolidated financial statements respectively.

5. Net Asset Value (NAV)

	NAV (Rs.)	
	Unconsolidated	**Consolidated**
NAV as at March 31, 2009	211	397.56
NAV as at March 31, 2010	259	428.40
NAV after the Issue	[●]	[●]
Issue Price	[●]	

Note: Net Asset Value has been calculated as per the following formula:
Net worth excluding preference share capital and revaluation reserve/ Weighted average number of Equity shares outstanding during the year/ period.

6. Comparison with other listed companies

We are an EPC player having expertise in the end-to-end execution of major water treatment projects including sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse. We face competition from domestic and international players in our industry segment. However, currently there is no listed entity in India operating in this industry segment and hence a strict comparison with us is not possible due to significant differences in business and industry dynamics such as scalability, profitability, complexity of project deliverables, technical expertise required for completion of projects, etc.

However, there are other listed EPC players which provide a similar nature of services but in different industry segments (roads, highways, bridges, etc).

Hence, we have presented a comparative analysis of these players below:

	Face Value (Rs.)	Revenue for Fiscal 2010 (In Rs. lakhs)	EPS for Fiscal 2010 (In Rs.)	P/E	RoNW for Fiscal 2010 (%)	NAV for Fiscal 2010 (In Rs.)
VA Tech Wabag Limited, on a consolidated basis	5	1,23,376	53.23	[●]	12.43	428.4
Peer Group						
IVRCL Infrastructure & Projects Limited	2	5,49,230	2.6	63.2	4.0	69.3
Engineers India Limited	5	1,99,380	9.6	24.6	35.0	33.1
Thermax Limited	2	3,04,820	20.7	32.5	25.5	88.2
Hindustan Construction	1	3,64,420	1.4	36.5	6.5	25.0
Nagarjuna Constructions	2	4,75,920	7.6	19.2	10.2	87.5
Gammon India	2	4,46,810	9.8	20.8	9.7	131.2

** Source: Capital Markets, Volume XXV/14 dated Sep 06 – 19, 2010 (Industry-Construction, Engineering & Engineering-turnkey services)*

Note: Figures are on consolidated basis.

On the basis of the above qualitative and quantitative parameters, we and the BRLMs are of the opinion that the Issue Price of Rs. [●] per Equity Share is justified.

The Issue Price of Rs. [•] has been determined by our Company, in consultation with the Selling Shareholders and the Book Running Lead Managers on the basis of the demand from investors for the Equity Shares through the Book Building Process and is justified based on the above accounting ratios. For further details, see the section titled "Risk Factors" on page 14 and the financials of the Company including important profitability and return ratios, as set out in the section titled "Financial Statements" on page 204.

STATEMENT OF TAX BENEFITS

To

The Board of Directors
VA Tech Wabag Limited
11, Murray's Gate Road,
Alwarpet,
Chennai – 600 018
India

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

Dear Sirs,

We hereby report that the enclosed annexure contains the possible tax benefits that may be available to VA Tech Wabag Limited (the "Company") and to the shareholders of the Company, under the Income tax Act, 1961, and other allied direct tax laws, presently prevailing and in force in India.

Several of these benefits are dependent on the Company or its shareholders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of the Company or its shareholders to derive the tax benefits is dependent upon fulfilling such conditions, which based on business imperatives the Company faces in the future, the Company may or may not choose to fulfill.

The benefits discussed in the enclosed statement are neither exhaustive nor are they conclusive.

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

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

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

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

No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to change from time to time. We do not assume responsibility to update the views consequent to such changes.

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

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No: 001076N

per **Mohan Ramakrishna**

Partner
Membership No. 027628

Date: August 20, 2010
Place: Chennai

STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO VA TECH WABAG LIMITED ("THE COMPANY") AND ITS SHAREHOLDERS

We believe that there are no special tax benefits available to the Company and its shareholders. The following general tax benefits, however, shall be available to the Company and the prospective shareholder under the Income-tax and Wealth Tax Laws, subject to compliance with relevant provisions.

I. UNDER THE INCOME TAX ACT, 1961 ("The Act")

1. Benefits available to the Company

1.1. *Dividends exempt under Section 10(34):* Dividend (both interim and final) income, if any, received by the Company on its investment in shares of another Domestic Company shall be exempt from tax under Section 10(34) read with Section 115- O of the Act.

1.2. *Income from units of Mutual Funds exempt under Section 10(35):* The Company will be eligible for exemption of income received from units of mutual funds specified under Section 10(23D) of the Act, income received in respect of units from the Administrator of specified undertaking and income received in respect of units from the specified company in accordance with and subject to the provisions of Section 10(35) of the Act.

1.3. *Computation of Profits and Gains from Business:* Subject to fulfillment of conditions, the Company will be eligible, inter alia, for the following specified deductions in computing its business income:-

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

(a) In respect of tangible assets (being buildings, machinery, plant or furniture) and intangible assets (being know-how, patents, copyrights, trademarks, licenses, franchises or any other business or commercial rights of similar nature acquired on or after 1st day of April, 1998) at the rates prescribed under the Income-tax Rules, 1962

(b) In respect of any new machinery or plant which has been acquired and installed after 31st March 2005 by an assessee engaged in the business of manufacture or production of any article of thing, a further sum of 20% of the actual cost of such machinery or plant

1.3.2 Unabsorbed depreciation if any, for an Assessment Year (AY) can be carried forward and set off against any source of income in subsequent AYs, as per section 32 of the Act, subject to the (2) of section 72 and sub-section (3) of section 73 of the Act.

1.4. *Carry forward and Set off of Business Loss:* Business losses if any, for any AY can be carried forward and set off against profits of business for eight subsequent AYs.

1.5. *Computation of Capital Gains:*

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

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

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

1.5.4 As per the provisions of Section 111A of the Act, short-term capital gains on sale of equity shares or units of an equity oriented fund where the transaction of sale is chargeable to Securities Transaction tax (“STT”) shall be subject to tax at a rate of 15 per cent (plus applicable education cess).

1.5.5 *Deduction of securities transaction tax under section 36(1)(xv):* Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head “profits and gains from business or profession”.

1.6. *Exemption of Capital Gains from Income Tax*

1.6.1 Under Section 10(38) of the Act, long term capital gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT. However, such income shall be taken into account in computing the book profit tax payable under Section 115JB.

1.6.2 Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if such capital gains are invested within a period of six months after the date of such transfer in long-term specified bonds issued by the following and subject to the conditions specified therein –

(a) National Highways Authority of India constituted under section 3 of National Highways authority of India Act, 1988

(b) Rural Electrification Corporation Limited, a company formed and registered under the Companies act, 1956

If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. There is a ceiling of Rs. 50 lakhs per year on the amount of investment that an assessee can make on or after 1st April 2007 in the above-specified long-term assets. However, if the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer.

1.7. *Carry forward and Set off of Capital Loss*

1.7.1 As per section 71 read with section 74 of the Act, Short-term capital loss arising during a year shall be set-off against short-term as well as long-term capital gains of the said year. Balance loss outstanding, if any, should be carried forward and set-off against short-term as well as long-term capital gains for subsequent eight years.

1.7.2 As per section 71 read with section 74 of the Act, Long-term capital loss arising during a year is allowed to be set-off only against long-term capital gains. Balance loss outstanding, if any, should be carried forward and set-off against subsequent year’s long-term capital gains for subsequent eight years.

1.8. *Minimum Alternate Tax (MAT)*: Under Section 115 JAA (1A) of the Act, tax credit shall be allowed of any tax paid (MAT) under Section 115 JB of the Act. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 10 years succeeding the year in which the MAT becomes allowable.

2. Benefits available to the Resident Shareholders of the Company

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

2.2. *Computation of Capital Gains***:**

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

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

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

2.2.4 As per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable education cess).

2.3. *Exemption of Capital Gains from Income Tax*

2.3.1 Under Section 10(38) of the Act, Long term Capital Gains arising out of sale of equity shares or a unit of equity oriented fund will be exempt from tax provided that the transaction of sale of such equity shares or unit is chargeable to STT.

2.3.2 Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if such capital gains are invested within a period of six months after the date of such transfer in long-term specified bonds issued by the following and subject to the conditions specified therein –

(a) National Highways Authority of India constituted under section 3 of National Highways authority of India Act, 1988

(b) Rural Electrification Corporation Limited, a company formed and registered under the Companies act, 1956

If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. There is a ceiling of Rs. 50 lakhs per financial year on the amount of investment that an assessee can make on or after 1st April 2007 in the above-specified long-term assets. However, if the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer.

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

2.3.3 According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately.

For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

2.4. *Deduction of securities transaction tax under section 36(1(xv):* Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of his business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head "profits and gains from business or profession".

3. To the Non-Resident Shareholders (other than FIIs and Foreign Venture Capital Investors)

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

3.2. *Computation of Capital Gains:*

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

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

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

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

3.2.5 *As* per the provisions of section 111A of the Act, short-term capital gains on sale of equity shares where the transaction of sale is chargeable to STT shall be subject to tax at a rate of 15 per cent (plus applicable education cess).

3.3. ***Options*** **available under the Act** *Where shares have been subscribed to in convertible foreign exchange – Option of taxation under Chapter XII-A of the Act:*

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

3.3.1 *According* to the provisions of Section 115D read with Section 115E of the Act and subject to the conditions specified therein, long term capital gains arising on transfer of shares in an Indian company not exempt under Section 10(38), will be subject to tax at the rate of 10 percent (plus applicable education cess), without indexation benefit.

3.3.2 *According* to the provisions of Section 115F of the Act and subject to the conditions specified therein, gains arising on transfer of a long term capital asset being shares in an Indian company shall not be chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period of six months in any specified asset. If part of such net consideration is invested within the prescribed period of six months in any specified asset the exemption will be allowed on a proportionate basis.

For this purpose, net consideration means full value of the consideration received or accruing as result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

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

3.3.3 As per the provisions of Section 115G of the Act, Non-Resident Indians are not obliged to file a return of income under Section 139(1) of the Act, if their source of income is only investment income and / or long term capital gains defined in Section 115C of the Act, provided tax has been deducted at source from such income as per the provisions of Chapter XVII-B of the Act.

3.3.4 Under Section 115H of the Act, where the Non-Resident Indian becomes assessable as a resident in India, he may furnish a declaration in writing to the Assessing Officer, along with his return of income for that year under Section 139 of the Act to the effect that the provisions of the Chapter XII-A shall continue to apply to him in relation to such investment income derived from any foreign exchange asset being asset of the nature referred to in sub clauses (ii), (iii), (iv) & (v) of Section 115C(f) for that year and subsequent assessment years until such assets are converted into money.

3.3.5 As per the provisions of Section 115-I of the Act, a Non-Resident Indian may elect not to be governed by the provisions of Chapter XII-A for any assessment year by furnishing his return of income for that assessment year under Section 139 of the Act, declaring therein that the provisions of Chapter XII-A shall not apply to him for that assessment year and accordingly his total income for that assessment year will be computed in accordance with the other provisions of the Act.

3.4. ***Exemption of capital gains from income tax***

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

3.4.2 Under section 54EC of the Act, capital gains arising on the transfer of a long-term capital asset will be exempt from capital gains tax if such capital gains are invested within a period of six months after the date of such transfer in long-term specified bonds issued by the following and subject to the conditions specified therein –

(a) National Highways Authority of India constituted under section 3 of National Highways authority of India Act, 1988

(b) Rural Electrification Corporation Limited, a company formed and registered under the Companies act, 1956

If only part of the capital gains is so reinvested, the exemption shall be proportionately reduced. There is a ceiling of Rs. 50 lakhs per year on the amount of investment that an assessee can make on or after 1st April 2007 in the above-specified long-term assets. However, if the new bonds are transferred or converted into money within three years from the date of their acquisition, the amount so exempted shall be taxable in the year of transfer.

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

3.4.3 According to the provisions of section 54F of the Act and subject to the conditions specified therein, in the case of an individual or a Hindu Undivided Family ('HUF'), gains arising on transfer of a long term capital asset (not being a residential house) are not chargeable to tax if the entire net consideration received on such transfer is invested within the prescribed period in a residential house. If only a part of such net consideration is invested within the prescribed period in a residential house, the exemption shall be allowed proportionately.

3.4.4 For this purpose, net consideration means full value of the consideration received or accruing as a result of the transfer of the capital asset as reduced by any expenditure incurred wholly and exclusively in connection with such transfer.

3.4.5 Section 36(1)(xv) provides that securities transaction tax paid during the previous year in respect of taxable securities transactions entered into in the course of business during the previous year shall be allowed as deduction provided that such income arising from such taxable securities transactions is included in the income computed under the head "profits and gains from business or profession"

4. TO THE FOREIGN INSTITUTIONAL INVESTORS (FIIs)

4.1. *Dividends exempt under Section 10(34)*: In terms of section 10(34) of the Act, any income by ways of dividend income referred to in Section 115-O received on the shares of the company is exempted from the tax of the Act are exempt in the hands of the shareholder.

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

(a) Short term capital gains, other than those referred to under section 111A of the Act shall be taxed @ 30% (plus applicable education cess). In case such transaction of sale is entered on a recognized stock exchange in India and is liable to STT then short term capital gain shall be taxed @ 15% (plus applicable education cess).

(b) Short term capital gains, referred to under section 111A of the Act shall be taxed @ 15% (plus applicable education cess)

(c) Long Term capital gains @ 10% (plus applicable education cess) (without cost indexation)

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

5. TO THE MUTUAL FUNDS

5.1. In terms of Section 10(23D) of the Act, all Mutual Funds set up by Public Sector Banks or Public Financial Institutions or Mutual Funds registered under the Securities and Exchange Board of India or authorized by the Reserve Bank of India, subject to the conditions specified therein are eligible for exemption from income tax on all their income, including income from investment in the shares of the Company. However, the Mutual Funds shall be liable to pay tax on distributed income to unit holders under Section 115R of the Act.

6. TO THE VENTURE CAPITAL COMPANIES / FUNDS

6.1. As per the provisions of Section 10(23FB) of the Act, any income of Venture Capital Companies /Funds registered with the Securities and Exchange Board of India, set up to raise funds for investment in a Venture Capital Undertaking would be exempt from income tax, subject to conditions as specified.

II. BENEFITS AVAILABLE UNDER THE WEALTH TAX ACT, 1957

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

Notes:

1. All the above benefits are as per the current tax law as amended by Finance (No.2) Act, 2009.

2. The stated benefits will be available only to the sole / first named holder in case the shares are held by Joint holders.

3. In respect of non-residents, the tax rates and the consequent taxation mentioned above may be further subject to any benefits available under the Double Taxation Avoidance Agreement ("tax treaty"), if any, between India and the country in which the non-resident has fiscal domicile. An investor has the option to be governed by the provisions of the Act or the provisions of a Tax Treaty that India has entered into with another country of which the investor is a tax resident, whichever is more beneficial.

4. This statement is a summary only and not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of shares.

5. The statements made above are based on the laws enforced and as interpreted by the relevant taxation authorities as of date.

6. 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.

SECTION IV – ABOUT OUR COMPANY

OUR INDUSTRY

Unless otherwise indicated, all financial and statistical data pertaining to India in the following discussion is derived from websites of and publicly available documents from, various sources, including the websites of the Ministry of Water Resources, Ministry of Urban Development, and Planning Commission reports. The data may have been re-classified by us for the purpose of presentation.

The information in this section has not been independently verified by us, the BRLMs or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources they believe to be reliable, but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Industry and government publications are also prepared based on information as of specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information.

Units of certain numbers and figures with respect to industry data below is million and billion. Please note that one million means 10 lakhs and one billion means 10,000 lakhs.

A. Introduction to the Water Industry

The demand for water – the life-sustaining natural resource that has no substitute, continues to escalate at an unsustainable rate, fueled by population growth and industrial expansion. Water use has been growing at more than twice the rate of population increase in the last century, and, although there is no global water scarcity as such, an increasing number of regions are chronically short of water. Most countries in the Near East and North Africa suffer from acute water scarcity, as do countries such as Mexico, Pakistan, South Africa, and large parts of China and India. The world's fresh water supply is shrinking due to pollution, draining of underground aquifers, and climate change. This situation is reflected in the fact that, in a world three-quarters covered by water, approximately 18% of the population does not have access to fresh drinking water and almost 40% of the population lacks improved sanitation facilities. As a result, supply of clean, potable water and sanitation are among the key challenges of the 21st century. *(Source: World Water Development Report 2: Water, A Shared Responsibility, 2006)*

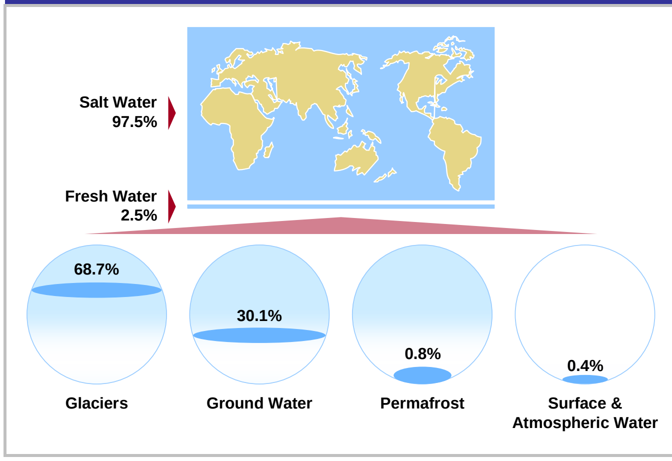
1. Availability of Water

The global supply of freshwater is relatively fixed, and unevenly distributed. Total global water reserves are estimated to be 1.4 billion cubic kilometers, of which nearly 97.5% is salt water in oceans, and the balance 2.5% forms the available fresh water reserves. Groundwater and surface water, which together constitute approximately 0.76% of the total water on the planet are the most easily accessible and used sources of water. Rest of the fresh water is either locked up in the form of glaciers and permanent snow cover, or is inaccessible to humans. *(Source: World Water Development Report 2: Water, A Shared Responsibility, 2006)*

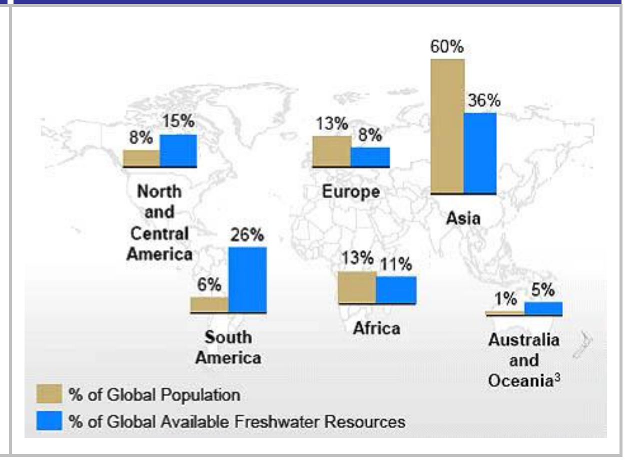
These accessible freshwater resources are distributed unequally around the world, and are subject to varying patterns of usage and discharge. For example, North America enjoys an enviable ratio of 15% of the global water supply for only 8% of the global population whereas Asia is acutely strained with only 36% of the global water supply for 60% of the global population. It is expected that the number of people living in water scarce conditions would double in 20 years and those in water stressed geographies may increase up to six times[1]. *(Source: World Water Development Report 2: Water, A Shared Responsibility, 2006)*

[1] According to the UN if fresh water resources available are less than 1700m^3 per capita per year, a region is said to be experiencing water stress. If the availability is less than 1000m^3/year/head, then a region is said to be experiencing water scarcity.

Breakdown of Global Freshwater Reserves



Global Population Distribution vs. Freshwater Reserves

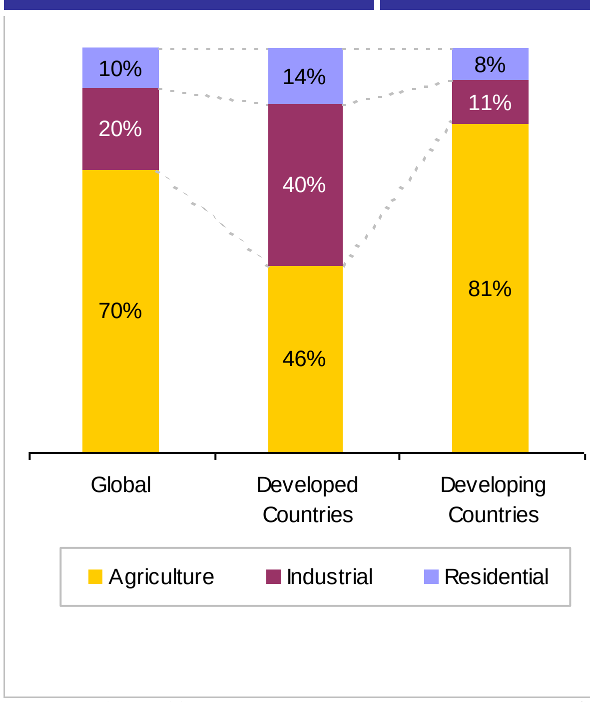


Source: World Water Development Report 2: Water, A Shared Responsibility, 2006

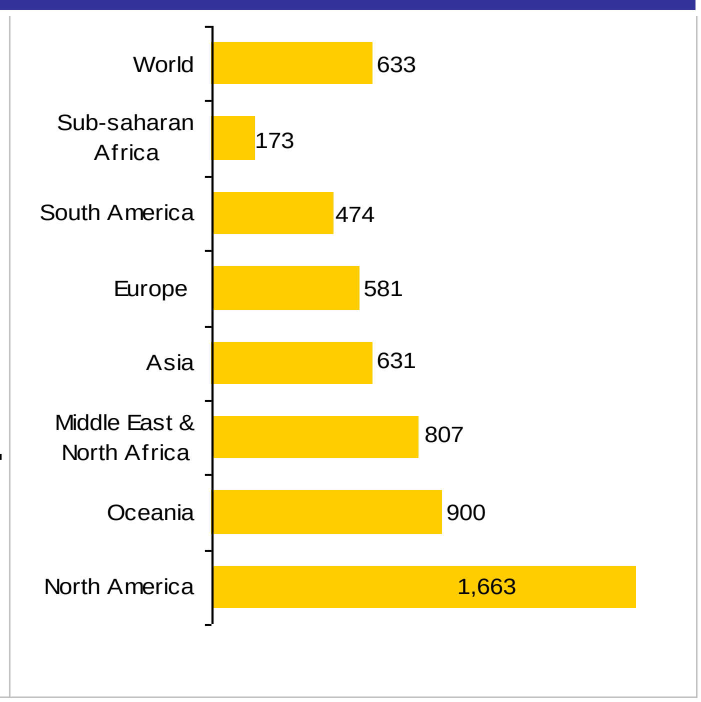
2. Global Water Consumption

The total global freshwater use is estimated at nearly 4,000 cubic kilometres per year. The agricultural sector represents approximately 70% of the global water usage, with industrial and domestic demand representing the remaining 20% and 10%, respectively. Out of the total agricultural demand, about 55% of traditional irrigation water is wasted. Developed countries demand the most industrial water at 40% of their total demand, while developing countries still have the highest demand for agricultural use but considering the pace at which developing countries like India and China are moving towards industrialization and urbanization eventually the domestic and industrial demand for water is likely to increase.

Global Profiles of Water Usage



Aggregate Annual water withdrawal per capita in cubic meters



Source: The World's Water 2008-2009, editor Peter Gleick, Pacific Institute, http://www.worldwater.org/data.html

Demographic processes such as population growth, age distribution, urbanization and migration are also adversely affecting water availability and quality through increased water demands and consumption and through pollution resulting from water use. The overall pattern of water availability and demand is characterized by the following factors:

a) Human activities: demographic, economic and social

- The world's population is growing by about 80 million people a year, implying increased freshwater demand of about 64 billion cubic metres a year. An estimated 90% of the 3 billion people who are expected to be added to the population by 2050 will be in developing countries, many in regions where the current population does not have sustainable access to safe drinking water and adequate sanitation. Sub-Saharan Africa and South Asia are expected to see more than 60% of the world's population growth and account for half of world population in 2100 *(Source: World Water Development Report 3: Water in a changing world, 2009).*

- Urbanization is another megatrend that is stressing water infrastructure. The urban population is expected to double by 2030 in Africa and Asia; with towns and cities of the developing world making up for close to 81% of the total urban population. Overall, urban dwellings are estimated to account for close to 60% of world's population *(Source: World Water Development Report 3: Water in a changing world, 2009).*

- In addition to an increase in population, higher living standards are causing an increase in the per capita use of water. As nations shift from agrarian economies to more of an industrialized focus it increases the standard of living which in turn results in higher per capita water consumption. The analysis in the above table highlights the disparity between regions and level of development. North America uses about nine-times as much water as Sub-Saharan Africa and three times as much as Europe.

b) Climate change

Climate change is caused by greenhouse gasses (GHGs), which enhance the "greenhouse" properties of the earth's atmosphere. These gasses allow solar radiation from the sun to travel through the atmosphere but prevent the reflected heat from escaping back into space. This causes the earth's temperature to rise. Rising global temperatures are likely to lead to an intensification of the hydrological cycle, resulting in dryer dry seasons and wetter rainy seasons, and subsequently heightened risks of more extreme and frequent floods and drought. Changing climate will also have significant impacts on the availability of water, as well as the quality and quantity of water that is available and accessible. Melting glaciers are likely to increase flood risk during the rainy season, and strongly reduce dry-season water supplies to one-sixth of the world's population. Melting ice and thermal expansion of oceans are the key factors driving sea level rise. Particularly in coastlines, where the majority of the human population lives, exposes them to greater erosion and flooding pressures; rising sea levels are likely to also lead to salt water contamination of groundwater supplies, threatening the quality and quantity of freshwater access to large percentages of the population.

Climate change and its accompanying risks also have direct and indirect effects on development and economic growth. Sea level rise, climate variability and weather extremes such as heat waves, floods and droughts are severe, direct threats to human life and property. Tackling them requires mobilizing resources that may have to be reallocated from other investments. Their damage can substantially harm a country's gross domestic product (GDP). Economic performance is especially affected in developing countries because of their high and direct dependence on natural resources, notably rain-fed agriculture and their inadequate access to economic and technological resources.

c) Regulatory constraints

Water and wastewater treatment activities are highly sensitive to regulation. In Europe and North America, governments have enacted stringent environmental laws at national and local level in response to public concern over the environment. The quality of drinking water and the treatment of wastewater are increasingly getting subject to regulation in developing countries as well, both in urban and rural areas. This requires major investments within the required deadlines and effective and management of related issues. Although, this change is occurring at different speeds, depending on the country.

d) Increasing Competition for Water Resources resulting in conflicts

Water scarcity induces competition for water between users, between sectors of the economy, and between countries and regions sharing a common resource, as is the case for international rivers. Many different interests are at stake, and equitable solutions must be found between cities and rural areas; rich and poor; arid lands and wetlands; public and private; infrastructure and natural environments; mainstream and marginal groups; and local stakeholders and centralized authorities. Water conflicts can arise in water stressed areas among local communities and between countries because sharing a very limited and essential resource is extremely difficult. Conflicts about water can occur at all scales. Local-level conflicts are commonplace in irrigation systems, where farmers vie for limited resources. Conflicts also occur at the scale of large national river basins (multistate Indian rivers such as the Cauvery and the Krishna) or transnational river basins (the Jordan and the Nile). Sectoral conflicts oppose users from different sectors (domestic, hydropower, irrigation, industries, recreation and so on), including ecosystems, whose sustainability depends on environmental flows. These conflicts are both economic (the return per cubic metre differs greatly across these uses) and political (the social importance and the political clout of each sector also vary).

B. Current Status and Trends in Water Sector

1. Urgent need for investment in the sector

Traditionally, there has been very little focus by various governments on improving water infrastructure which has created a significant backlog of investment in the sector. The water sector has been plagued by lack of political support, poor governance, under-resourcing and underinvestment. These ills are manifested in non-transparency, lack of accountability, unsustainable economics, high levels of unaccounted for water and low revenue collection. *(Source: World Water Development Report 3: Water in a changing world, 2009)*

As per Global Water Markets 2008 data only 58% of the world’s population is believed to have access to piped water supply, while 36% of the global population is connected to a sewer network. There is still a significant proportion of population in emerging and developing countries without access to water supply and sanitation facilities and this indicates dismal state of water infrastructure in these countries. Investment is also required in the operation and maintenance of physical infrastructure so that it meets appropriate standards and functions efficiently. Operations and maintenance are neglected nearly everywhere in favour of new infrastructure investments, regardless of the country’s level of development. While developing nations require huge investments to bridge the gaps, the developed nations need to refurbish, maintain and upgrade their existing run down infrastructure and meet the stringent environmental regulations. The world business council for sustainable development estimates the total cost of replacing ageing water supply and sanitation infrastructure in industrial countries may be as high as USD 200 billion p.a.

2. Technological Innovation

Technological changes are driving the way water is used, cleaned and reused for meeting human requirements. Industries are investing in new technologies and processes that reduce water use and wastewater discharges. Agricultural productivity is being leveraged by drip irrigation and maintained by soil fertility and conservation techniques. Water supplies are being enhanced in many countries through innovative wastewater treatment and reuse techniques. Advances in technologies and increased energy efficiency in the past decade have made desalination an economic option for water supplies in coastal cities. Desalination is gaining acceptance not only in water scarce regions like Middle East, North Africa and Spain but also in non-traditional markets like India, China and USA. Advances in technology and increased environmental awareness have resulted in filtration and ultra-filtration technologies displacing chemical treatment, especially in industrial applications. As water scarcity becomes acute, it is expected that there will be an increased demand for large-scale and cost-effective water-reuse technologies and improved purification technologies. *(Source: World Water Development Report 3: Water in a changing world, 2009)*

3. Adoption of non-conventional sources of water

The responses to increased competition for water are (a) supply augmentation, (b) conservation and (c) reallocation. The most conventional response is to develop new resources through development of new reservoirs or desalination plants or inter-basin transfer. Inter-basin transfer involves putting in huge infrastructure to transport water from one basin to another requiring large investment, but it is uneconomical in most cases in terms of return on investment. Desalination, an emerging sub-segment of which was very expensive until few years back is increasingly becoming affordable as a result of technology improvements. So far it is used mostly for drinking water (24%) and industrial supplies (9%) in countries that have reached limits of their renewable water resources. Desalination accounted for only 0.4% of water use in 2004 (nearly 14 cu km p.a) but production is expected to double by 2025. Other non-conventional sources of water supply include treated wastewater, secondary sources such as treated irrigation drainage and mining of fossil aquifers. Conservation on the other hand involves increasing efficiency of usage by reducing losses while changes in allocation are based on economic and socio-political conditions. *(Source: World Water Development Report 3: Water in a changing world, 2009)*

4. Focus of Multilateral Agencies

In the emerging countries, where very significant needs are still unmet, the Millennium Development Goals (MDG), adopted in 2000 by members of the United Nations during the World Sustainable Development Summit, stress the fact that access to drinking water as well as adequate wastewater treatment services are necessary to protect human health and the environment. In this regard, the Millennium Declaration invites States to commit to reduce by half, the proportion of people who do not have access to drinking water or wastewater treatment by the year 2015. The target on drinking water is on track but the tally of people without improved sanitation will have decreased only slightly by 2015, from 2.5 billion to 2.4 billion. *(Source: World Water Development Report 3: Water in a changing world, 2009)*

The World Bank estimates up to additional USD 11 billion each year in investments is needed to meet the MDG commitments. By contrast, to connect the entire urban population to water and sewage networks, while ensuring the primary treatment of wastewater, the cost of the 2015 goal rises to much higher numbers per year for water and wastewater treatment and sewerage network. It is evident that the sector is gaining increasing focus of governments around the world and this should provide significant growth impetus to the industry for next several years. *(Source: World Water Development Report 3: Water in a changing world, 2009)*

5. Privatization of water industry for addressing funding gaps

Traditionally, water utilities are government-owned which means that the government is the main party in investing in and developing the relevant infrastructure to service the people. But due to the capital intensive nature coupled with inadequate funding sources, lot of private participation is being sought to develop the water infrastructure in many countries. There are different ways in which public authorities choose to manage the provision of public services which lead to different contractual mechanisms between the public authority and the private players. The contracts generally fall into one of the three categories:

- Direct Management: The public authority chooses to manage and provide public services on its own (direct management), but calls upon a private operator (an EPC contractor) to provide certain services which may include design and construction of water treatment and water supply infrastructure. It pays the operator a contractually-agreed price;

- Build-Operate-Transfer (“BOT”): Where new infrastructure is necessary for the provision of the services, the public authority may prefer a more comprehensive build/operate contract, which may include the financing of required infrastructure. These are known as public market contracts under EU law and also referred to as Build, Operate, Transfer (BOT) contracts; and

- Public-Private Partnership (“PPP”): The public authority entrusts a company with responsibility for the full provision of a public service, with the company assuming all or part of the operational risks. Generally, the provision of the service is then financed by the fees and charges paid by the end user of the service. The contractor thus has financial and operating responsibility for provision of the service, but must do so in accordance with the terms set by the public authority encompassing needs to be satisfied, expected performance and prices charged to end users. This is the logic of “delegated management” contracts or “concession arrangements” under EU law (also known as a Public Private Partnerships – PPP).

In recent years not only the developed countries but even many developing countries have started to liberalize their water industry, by inviting private-sector participation through public-private-partnerships (PPPs). This alleviates the financing pressure on the government and introduces more competition and generally helps to improve the operating efficiencies of water utilities.

Different types of Contracts in PPP

Option	Ownership	Management	Investment	Risk	(years)
Service Contract	Public	Shared	Public	Public	1–2
Management Contract (OandM)	Public	Private	Public	Public	3–5
Lease	Public	Private	Public	Shared	8–15
Concession /BOOT	Public	Private	Private	Private	20–30
Privatization (state divestiture)	Private	Private	Private	Private	Unlimited

The public authorities have asked companies to manage not only the design and construction of the necessary public infrastructure, installations and equipment (as varied as administrative and educational buildings, hospitals, transportation infrastructure, prisons, wastewater treatment facilities or household waste processing plants), but also their financing and long-term maintenance before recovering them at the end of the contract. Two main categories have emerged from these contracts, which together, are often qualified as PPPs. In the first case, which includes contracts belonging to the market category, the resources intended to cover the cost of infrastructures and their financing are similar to a price paid or guaranteed by the public authority, and the service is provided to the public authority using the completed infrastructures. In the second case, which includes contracts equivalent to concessions as defined by the European Union, the resources must be obtained through the commercial operation of the public service (the public or general-interest service whose operation has been delegated) which is the main purpose of the contract, the construction of infrastructure only providing the necessary means.

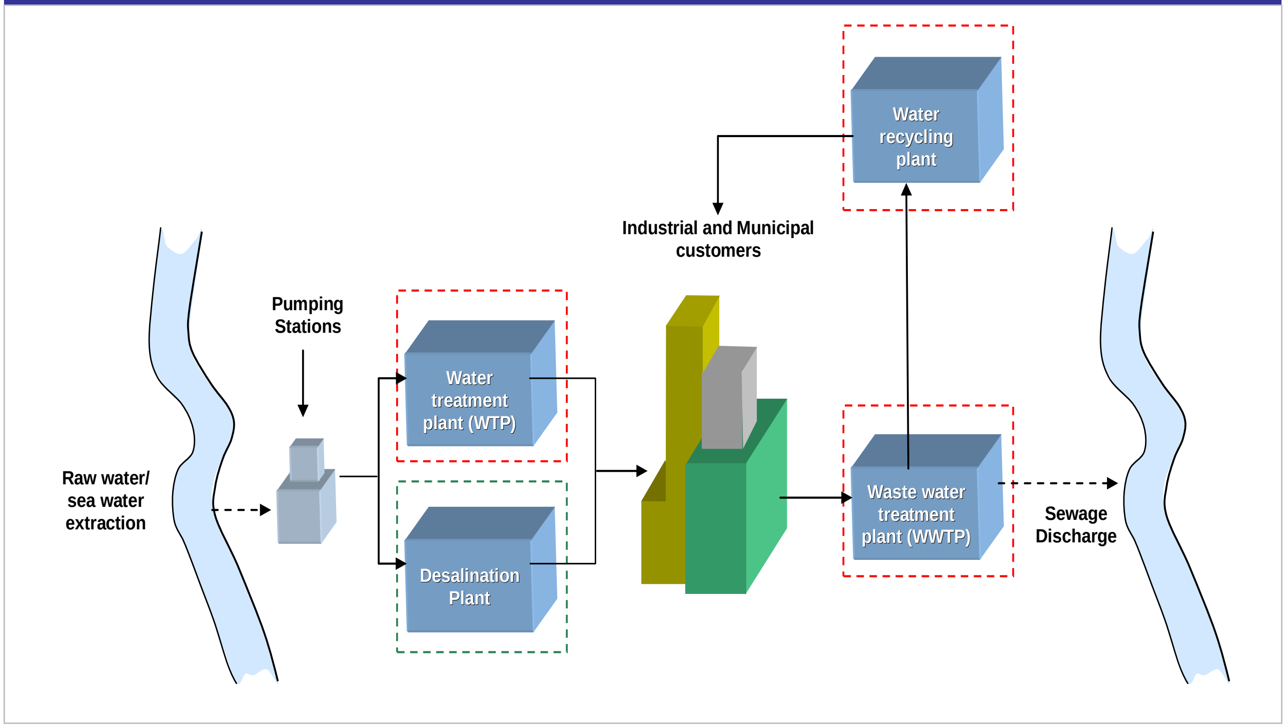
The importance of the growth of the water sector from a commercial point of view is the proportion of the business which is open to private enterprise. Considering the momentum at which the sector is opening up for private players, the rate of growth that companies in the sector will experience is expected to accelerate in future.

C. Structure of Global Water Industry

Water is a human necessity, and is often seen as a basic human right. This, together with the fact that it is provided free by nature, means that there is a great deal of state intervention involved in the provision of water services. By and large, water supply is the responsibility of public agencies, and it is sold to the public at heavily subsidised prices.

1. Water Cycle Overview

Water Cycle Overview



Well and surface water is pumped and fed to a water treatment plant in order to filter or/and disinfect it so that it can be made suitable for residential, commercial, and industrial applications. Sea water has to go through a desalination plant to get rid of the salt and other impurities. Water/waste water treatment processes involves the removal of solids, bacteria, algae, plants, inorganic and organic compounds. Contaminants, such as metals and toxins, place greater burdens on treatment systems, because they are difficult to process. As a result, certain industrial processes need more intensive or advanced filtration for applications such as semiconductors, pharmaceuticals among other things. After water is used it has to be collected and treated in a waste water treatment plant before discharge. Water recycling is also undertaken so that the waste water can be reused again in some of the industrial applications.

The basic municipal/industrial and wastewater treatment processes are highlighted below:

Municipal Water Treatment Systems typically take in, treat, monitor and distribute water to households and other customers. Sources are mostly rivers, canals, large lakes, etc. Normal methods of treatment involve preliminary disinfection, sedimentation with the help of coagulants, followed by filtration through sand beds and final disinfection by chlorine or ozone gas. Of late, membrane separation is also used to produce high quality drinking water. Where the source is sea water or brackish water, RO treatment is used to produce drinking water and some time is added with necessary salts and nutrients.

Industrial water treatment includes the chemicals, equipment, and services that are used to prevent corrosion, deposits from forming, microbial growth, and other problems in equipment and pipes where water is circulated. Water is an important part of the industrial process, because it is used to heat and cool most industrial plants. This process also reduces pollution when water is discharged. Pre-treatment of industrial waste removes many pollutants at the beginning of the process. The main objective is to make the water fit for use as process water to meet various needs of different industries.

Waste Water Treatment handles effluents from industry or domestic sewage at the end of the cycle. This process usually involves collecting, treating and discharging the wastewater.

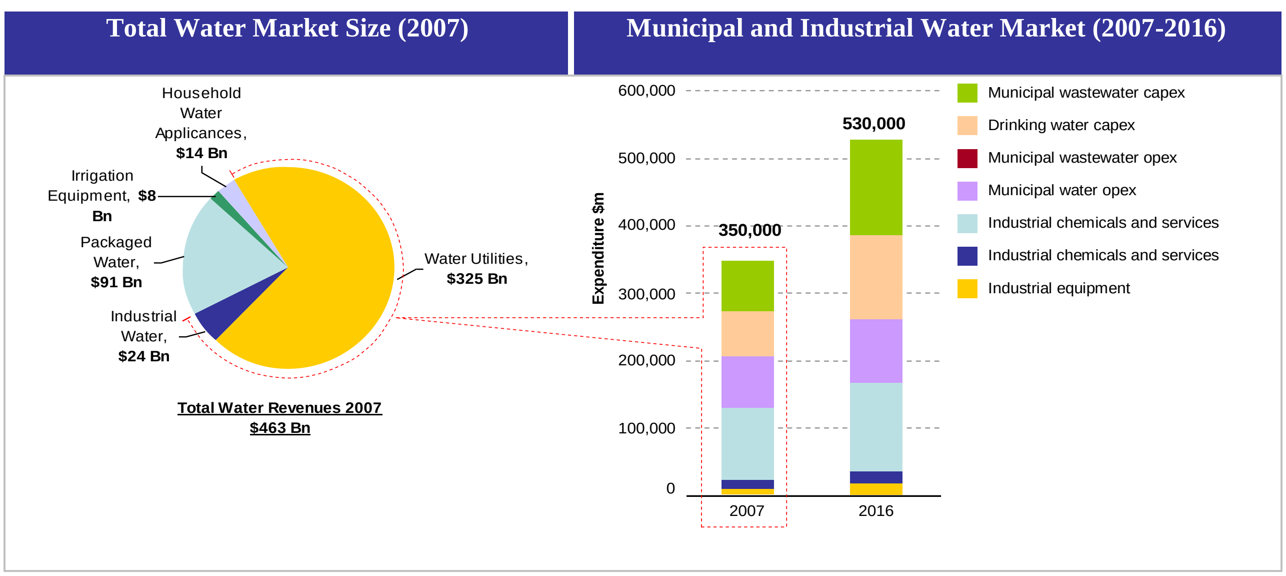
- **Primary treatment** is the first stage where physical removal of contaminants takes place by screening, settlement of heavier grit particles and sedimentation in tanks. This process is normally used where biological contaminants are not present in the wastewater to a level that requires treatment.

- **Secondary treatment** is the next phase and is also called 'Biological Treatment Stage' because oxygen and nutrients are supplied to develop culture and simulate living micro organisms such as bacteria. The bacteria consume polluting organic matters in the wastewater and multiply. The mixed liquor containing suspended solids and bacteria culture is retained in the system through sedimentation and recycle whereas the clear supernatant from sedimentation stage is fit for discharge into inland surface water after disinfection by chlorine, ozone or through exposure to ultraviolet light. The conventional technologies like activated sludge process as described above is getting replaced by sophisticated Membrane Based Bioreactor which produces the treated wastewater resembling clear drinking water and it removes all the bacteria.

- **Advance/Tertiary treatment** occurs when water is being reclaimed. This process involves passing water through sand filters to remove the remaining solids, as well as an extended disinfection process. Advanced treatment techniques range from biological treatments capable of removing nitrogen and phosphorus, to physical-chemical separation, such as filtration, carbon adsorption, distillation, and reverse osmosis. These processes, individually or combined, can achieve most levels of pollution control. Effluents treated this way can be used for industrial, agricultural, recreational, or drinking water.

2. Global Water Market Size

The global water industry is estimated to be USD 463 billion in 2007. The water utilities (Municipal Water & Waste water) and Industrial market comprises of almost 75% of the market or about USD 350 billion market in 2007 and as per Global Water Markets estimates it is expected to grow to USD 530 billion by 2016. Water utilities mainly comprise of municipal drinking water and waste water treatment.



Source: Global Water Markets 2008

Water Market Segments:

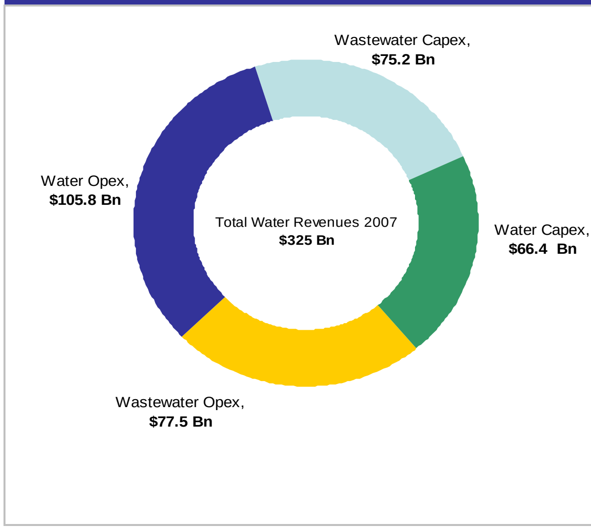
In the market for water related services the major clients are governments and government owned utilities which provide water to the people, or the industries which treat water either for input requirements or to meet output water conditions. Water treatment industry can be further classified into four kinds of water plants, namely water treatment, desalination, wastewater treatment and water recycling. Designing and engineering of projects in the water and wastewater treatment segment is technically complex and technology is a critical part of such projects. There is a wide array of technologies to fulfill water or wastewater treatment needs of municipal and industrial customers.

Customer Segment	**Verticals**	**Technologies**	
		Conventional	**Advanced**
Municipal	Drinking Water Treatment	Chemical precipitation, filtration, disinfection	Biological denitrification, Lamella Clarification
Mkt Size (2007): USD 325 billion	Waste Water Treatment	1. Activated Sludge Process (ASP) 2. Sequential Batch Reactor (SBR) 3. Upflow Anaerobic Sludge Blanket Reactor (UASB) 4. Bio Active Fixed Film Technology 5. Stabilization pond	1. Aerobic Sludge filtration; 2. Moving Bed Bio Reactor (MBBR); and 3. Membrane Bio Reactor (MBR)
Mkt Size (2016): USD 490 million	*- Sludge Treatment*		
CAGR: 4.7%	*- Sewage Treatment*		
	Recycling		1. Reverse Osmosis 2. Ultra Filtration 3. Micro Filtration 4. Membrane Bio Reactors
Industrial	Desalination	1. Multi Stage Flash 2. Multi-Effect Distillation 3. Reverse Osmosis	1. Thermal desalination and 2. Electrodialysis
Power Plants, Steel plants, Refineries etc	Process Water Treatment	1. Co- and counter current regenerated Demineralization 2. Fluid Bed– counter current regenerated Demineralization	1. High pressure Condensate polishing
Mkt Size (2007): USD 24 billion			
Mkt Size (2016): USD 37 billion			
CAGR: 5%	Waste Water Treatment	1. Physio-Chemical Treatment – Oil removal system using DAF / API / CPI separators 2. Neutralization and sedimentation 3. Aerobic Biological treatment 4. Tertiary treatment – activated carbon filtration, disinfection	1. Bio-methanation (mainly for distillery effluent); and 2. Wet Air Oxidation
	-Water Reuse /Reclamation		
	- Effluent Treatment		
	Recycling		1. Reverse Osmosis; 2. Ultra filtration; 3. Micro filtration; and 4. Membrane Bio Reactors

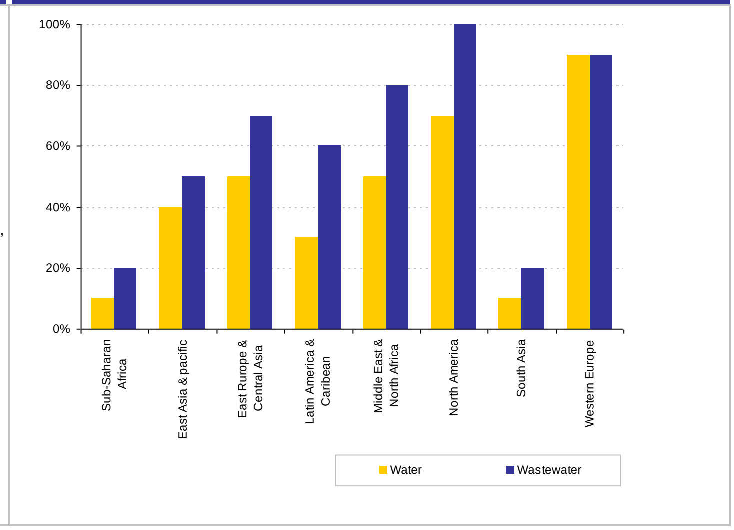
[I] Municipal Water and Waste Water Treatment Market

In general, local public entities are responsible for organizing both drinking water and wastewater collection, treatment and distribution services. The total piped municipal water supply is 0.312 cubic kilometres per year. This meets around 42% of domestic demand, 15% of industrial demand and 0.2% of agricultural demand. Overall, only 58% of the world's population is believed to have access to piped water supply, while only 36% of the global population is connected to a sewer network. *Source: Global Water Markets 2008*

Global water and wastewater market



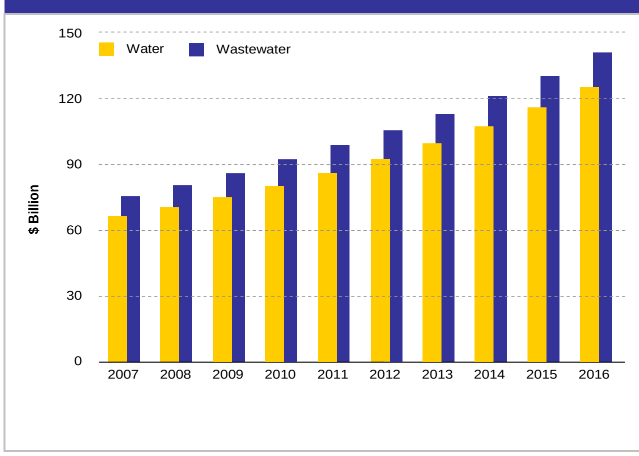
Water and wastewater penetration by region



Source: Global Water Markets 2008

Water is very capital-intensive utility service; most of the capital is required to maintain and extend the distribution network. The capital intensity of the sector is increasing, driven on the one hand by the cost of rehabilitating aging networks, and on the other hand by the need for more technology in water treatment to meet the challenges of declining raw water quality. Operations and Maintenance of these networks and water treatments plants involves even higher expenditure.

Capital Expenditure on Municipal Water and Waste Water



O&M Expenditure on Municipal Water and Wastewater

Source: Global Water Markets 2008

Public authorities can either provide all the services themselves or include private players at various levels like designing, procuring and supplying equipments, building, operating and maintaining the facilities. Water sector companies provide services that spread across the entire water cycle. The service offerings in this segment can be for large-scale, customized drinking water plants, wastewater decontamination and recycling plants, drinking water distribution networks and wastewater collection networks. They are generally contracts that involve the design, construction, operation and maintenance of installations, with the public authority usually remaining the owner of the assets and retaining authority over water policy. Private players also manage customer relations, providing billing services and call centers.

In many countries private players are playing an active role in operating and maintaining the water supply facilities for municipalities and water utilities. Operation and maintenance share is also getting bigger with increased adoption of innovative models of service delivery like DBO (Design-Build-Operate), BOT (Build-Operate-Transfer), TOT (Transfer-Operate-Transfer) and BOOT (Build-Own-Operate-Transfer). These offerings are based on a holistic life cycle model, extending from project development to long-term operation. The total expenditure on Municipal water and waste water is estimated to be USD 326 billion in 2007 and is slated to go upto USD 490 billion by 2016. *(Source: Global Water Markets 2008)*

Changes in regulatory requirements, higher expectations from end users and, consequently, the increasing complexity and capital intensiveness of the corresponding infrastructure and services encourage local public entities to seek the expertise and collaboration of private operators.

[II] Industrial Water and Waste Water Treatment Market

Industries use twice as much water as households, and this water usually requires a higher degree of treatment both before and after it is used. Water is an important production factor for industries like power, food and beverages, pulp and paper, pharmaceuticals, refineries etc. In industry the quality of water required corresponds with the differing needs of respective processes. The spectrum of industrial water ranges from cooling and boiler feed water in power stations and process water for a wide range of industrial uses to ultra pure water for the electronics and pharmaceutical industries. Service offerings in this segment include providing industrial customers with the utilities necessary for their processes (steam, industrial heating and cooling, process water, demineralized water, among other things) and optimizing consumption and, secondly, reducing the impact of their industrial processes on the environment, which may include treating effluents, recycling and recovering waste, and maintaining durable and efficient waste elimination channels.

Overall, however, the industrial water market is considered to be smaller than the municipal water market. The industrial water market is less homogenous than the municipal water treatment market. Although the same water treatment technologies (reverse osmosis, ultra-filtration, ion exchange, and membrane filtration) are used across many different industries, each application will be specific to the industrial process in which it is used. The players having relevant technical expertise and reference list are preferred by industrial customers. As a result, the industry is polarised between large international groups on the one hand, and niche players with successful applications serving particular market segments on the other.

- **Power Generation** is a key sector which requires high-purity water for boiler feed. Over 80% of the electricity produced on earth is generated using a boiler to create steam, which in turn generates power. Electricity demand, especially in developing countries, is forecast to expand worldwide from 3,700GW to 6,400GW in the next 20 years. This is expected to accelerate growth in the makeup water market to 8-10%.

- **Refineries**: Demand comes from high purity water requirements for applications such as boiler feed. Boilers in refineries are used to distil volatile fractions out of crude. Refineries are also expected to treat wastewater to comply with discharge standards. Desalination and water reuse are becoming particularly relevant technologies in the refinery sector.

- **Oil and gas:** The oil and gas industry is both a major user and a major producer of water. The water brought to the surface in the process of extracting oil needs to be treated and disposed of. Also water is required to create steam to force into the ground to reduce the viscosity of heavy oils, or in the fracturing process.

- **Chemical industries:** The industry requires high purity water for boiler feed, process water applications and proper wastewater treatment of effluent contaminated with chemicals.

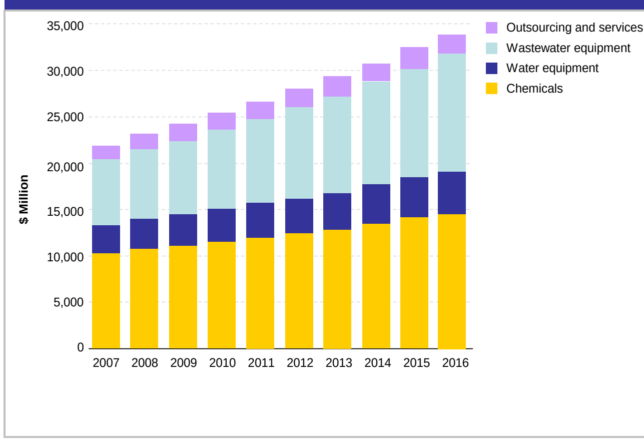
- **Pulp and paper:** The quality and application of the process water is an important way in which paper manufacturers can differentiate their products. It also has cost implications in terms of energy consumption. The industry is also a major producer of wastewater

- **Food and Beverage:** The sector has high water usage and is subject to stringent safety standards as regards waste disposal. As a result, industrials are increasingly investing in process water as well as wastewater treatment, in order to comply with relevant regulations.

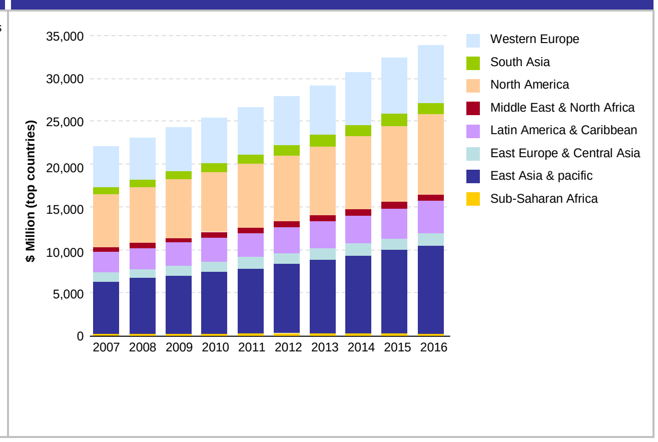
- **Pharmaceutical companies** employ state-of-the-art treatment equipment to produce high quality water. The technologies used range from ion-exchange to membrane technologies, electro-deionisation (EDI) and distillation.

- **Steel industry:** The conversion of iron or steel into sheet, wire or rods requires hot and cold mechanical transformation stages frequently employing water as a lubricant and coolant. Production of coke from coal in coking plants also requires water cooling and the use of water in by-products separation. Cooling waters thus are inevitably contaminated with products especially ammonia and cyanide which require treatment before it can be disposed of or reused. As a result this sector holds a great potential for water and waste water treatment providers.

The global industrial water market 2007-2016 by revenue stream



The global industrial water market by region 2007-2016



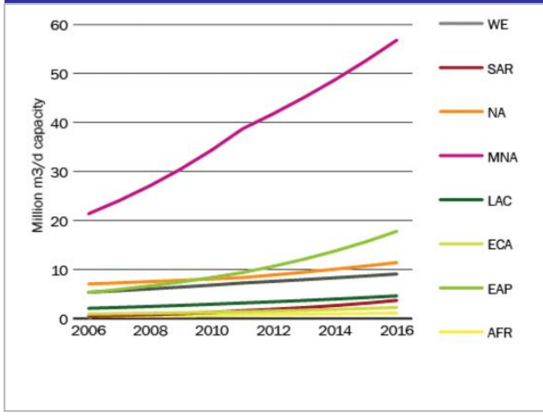
Source: Global Water Markets 2008

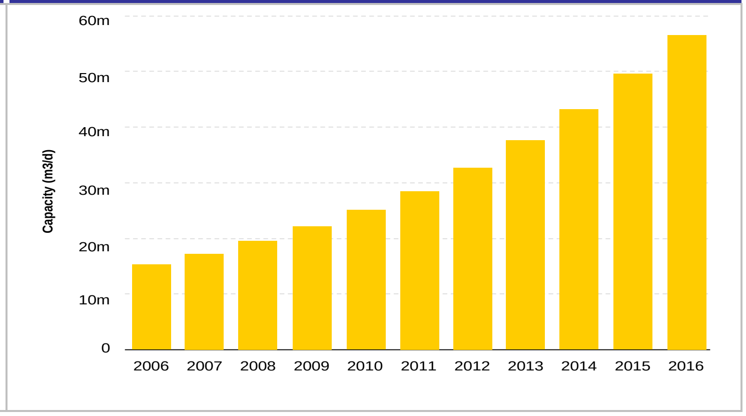
[III] Emerging Sub-segments

a) Desalination Market

Desalination is the process of removing salt and other dissolved ionic compounds from water. It is primarily used to make seawater potable, but it is also used to reduce the salinity of brackish water, and to create high-grade process water from potable water. There are two main categories of desalination: thermal and membrane. There are two thermal desalination technologies: multi-stage flash (MSF) and multi-effect distillation (MED). There are two membrane desalination technologies: reverse osmosis (RO) and electro-dialysis (ED, which is primarily used for low salinity waters).

Desalination market growth	Water reuse growth





Source: Global Water Markets 2008

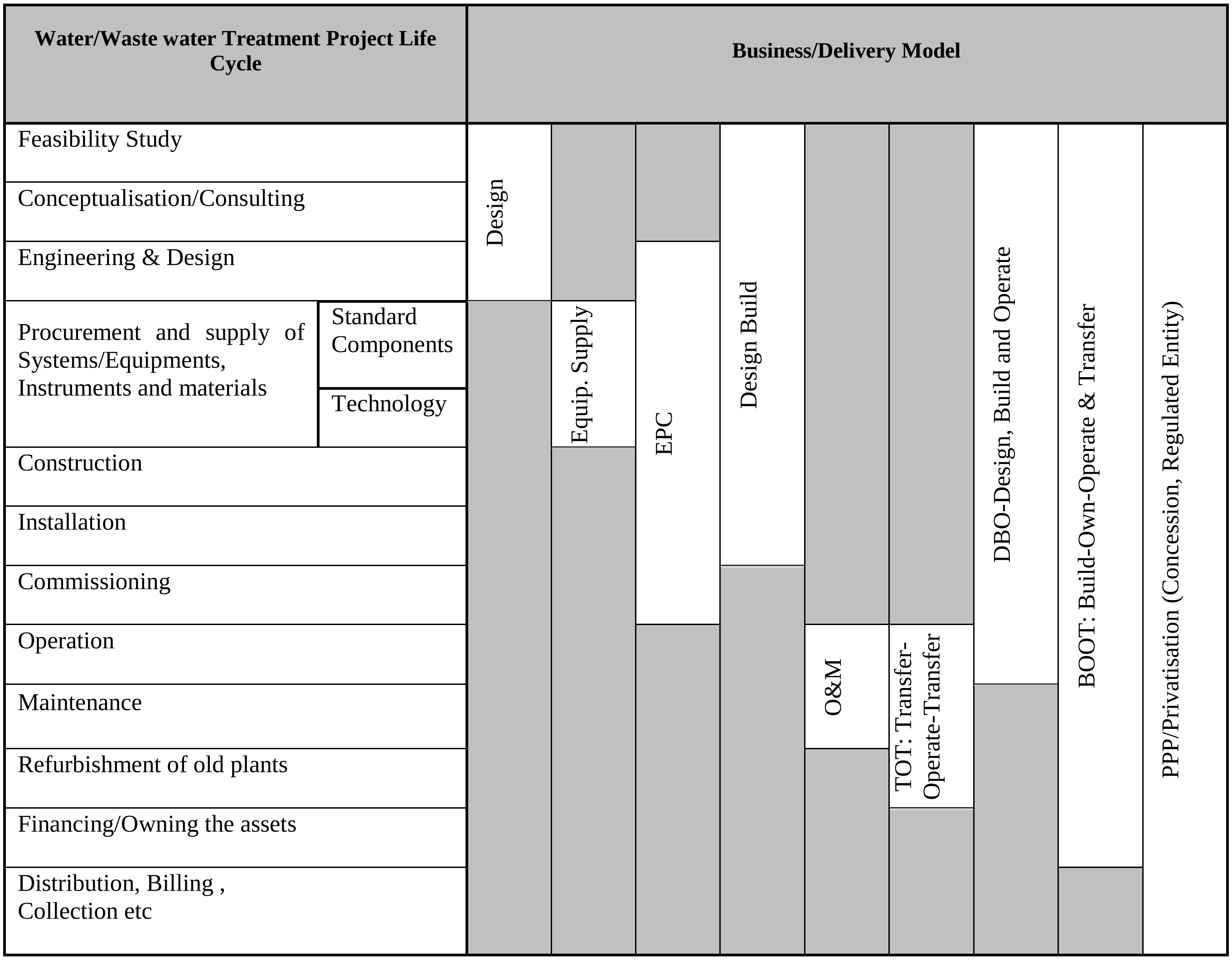
The market for seawater desalination divides in two, between the mature markets of the Middle East and the Mediterranean, for whom desalination is well established as a important source of water, and the new markets opening up around the world in the US, Mexico, Chile, Australia, China and India. Capital expenditure on desalination projects stands at around USD 5.1 billion a year. For the past three years, it has been growing at a compound annual rate of 17.9% per year.

b) Water Reuse Market

The U.S. Environmental Protection Agency (EPA) defines wastewater reuse as, “using wastewater or reclaimed water from one application for another application.” Water is indirectly reused when wastewaters are discharged, either as untreated waste or as treated effluent, into natural watercourses, from which they are abstracted for further use after undergoing "self-purification" within the stream. However, more direct reuse is also possible: the technology to reclaim wastewaters as potable or process waters is a technically feasible option for agricultural irrigation (mostly for non-food crops, pasture lands), urban reuse (irrigation of public parks, school yards, creating artificial wetlands, recreational lakes) and some industrial purposes (such as for cooling water or sanitary flushing). Current annual capital expenditure on water reuse projects is estimated to be in the region of USD 1.1 billion per year. This figure is growing at a rate of around 19% per annum, which corresponds to an expansion of capacity from 15.2 million m3/d at the start of 2007 to 28.5 million m^3/d at the end of 2011 and 59.7 million m^3/d at the end of 2016. (*Source: Global Water Markets 2008).*

3. Business Verticals

There are broadly three business verticals in the water industry: the construction of water plants, operation and management of water plants, and distribution and supply of raw water to end-consumers. A typical water/waste water treatment project involves feasibility study, design, equipment supply, construction and commissioning of the plant. Sometimes the players also take up the responsibility of operating and maintaining the plant and distributing the water to the consumers. The various delivery models in the water industry are summarized as follows:



Equipment Suppliers

Equipment suppliers refer to the manufacturers of various water related equipment used in the entire water cycle such as pumps, valves, technology products like filtration membranes, process equipment etc. Majority of equipment suppliers like to confine themselves to supply of equipment and undertake process related guarantee for those items backed by their in-house technology capabilities. They normally do not prefer to take up the responsibility of EPC business, particularly the construction part of it.

Engineering, procurement and construction ("EPC")

EPC refers to design and engineering of the plant, procurement and supply of equipment, construction of the plant and installation of equipment, commissioning of the plant and demonstration of desired performance parameters.

EPC companies normally are of two types:

- Technology and Engineering Specialists who normally take a civil and erection contractors with them to provide complete EPC services to the clients. Such companies have in-house capabilities to demonstrate the performance of the plant.

- Large civil contractors also take up EPC responsibilities by roping in a water specialist Company and are dependent on them regarding performance of the plant. On many occasions the water treatment plant is clubbed with intake of water transmission and distribution where the construction companies have the major share but technology companies play a vital role in that partnership.

Water treatment operations and management ("O&M")

O&M refers to the operation and maintenance of water and waste water treatment plants. Municipal Corporations, these days, are looking for specialized private O&M contractors who sometimes are the O & M business arms of water specialist companies. For industrial water treatment plants O&M is usually done by the customer themselves.

Design-Build-Operate ("DBO")

Many municipalities go for DBO contract where the contractor takes the responsibility of operating the plant constructed by them on EPC basis. In such cases, the contractor receives payment from the customer for the EPC part as turnkey contract and thereafter, the O&M payment settlement takes place monthly on per cubic metre of treated water basis.

Build-Own-Operate-Transfer ("BOOT")

Under BOOT arrangement, the BOOT contractors organize funds and invest in construction of the plant and operate it for the entire concession period of 15-20 years. The capital cost and operating cost of the plant is combined in such a way that it can be recovered through a rate per cubic metre of water / waste water treated.

Transfer-Operate-Transfer ("TOT")

This is a relatively new arrangement increasingly undertaken in some of the developed countries under which the TOT contractors invest in the refurbishment of the existing facilities and in return gets the right to operate it for a concession period, usually 5 to 7 years to enable the project contractor to recover its investment, together with the operating and maintenance costs. At the end of the concession period the asset is transferred back to the original (public) entity. But in most cases, it is difficult to assess the exact cost of refurbishment in the beginning due to lack of historical information about the existing facilities and as result it leads to underestimation of the cost and the payment received from the subsequent O&M services may not fully recover the cost of refurbishment for the contractor. To address this risk, many TOT players get into an arrangement whereby they are paid fully for the refurbishment once it gets completed and are paid separately for operating the plant post refurbishment.

4. Competitive Landscape:

Water treatment is a regional business – locally oriented, and driven by local regulations, local water supply, local demand and local contracts. Players' knowledge of local regulations and environment is very important. Therefore currently the water industry is highly fragmented industry with very few global players.

But as the industry moves towards larger and more complex projects, the industry gets more organized. The global players with the dual advantage of global brand/technological competence and a local setup gain prominence and a larger share of the total industry pie. A global brand and technology base coupled with the local cost can make companies desirable bidders for a project.

Suez Environment and Veolia Environment are the only two global players present throughout the entire value chain, as other companies active in this market have a more local management perimeter and lower revenues. In the United States, American Water Works (a subsidiary of RWE) is the largest player, but is only active in that country; In Asia, competition derives primarily from local conglomerates developing their water business on a partnership basis.

In North Africa, Middle East, Chinese and Indian markets, the main competitors are the Asian companies (Singaporean companies such as Hyflux, Japanese companies such as Marubeni and Mitsui and Malaysian companies such as Ranhill, the Philippine group Manila Water) and Spanish companies (Acciona, Aqualia-FCC, ACS), as well as conglomerates, notably General Electric and Siemens, which have long shown their international ambitions in the market for water treatment technologies.

Entry Barriers:

The contracts in the sector are not about the lowest bidder, but the most competent bidder, one who can understand the client needs and arrive at cost efficient solutions for its clients. Prerequisites for a successful market penetration are comprehensive technological experience on the one hand and local set-ups, to ensure direct access between municipalities and reliable water experts, on the other.

- **Eligibility Criteria**: Water contracts in the public sector are awarded through competitive bidding process. For municipal contracts fulfilling pre-qualification conditions play a major role in bidding and winning the contract. In most of the countries there are well-defined eligibility norms for players who can participate in these projects based on parameters like net-worth, banking facilities, upfront capital commitment in case of BOT/BOOT contracts etc.

- **Reference List**: While meeting eligibility criteria is more important for public sector contracts, for industrial water treatment contracts having previous experience in the sector reflecting a strong execution track record and proven expertise is very important. For industrial users performance concerns override those pertaining to project cost and each application will be specific to the industrial process in which it is used. This creates barriers to entry; typically an industrial customer will not consider an application unless it comes either from a trusted brand, or unless the supplier has other references within the industry.

- **Technical/Technological Expertise**: In many countries water supplies are being augmented through innovative wastewater treatment and reuse techniques like desalination. The expansion of scientific knowledge and technological applications is changing the way water is used, cleaned and reused. Technological expertise is prerequisite for segments like desalination, ultra-filtration, water recycling and reuse. The technological expertise allows companies to meet customers' expectations effectively and to rank among the preferred players in technological developments in environmental management services.

- **Design and Execution Capabilities:** With increasing trend towards DBO, BOT, the importance of design and execution capabilities of players in the sector is becoming more important. Clients are looking for players who have ability to implement complex projects and can provide services across the value-chain and across the service spectrum. Life cycle solutions can be more cost effective and could optimize their total costs rather than modular offerings. Players with proven expertise across the entire spectrum of technological alternatives available for water treatment applications have competitive advantage in this sector. This change has been prompted by the desire of potential clients to outsource a larger portion of their business.

5. Market Growth

As per Global Water Markets 2008, majority of the fastest growing countries in the water sector are from the emerging and developing regions. Water scarcity is acute in the case of many rapidly expanding economies and these countries are lagging far behind in terms of water infrastructure, water and sanitation coverage and reuse of water. China makes up 21% of the world's population but has only approximately 6% of the renewable water resources, with a low per capita reserve. While China is the most obvious example of pressing water need, India and other mostly Asian markets are today facing the same challenge.

Similarly, MENA (Middle East and North Africa) has 5% of the world population with less than 1% of the available world's freshwater resources resulting in poor average per capita water availability in the region. This is further complicated by lack of sewage control and pollutants from the oil industry, as well as other industrial effluents. Middle East is becoming an attractive market for desalination and water reuse systems. Some of the Eastern European countries also figure among the faster growing markets as they are establishing significant water infrastructure to comply with strict EU environmental regulations and rehabilitating/refurbishing existing network. Given below is a list of 15 largest growth markets in the period from 2007 to 2016.

Country	Mkt Size ($ Million)		CAGR
	2007	2016	(%)
Saudi Arabia	2,455	9,103	16%
Romania	507	1,839	15%
Algeria	933	2,704	13%
India	2,531	6,870	12%
Oman	343	921	12%
Egypt	1,352	3,490	11%
China	32,662	80,714	11%
Libya	835	1,959	10%
Spain	5,045	11,606	10%
Iran	1,203	2,638	9%
UAE	1,908	4,113	9%
Turkey	1,949	3,910	8%
Mexico	2,591	5,142	8%
Hungary	762	1,469	8%
Taiwan	2,078	3,876	7%

Source: Global Water Markets 2008

In a supply limited environment, as the demand for water increases, both in terms of quantity and quality, water has to be treated and priced like any other commodity and not considered to be a free good. While the looming water crisis is a challenge, it is also a mega business opportunity for the private sector across the entire value chain of water projects.

Companies, which are able to offer solutions for providing a growing global population with safe drinking water within an increasingly urbanized world, are facing high growth potentials, especially in dry regions like North Africa, Near/Middle East and in emerging economies in Far East, such as China and India.

Regional Markets

A. India:

Overview of the Indian Economy:

India, the world's largest democracy in terms of population (approximately 1.16 billion people) had a GDP on purchasing power parity basis of approximately USD 3,267 billion in 2008. This makes India the fourth largest economy in the world after the United States of America, China and Japan in purchasing power parity terms *(Source: CIA World Factbook website).*

India is also amongst the fastest growing economies globally and has grown at an average growth rate of more than 7% in the decade since 1997, reducing poverty by about 10 percentage points. India achieved 9.7% GDP growth in 2006-07 and 9.0% in 2007-08. The economic growth decelerated in 2008-09 to 6.7 per cent *(Source: Economic Survey 2008-09).* The growth in the Indian economy is leading to growth in per-capita income levels, which in turn is fuelling increased levels of demand for housing, power, transportation and water supply.

Infrastructure Sector

India will require a sustained momentum in infrastructure investment in order to maintain its current pace of growth. The Eleventh Five Year Plan envisages an infrastructure investment of 20,56,150 crore (at 2006-07 prices), equaling USD 514 billion, to be shared between the Centre, states and private sector in the ratio of 37.2%, 32.6% and 30.1%, respectively. Set forth below is the estimated level of investment in the infrastructure sector over the Eleventh Five Year Plan:

Sector	X Plan (Anticipated Exp.)	2007-08	2008-09	2009-10	2010-11	2011-12	Total XI Plan
Electricity	291,850	81,954	101,553	126,380	158,027	198,611	666,525
Roads and Bridges	144,892	51,822	54,789	59,200	68,370	79,971	314,152
Telecommunications	103,365	31,375	38,134	48,593	61,646	78,690	258,439
Railways (incl. MRTS)	119,658	34,225	40,964	49,525	60,393	76,701	261,808
Irrigation (incl. Watershed)	111,503	27,497	35,916	47,189	62,266	80,433	253,301
Water Supply and Sanitation	64,803	19,298	22,781	27,323	33,266	41,063	143,730
Ports	14,071	12,409	14,822	17,374	19,980	23,410	87,995
Others	21,303	11,693	12,621	13,682	15,170	17,035	70,201
Total (Rs crore)	**871,445**	**270,273**	**321,579**	**389,266**	**479,117**	**595,913**	**2,056,150**
Total (US$ billion) @Rs 40/$	**217.86**	**67.57**	**80.39**	**97.32**	**119.78**	**148.98**	**514.04**

Source: Annual Plans and other documents of the Planning Commission and CSO for the Tenth Plan period

The current economic slowdown provides an opportunity for countries like India that have a substantial degree of unmet infrastructure requirements. The Government's focus, sustained increased budgetary allocation and increased funding by international and multilateral development finance institutions for infrastructure development in India is expected to result in several large infrastructure projects across India. There are also various initiatives being taken to encourage private sector participation, such as tax breaks for investments in infrastructure.

Water Industry in India

Demand and Supply*:*

India with 2.4% of the world's total area has 16% of the world's population; but has only 4% of the total available fresh water. In India, per capita fresh water availability has dropped from 4000 m^3/year in 1962 to 1647 m^3/ year in 2007 *(Source: Food & Agriculture Organization of the United Nations - http://www.fao.org/nr/water/aquastat/dbase/index.stm).* The per capita water supply in Indian cities is only 146 litres per day when compared to availability of 500 litres per capita per day in the US. According to the World Health Organisation statistics, only 21% of the total population (49% in urban areas and 10% in rural areas) had access to piped drinking water in 2006 and 28% of the total population of India (52% in urban areas and 18% in rural areas) had sustainable access to improved sanitation facilities in 2006. (*WHO Definition*: *Improved sanitation includes connection to a public sewers, connection to septic systems, pour-flush latrines, simple pit latrines and ventilated improved pit latrines.*)

Status of Water Supply, Waste Water Generation, and Treatment in Class I Cities / Class II Towns in 2003-04			
	Class I cities	**Class II towns**	**Total**
Number (as per 2001 census)	423	498	921

Status of Water Supply, Waste Water Generation, and Treatment in Class I Cities / Class II Towns in 2003-04			
	Class I cities	**Class II towns**	**Total**
Population (mm)	187	38	225
Water Supply (MLD)	29,782	3,035	32,817
Water Supply (LPCD)	160	81	146
Wastewater Generated (MLD)	23,826	2,428	26,054
Wastewater Generated (LPCD)	127	65	116
Wastewater Treated (%)	29%	4%	27%
Wastewater Untreated (%)	71%	96%	73%

Source: The Eleventh Five Year Plan documents

Of the total wastewater generated in the metropolitan cities, barely 30 per cent is treated before disposal. Thus, untreated water finds its way into water systems such as rivers, lakes, groundwater and coastal waters, causing serious water pollution.

In India the water sector is witnessing strong demand drivers. Of the total water usage, 86% is devoted to agriculture, 8% to domestic/municipal use and 5% to industry *(Source: Food & Agriculture Organization of the United Nations - http://www.fao.org/nr/water/aquastat/dbase/index.stm).* As projected by Ministry of Water Resources, Government of India (GoI), by 2050 demand for water will surpass the supply from utilisable water resources in India. In the country, water demand is expected to rise from 552 BCM in 2000 to 1093 BCM by 2025.

Water requirement for various sectors						
	Water demand in bcm					
	Standing sub-committee of MoWR			**NCIWRD***		
Sector	2010	2025	2050	2010	2025	2050
Irrigation	688	910	1072	557	611	807
Drinking Water	56	73	102	43	62	111
Industry	12	23	63	37	67	81
Energy	5	15	130	19	33	70
Total	**813**	**1093**	**1447**	**710**	**843**	**1180**

Source: Ministry of Water Resources, Govt. of India

**NCIWRD-National Commission on Integrated Water Resources Development.*

At present the agriculture sector dominates water use owing to its importance in the Indian economy, but with higher level of development, more water will be demanded for domestic and industrial purposes. The domestic demand per capita is expected to rise substantially as the country develops economically and level of urbanization rises. The demand from industrial sector is also expected to grow rapidly in tandem with significant capacity additions and growth plans of user industries like power, steel, refineries etc.

Government Spending on Water Infrastructure

Under the scheme of the Constitution, 'water' is basically a State subject and the Union comes in only in the case of inter- state river water disputes. The 74th Amendment of the Constitution delegated 18 functions, including water supply, to urban local bodies (ULB), and accorded constitutional status to these institutions as the third tier of the government.

Eleventh Five-Year Plan:

The GoI has significantly increased its focus on water supply and sanitation facilities. This is also evident in steep increase in plan expenditure allotted for water supply and sanitation. The total planned expenditure for Water Supply and Sanitation is expected to be at Rs. 143,730 crores as exhibited in the following chart:

Focus on Water-based Infrastructure in 10th and 11th Five Year Plan

Source: The Eleventh Five Year Plan Documents, Planning Commission

The GoI allocates funds for water related infrastructure under two categories-water management and irrigation and urban infrastructure and basic services. Water management and irrigation covers water resources projects, particularly irrigation development, flood control works and water harvesting etc. The details of the recommended outlays for the Eleventh Five Year Plan are indicated in the following table:

Water Management and Irrigation: Overlay for the XI Plan	Amt. (Rs. Crores)
State Plan	182,050
State sector schemes i.e. AIBP and others	47,015
Central Plan	3,246
Total	232,311

Source: The Eleventh Five Year Plan

The second category of plan spending, urban infrastructure covers schemes related to water supply, sanitation, sewerage, solid waste management etc. The Eleventh Plan emphasizes the need to increase coverage of the urban population with access to water supply facilities and sewage and sanitation facilities to 100%, respectively, by the end of the Eleventh Plan period (i.e., March 2012). The funds required for this purpose are estimated to be over Rs. 129,237 crores.

Funds Requirement - Urban Basic Services		Proposed Flow of Funds	
Sub-sector	**Est. Amt (Rs. Crores)**	**Source of Funding**	**Amt. (Rs. Crores)**
Urban water supply	53,666	Central Sector Outlay	70,000*
Urban sewage and treatment	53,168	State Sector Outlay	35,000
Urban drainage	20,173	Institutional Funding	10,000
Solid Waste Management	2,212	External Support Agencies	10,000
Others	18	FDI and Private Sector	4,237
Total	**129,237**	**Total**	**129,237**

Source: Ministry of Urban Development, GoI.

*Note: * The actual allocation provided for JNNURM is Rs 50,000 crore during 2005–12 out of which the amount available for Urban Water Supply, Sewerage, Solid Waste Management is expected to be in the range of Rs 15000 crore. The shortfall will need to be met by other sources of finance if the objective of covering 100% population with Water Supply and Sanitation facilities is to be met during the Eleventh Plan.*

JNNURM

The GoI has launched a new scheme named Jawaharlal Nehru National Urban Renewal Commission (JNNURM) on December 3, 2005 to encourage cities to initiate steps to bring about improvement in the existing service levels in a financially sustainable manner. Two sub-missions namely the Urban Infrastructure and Governance and the Basic Services to the Urban Poor are comprised in the mission. The primary objective of the JNNURM is to create economically productive, efficient, equitable and responsive cities. So far, 63 cities have been identified by the GoI under the scheme. It seeks to incentivize policy and institutional reforms, leading to sustainable socioeconomic growth, service delivery, and improved governance in the mission cities.

Total support from GOI for the first phase of this scheme is Rs. 50,000 crores with matching contribution by cities/states over next six years (2006-12). Total investment of around Rs. 150,000 crores is envisaged under this scheme. The Union government had allocated Rs 5,482 crore for JNNURM in the 2007-08 budget and Rs 6,866 crore in 2008-09. In the recent Budget the Central Government of India has increased the yearly JNNURM allocations by 87%, to Rs 12,887 crore for 2009-10. As of 29th May 2009, 463 projects requiring an investment of Rs. 49,743 crores have been sanctioned. In keeping with the mission objectives, over 76 percent of the cost of projects sanctioned, aim at improving basic urban services like water supply, sewerage and storm-water drainage *(Source: http://jnnurm.nic.in/)*.

JNNURM is designed to encourage the involvement of the private sector in service delivery and management. The following factors have created demand for private capital as well as greater interest of private sector in urban infrastructure development: (i) part-grant financing by the JNNURM (which is likely to increase the bankability of a number of large urban infrastructure projects) and (ii) the financing gap/needs to meet the project costs.

The types of services that could be provided through PPP will, however, vary from one local government to the other based on their needs and priorities. The collaboration between the public and private sector could take any one of the following forms:

- Public funding with private service delivery and private management.
- Public as well as private funding with private service delivery and private management.
- Public as well as private funding with public/private service delivery and public/private/joint management.
- Private funding with private service delivery and private management.

Sector	Possible Intervention	Possible Structures
Water Projects	1. Management of Existing Water Distribution System 2. Augmentation/Development of New System by tapping identified sources 3. Construction, Operation and Maintenance of Water treatment plant 4. Expansion of Water distribution network in unserved areas	For Existing System: • Performance based management & service contracts • Lease contract • EPC contracts along with performance based O&M contracts For New System: BOT/Concession

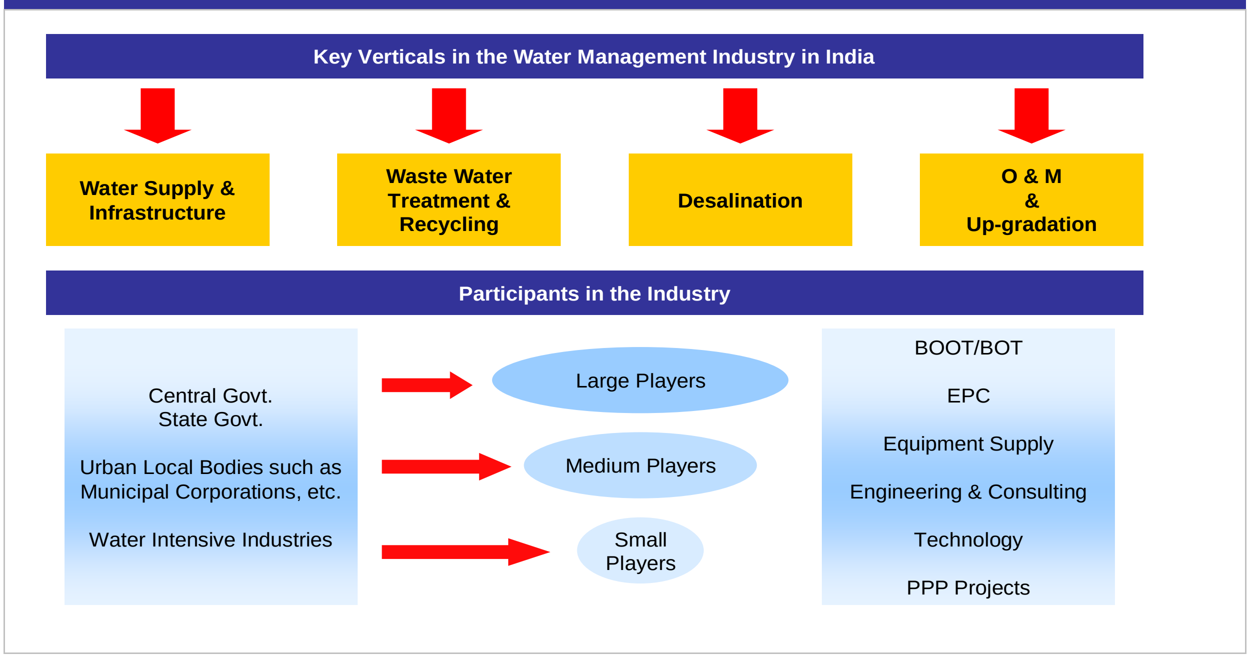
Sector	Possible Intervention	Possible Structures
Sewerage/ Storm Water drainage System	1. Renovation in Old City Areas 2. New System in unserved areas	Existing System: • Annuity Contracts • Performance based contracts for • Construction & O&M New System: • Plain Vanilla EPC contracts • Other PPP models such as Design, Build Finance Transfer (DBFT)

Source: JNNURM Primers

Industry Structure

The Indian market can be segmented into different verticals, each with different business dynamics and opportunities. Within the sector, opportunities exist across the value chain: study, consulting, design, EPC/ DB, equipment vendors, PPP projects etc.

Water: Industry Structure



Competition:

Water industry is highly fragmented and unorganized in nature and largely concentrated in certain geographical pockets. There is significant competition, but players differ significantly in terms of project capabilities:

- Companies engaged exclusively in water treatment having proprietary technology to undertake turnkey water contracts and which may sub-contract civil construction work
- Large EPC Construction companies with execution ability to undertake large projects, but no water expertise. These companies may subcontract the water treatment work in large projects to water specialty companies
- Handful of players with execution experience across disciplines and ability to implement complex projects

Construction companies in India are typically civil engineering companies which undertake construction work on a contract basis, in sectors like roads, ports, urban infrastructure, power projects etc. All construction projects have eligibility criteria of two types - technical and financial. Customers look for experience of design, engineering and construction capability of treatment plants of similar magnitude and complexity under technical eligibility. Sometimes it calls for experience with specific technology application and demonstration of performance in running a plant over a certain period. The financial eligibilities are mainly related to revenue and net worth of the companies.

Companies who have the requisite financial strength and experience typically meet these eligibility criteria and undertake projects independently. Smaller companies generally have to enter into joint ventures to meet the eligibility criteria and to spread the financial and business risk. Build, Operate and Transfer ("BOT") and Build, Own, Operate and Transfer ("BOOT") are also increasingly seen as modes of executing projects. Foreign engineering and construction companies typically participate in the infrastructure development in India through joint development ventures with Indian construction companies.

Industry Trends

While the water situation in India is grim, reforms on the regulation front have begun to take shape and success of these can throw up potentially huge investment opportunities. Water treatment and supply projects have been granted 'infrastructure' status. This makes water supply projects eligible for bank finance and a 10-year tax holiday. The GoI has allowed 100% foreign direct investment in the infrastructure sector including water treatment system. Private participation in water engineering as a whole and the water treatment segment in particular is expected to witness a significant boost in the future. In accordance with the recommendations of the Rakesh Mohan Committee on Infrastructure, private participation in the Indian water sector is increasingly being encouraged via two modes:

1. **Privatization through either BOOT projects or management contracts:** This is particularly popular in industrial and urban water supply related undertakings. The government has also started subcontracting OandM of existing water and wastewater treatment plants to private operators given the economies in terms of fixed costs.

2. **Infrastructure reforms with incentives for private participation:** The recent indirect fiscal benefits such as zero customs duty and zero excise duty, announced by the Government to bring down capital costs related to infrastructure projects are steps in that direction.

Growth Drivers

In view of huge demand for water, expected shortages and likely reforms, the water sector provides vast opportunities for water management companies. With India's vast pool of high quality of technical and scientific manpower, strong growth can be expected in this sector. Together with its low manufacturing costs and engineering resources, India has the potential of becoming a global outsourcing base in future. The key business drivers for the water engineering business in India are summarized below:

- Huge gap in safe water supply and sanitation infrastructure availability in the country.

- Large budgetary allocation from the Government in water supply and sanitation.

- Increased funding from multilateral agencies like World Bank, ADB, etc. with emphasis on private participation.

- Stricter disposal norms for industrial waste water.

- Need to recycle treated waste water to solve the problem of disposal and fresh water availability simultaneously.

- Increasing trend to outsource O&M services.

- BOT / BOOT concession projects which are cash intensive but provide higher margins in the long run.

- Improvement in technology leading to lower costs and higher affordability.

B. Asian Water Market

The rapid economic development in Asian region has led to a boost in urbanization and water demand. Meanwhile the available water resources have been more and more contaminated by industrial waste. These tendencies call for an improvement of existing water treatment facilities in order to meet the quality requirements of both potable and industrial water. Water and sanitation coverage in many of the Asian countries is significantly lower than the developed world. According to the first regional study on the economic impacts of poor sanitation, undertaken in South-East Asia by the World Bank Water and Sanitation Project, Cambodia, Indonesia, Philippines and Vietnam lose an estimated USD Nine billion a year because of poor sanitation (based on 2005 prices), or approximately 2% of their combined GDP.

China Water Industry

China's severe water shortage problem: The remarkable growth in China's population and economy over the past several decades has come at a tremendous cost to the country's environment. The sustained growth and the health of the country are increasingly threatened by environmental deterioration and constraints, particularly around water.

China faces serious water challenges from constraints on water supply as well as deteriorating quality. China's fresh water per capita is just 2,200m^3, equivalent to one-fourth of the global average. The root of its water scarcity can be found in the uneven distribution of its water resources and rainfall, aggravated by worsening industrial pollution as urbanization and industries grow. This uneven distribution, combined with China's extensive population, inadequate urban infrastructure, and poor management, have caused more than two-thirds of the country's more than 600 cities to suffer from water shortages. Three hundred million people lack access to safe drinking water. In 2006, nearly half of China's major cities did not meet state drinking-water quality standards (OECD 2007), and a third of surface-water samples taken were considered severely polluted (Xinhua 2007f). Over 100 of them are seriously affected. Of the 20 most seriously polluted cities in the world, 16 are in China. *(Source: The World's Water 2008-2009, editor Peter Gleick, Pacific Institute, http://www.worldwater.org/data20082009/ch05.pdf)*

Water features strongly in China's 5 year plans: China's Eleventh Five-Year Plan has formulated several targets for 2010:

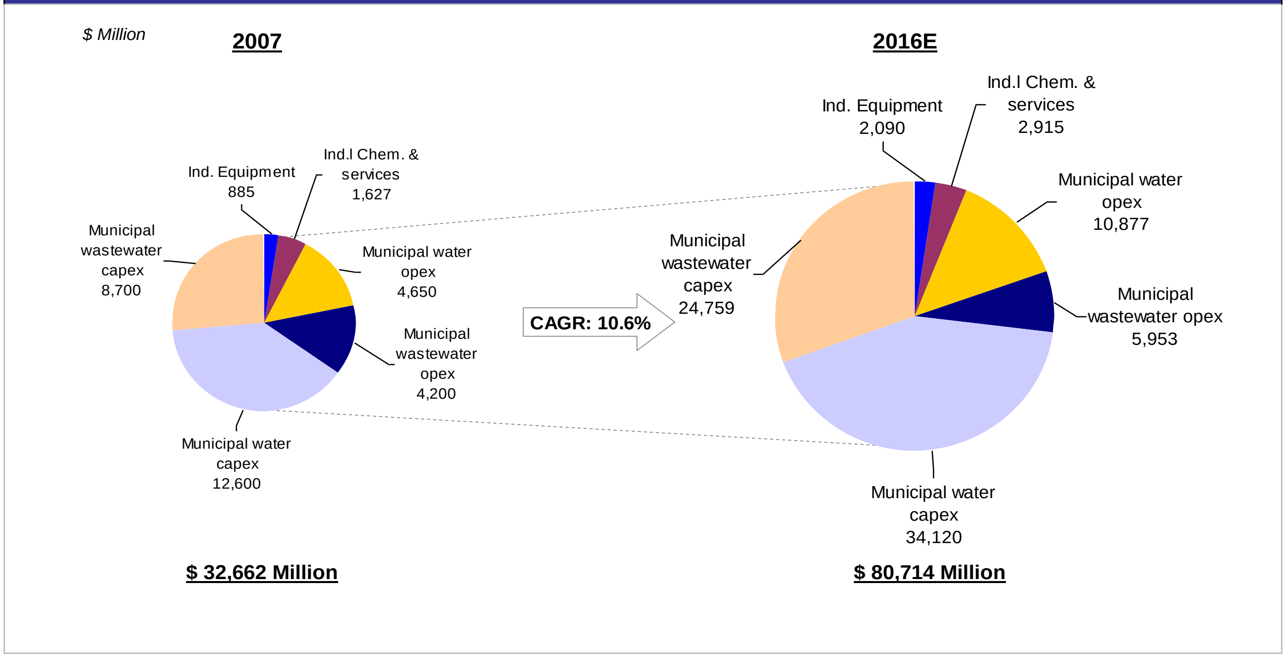
- Ensuring every city has wastewater treatment plants

- Raising urban wastewater treatment rates to above 70%

- Achieving urban wastewater treatment capacity of 100m tonnes/day

Resulting into huge market opportunity

China – Market Size (in USD Million.) and Growth (%)



Source: Global Water Markets 2008

Changing Competitive Landscapes:

Traditionally, water utilities in China are government-owned, which is still largely the case for the water supply industry. Over the past decade and particularly in recent years, China has started to liberalise its water industry, by inviting private-sector participation through public-private partnerships (PPPs). This alleviates the financing pressure on the government and introduces more competition which generally helps to improve the operating efficiencies of water utilities. In recent years a significant proportion of the projects awarded were in the form of BOTs, mostly undertaken by EPC companies with expertise in the design and commissioning of water plants. Companies, with operational and management expertise, tend to secure more completing or operating projects in the form of acquisitions, TOTs and joint ventures with local companies. More common types of water PPPs operating in China are:

	Responsibility		Concessions	Remarks
1	Government	owns all water assets	5 - 8 Years	Similar to rental/leasing model
	Private Party	awarded concession rights		
2	Government	owns sewage networks and water tariff rights	15 - 30 Years	Govt. collects tariffs from end-consumer, private party receives payment from govt. based on contract
	Private Party	owns water plant for concession period		
3	Government	Acts as monitoring and governing party	20 - 30 Years	Typically found in water supply business
	Private Party	owns all water assets for concession period		

Growth Outlook

Going forward strong growth in the water treatment industry is expected in China. According to the "Eleventh Five-Year Plan" (2006-2010), China's urban wastewater treatment capacity should reach 100m tonnes/day by 2010, but its current total wastewater treatment capacity is just 75m tonnes/day, from about

1,250 wastewater treatment plants across the country. Industry experts estimate that China needs to have about 3,000 wastewater treatment plants, in order to meet the government's target, suggesting strong wastewater treatment contract momentum ahead. There are numerous other opportunities coming from the upgradation and/or replacement of old and inefficient plants.

Other Asian Countries

The key determinants of water sector growth in Asian countries like Malaysia, Indonesia, Philippines etc include strong capex need across the value chain, recognition of value of water as a precious commodity and increasing political willingness to price this water service according to economics and reflect this in tariffs accordingly. As countries in the region ramp-up critical growth infrastructure, such as modern housing and power, the demand for water will go up significantly. Hence most countries are putting large-scale water infrastructure in place. As cost-effectiveness of technologies employed is a concern in developing countries, low-cost water technologies are likely to benefit from increased demand in this region.

Companies present in the Asian region can benefit from the multi billion public investments into the water processing sector. The government is also subsidizing water reuse technologies such as membranes, filters or ground water improvement. The large investment volumes will lead to the increase in BOT/PPP projects. The water industry is becoming privatized, and the water shortage, urgent need to expand water system to underserved regions, uptrend in tariffs, and rising environmental awareness should bring substantial investment opportunities and growth to the industry in the coming years.

	Market Size – 2007 (USD million)	Market Size – 2016 (USD million)	CAGR
Malaysia	1,230.1	1,872.7	4.8%
Indonesia	689.6	1,232.0	6.7%
Singapore	578.8	748.2	2.9%
Philippines	437.1	790.8	6.8%
Thailand	360.5	633.8	6.5%
Vietnam	173.2	366.5	8.7%

Source: Global Water Markets 2008

C. Middle East and North Africa (MENA) Water Market

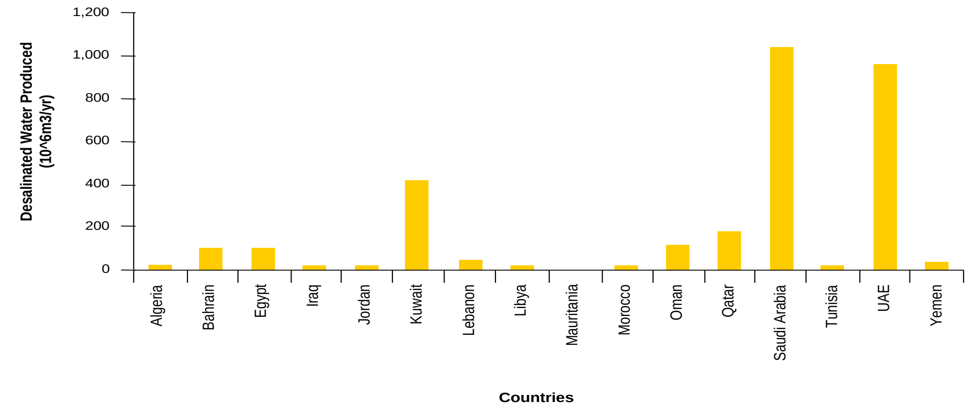
The entire MENA region currently faces an enormous water resourcing challenge. The MENA is the most water scarce region in the world. Worldwide, the average renewable water resources per capita is close to 8,549 m^3/person, whereas in the MENA region, only around 1,505 m^3/person is available. Moreover, with the population expected to grow from around 300 million today to around 500 million in 2025, per capita availability is expected to halve by 2050. The agriculture sector is the prime water consumer at the regional level, with an annual average consumption of 86% of total water available. The remaining 14% is shared between domestic and industrial sectors at about 8% and 6% respectively. *(Source: Food & Agriculture Organization of the United Nations - http://www.fao.org/nr/water/aquastat/dbase/index.stm)*

Non-conventional water supplies

Due to the scarcity of water resources in the region, approximately 30 km^3/yr of non-conventional water supplies are being produced in the region *(Source: Food & Agriculture Organization of the United Nations - http://www.fao.org/nr/water/aquastat/dbase/index.stm)*. Non-conventional water supplies have been widely adopted in the form of desalination plants for brackish and seawater, in addition to treated wastewater reuse programs and reuse of agricultural drainage water. Fossil groundwater has also been extensively tapped.

The rapid increase in desalination capacity has been particularly pronounced in the Gulf countries where cogeneration plants linking electricity and water generation are numerous and expanding. Desalinated water accounts in many of these states for over 90% of potable water supplies and in some areas is even being used in agriculture and landscaping.

Desalinated Water Production in MENA Region



(Source: Food & Agriculture Organization of the United Nations - http://www.fao.org/nr/water/aquastat/dbase/index.stm)

Marginal water (namely wastewater and brackish water) is being increasingly recycled/used as a water supply resource, particularly for sectors such as agriculture, forestry and landscaping. Reuse of drainage water is practiced on a very large scale in Egypt, where 5,000 million m³ of agricultural drainage water (equivalent to 10% of the total water resources) are reused annually after mixing with freshwater. Reuse of drainage water is practiced on a more limited scale in Iraq, Saudi Arabia and Syria.

Multilateral Aid/World Bank Lending

The World Bank and other Multilateral Agencies have initiated a number of innovative projects to help countries in the region manage water resource challenges. The World Bank focuses its efforts in the MENA region on engaging or scaling up its activities in priority countries in line with the Millennium Development Goals objectives (e.g. Morocco, Egypt, West Bank and Gaza, Iraq, Yemen, and Djibouti) and on further deepening sector policy dialogue in countries where the Bank has had long partnerships (e.g. Morocco, West Bank and Gaza, and Yemen). A total of 29 active projects have a primary focus on water in eight countries, with total commitments of USD 2.09 billion. Approximately half of this total focuses on water supply and sanitation issues, with the remainder supporting water resource management, irrigation and related fields.

Private Sector Participation ("PSP")

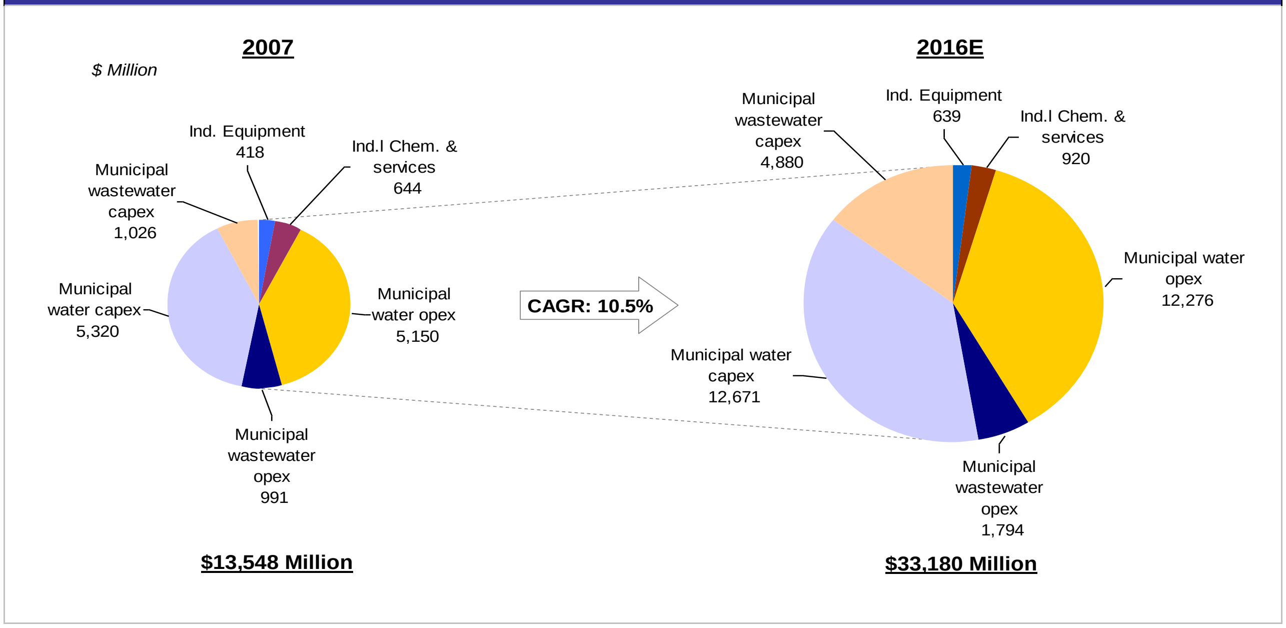
One of the most important changes in MENA water service provision in the last decade has been the increasing role of the private sector. The drivers to PSP are many and varied and include the inability of governments to raise adequate capital to finance, operate and maintain the required updates and development of water supply and sanitation infrastructure. There has also been the belief that management and technical experience, structures and practices within the private sector would lead to more efficient provision than from government-run providers.

The result has been that governments in, for example Abu Dhabi, Algeria, Jordan and Morocco have moved away from being the direct providers of water and sanitation services into a more strategic and regulatory position. Recent moves in Dubai, Lebanon and Saudi Arabia illustrate that PPP is developing under many different existing models of provision. In countries such as Tunisia, a centralized public-sector-funded system is in place, with moderate private-sector participation recently introduced in sanitation through service contracts and a build operate and transfer (BOT) contract in Tunisia. *(Source: Food & Agriculture Organization of the United Nations - http://www.fao.org/nr/water/aquastat/dbase/index.stm)*

Market Size

The combination of a fast growing population, highly stressed natural water resources and the challenge of industrialisation means that developing new water sources and putting wastewater to better use is a priority across the region.

Middle East and North Africa – Market Size (USD million) and Growth (%)



Source: Global Water Markets 2008

Growth Outlook

The many important markets like Saudi Arabia and UAE offer a suitable legal framework for water processing investments and are eager to reform their ways of supply. They are also in a strong financial position and are likely to execute the majority of their projects. The entire region, however, is on the way to improve efficiency and to improve water services. Here the threat of a water crisis has also been acknowledged and made into an important political topic. This means that water ministries will have to allocate their capital more effectively and to invest into efficient water processing systems. Even though this region is subject to high competition and therefore low margins meanwhile players may benefit from market size and upcoming need for investments in water infrastructure. *(Source: Global Water Markets 2008)*

The Middle East market is not price sensitive and is open to use of advanced technology which augurs well for the growth of water market in this region. On the other hand the focus of the World Bank and other Multilateral Agencies on bridging gaps in the North African region would lead to higher growth rates in this region. *(Source: Global Water Markets 2008)*

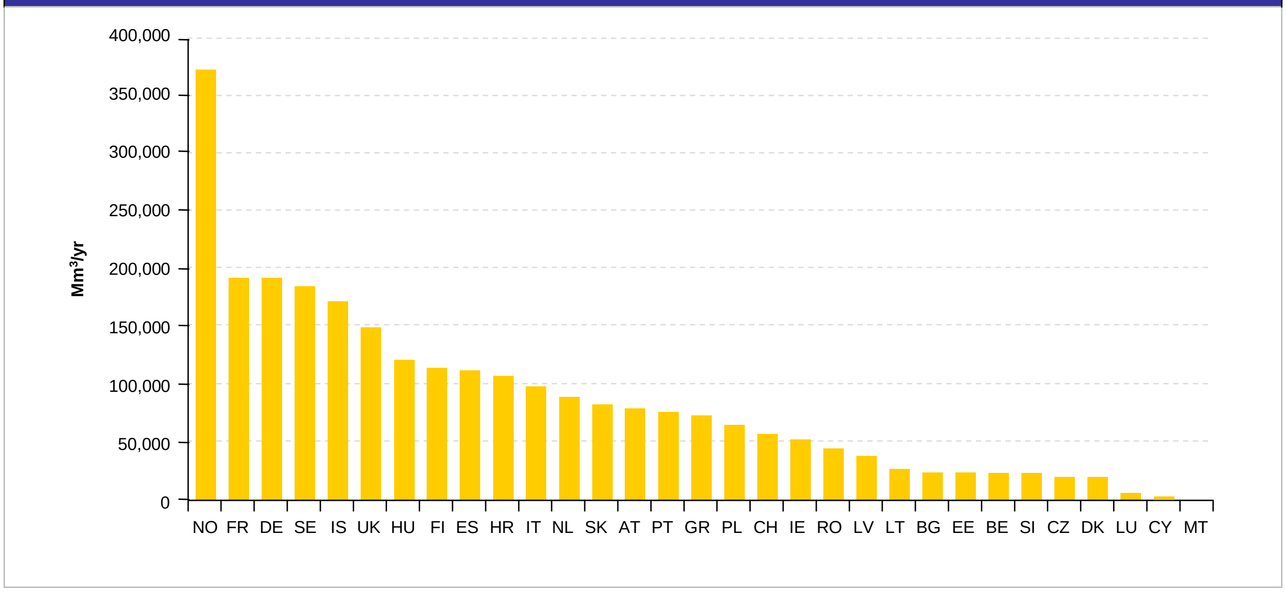
D. European Water Market

Europe’s water sector has strong fundamentals. The combination of high tariffs, increased regulatory standards and generous European Union funding gives it a solid foundation for growth over the next decade. Compared with many other regions of the world, Europe’s future demand is relatively static and rather than obtaining more water, the focus will be on preventing pollution, increasing water treatment levels, improving water quality and encouraging water conservation. While the western European countries have extensive systems but these will need refurbishment in the near future at the same time some eastern European countries are establishing significant water infrastructure to comply with strict EU environmental regulations before their accession into the EU. *(Source: European Federation of National Associations of Water and Wastewater Services report on EUREAU Statistics Overview on Water and Wastewater in Europe, June 2009)*

Demand and Supply

The balance between water demand and availability has reached a critical level in many areas of Europe, the result of over abstraction and prolonged periods of low rainfall or drought. The average geographical distribution of available water resources among the "EUREAU" member countries is highly varying but a relatively low water availability (<5000 m^3/inh·yr) is indicated in half of EU countries mainly in Eastern and Central European countries such as Bulgaria, Estonia, Belgium, Slovenia, Czech Republic, Denmark, Luxembourg, Cyprus, and Malta.

Geographical distribution of available water resources in EUREAU member countries (Mm^3/yr)



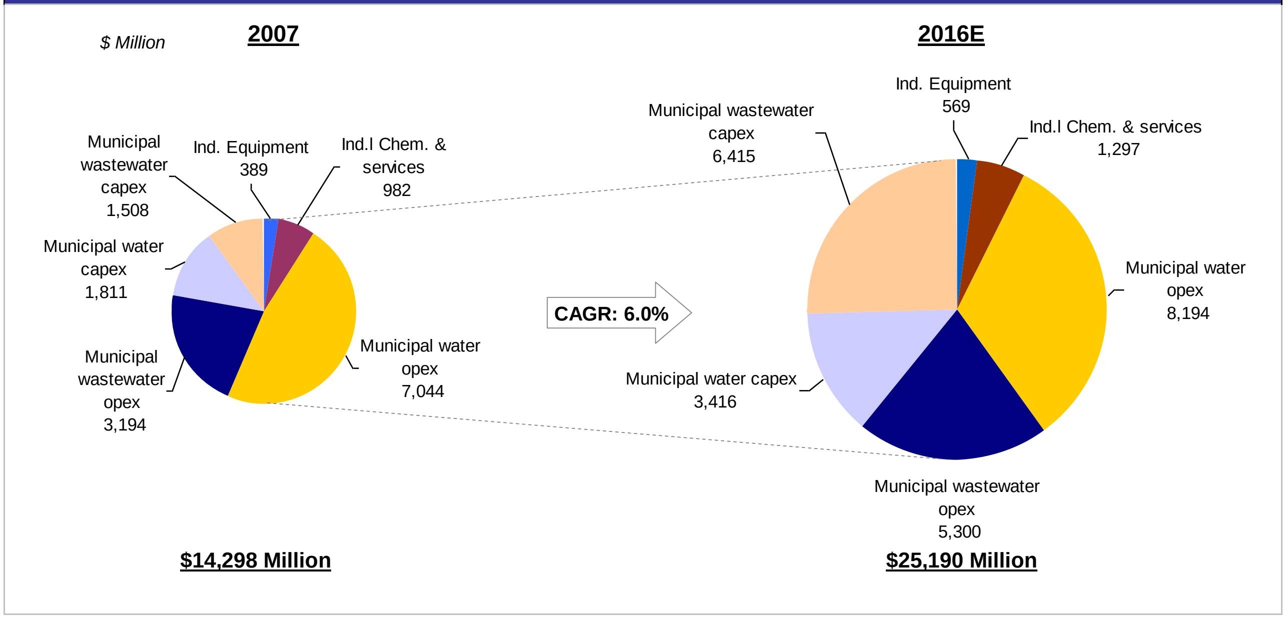
Source: European Federation of National Associations of Water and Wastewater Services report on EUREAU Statistics Overview on Water and Wastewater in Europe, June 2009

Note: EUREAU member countries include AT=Austria, BE=Belgium, BG=Bulgaria, CH=Switzerland, CY=Cyprus, CZ=Czech Republic, DE=Germany, DK=Denmark, EE=Estonia, ES=Spain, FI=Finland, FR=France, GR=Greece, HR=Croatia, HU=Hungary, IE=Ireland, IS=Iceland, IT=Italy, LT=Lithuania, LU=Luxemburg, LV=Latvia, MT=Malta, NL=Netherlands, NO=Norway, PL=Poland, PT=Portugal, RO=Romania, SE=Sweden, SI=Slovenia, SK=Slovak Republic, UK=United Kingdom

Certain parts of Eastern and Central Europe are still far behind in water infrastructure

The population served by drinking water services ranges from 65 to 70% in Romania, Lithuania, Cyprus, Estonia, and Latvia to about 100% in most of the old EU-countries. Countries such as Bulgaria, Romania, Slovenia, Slovak Republic, Poland, and Lithuania have waste water collection services level of only about 50% to 60%. The waste water treatment coverage ranges from 15% to 40% in these countries in contrast to 100% in UK, Luxemberg, Germany. As a result these countries are expected to receive greater investments to improve their water infrastructure to bring it in line with the Euro standards.

Central and Eastern Europe– Market Size (in USD million) and Growth (%)



Source: Global Water Markets 2008

EMERGING TRENDS OBSERVED IN EUROPE:

Desalination increasingly catching up in Europe after Middle East

Spain is the largest user of desalination technologies in the western world. Globally, it ranks fourth behind Saudi Arabia, the United Arab Emirates and Kuwait and first in the use of desalinated water for agriculture. Other European countries such as Cyprus, Greece, Italy, Malta and Portugal, also rely increasingly on desalinated water as an additional resource for public water supply and to support holiday resorts in arid areas. Desalination is also catching-up in regions not normally regarded as arid. *(Source: EUREAU Statistics Overview on Water and Wastewater in Europe – 2008)*

A market increasingly occupied by private players

Over 80% of the total population in EUREAU member countries are served by a public operator for drinking water services, the figure being 90% in the case of wastewater services. *(Source: EUREAU Statistics Overview on Water and Wastewater in Europe – 2008)* However, this is gradually changing and this proportion is expected to eventually reduce significantly in the long term, paving way particularly to public-private partnerships. The changing market dynamics and challenging legal regulations require reliable solutions for both municipal projects and industrial applications. In the life cycle of water engineering plants built for the public sector, the value transfer clearly leads towards the operations & maintenance (O&M) period. Utility privatization is just under way in some Eastern European countries (e.g. Macedonia, Turkey) and will create new chances for outsourcing plant operation and maintenance. *(Source: EUREAU Statistics Overview on Water and Wastewater in Europe – 2008)*

Growth Outlook

Outdated infrastructure combined with strict EU regulations in the new EU member states as well as in countries aspiring to become EU members bears chances for EPC contractors and O&M providers especially regarding water treatment plants. Growing demand for safe potable water accelerates governmental decisions to refurbish current water treatment plants or even to build new ones. In addition, increasing attention to improve waste water treatment capacities, Eastern European governments have decided to enlarge current budgets for environmental protection. There is an essential precondition for countries in the region to catch up with environmental regulations released by European authorities which opens up new opportunities in this sector. *(Source: EUREAU Statistics Overview on Water and Wastewater in Europe – 2008)*

OUR BUSINESS

Overview

We are a multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through our principal offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao. We are headquartered in Chennai and conduct our global operations through our Subsidiaries and branch and representative offices. We share strategic and technical expertise across our Subsidiaries that, we believe, allows research, operational and marketing synergies.

We offer complete life cycle solutions including conceptualization, design, engineering, procurement, supply, installation, construction and O&M services. We provide a range of EPC and O&M solutions for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse for institutional clients like municipal corporations and companies in the infrastructure sector such as power, steel and oil and gas companies. As on July 31, 2010, our Company has executed 113 projects and is currently executing 81 projects.

We are technology focussed. We have R & D centres located in Chennai, India and at Vienna and Winterthur in Austria and Switzerland respectively. Wabag Austria and Wabag Wassertechnik own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. As at July 31, 2010, we had a workforce of approximately 1,469 including 757 qualified engineers while our Company had a workforce of 754 including 588 qualified engineers. Bureau Veritas has certified our Indian operations as ISO 9001: 2008. Bureau Veritas has certified Austria, Germany, Switzerland, the Czech Republic, Romania and Macao as ISO 9001; Austria, Germany, Romania and Macao as ISO 14001; Austria, Germany and Romania as OHSAS 18001; and Austria as ÖNORM.M7812.

We benefit from our association with the Wabag brand name. In 2007, our Company acquired Wabag Austria and hence took over the Wabag group. The Wabag group was founded in 1924. We have a project reference list of more than 2,250 projects over the last three decades. For further details please see the section titled “History and Certain Corporate Matters” on page 168. Our association with the Wabag brand name facilitates our entry into newer markets and helps us to pre-qualify for our projects.

For the year ended March 31, 2010, our consolidated income and total restated profit after tax was Rs. 1,23,376 lakhs and Rs. 4,939 lakhs, respectively, compared to our consolidated income and total restated profit after tax of Rs. 1,15,495 lakhs and Rs. 4,222 lakhs, representing an increase of 7% and 17%, respectively.

For the year ended March 31, 2010, our Company’s income and total restated profit after tax was Rs. 70,766 lakhs and Rs. 4,692 lakhs, respectively, compared to our Company’s income and total profit after tax of Rs. 57,354 lakhs and Rs. 2,599 lakhs, representing an increase of 23% and 81%, respectively.

Our Promoters

Our promoters are Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Vardarajan. Our Promoters are all qualified professionals with an average of 20 years of work experience in the industry. They have a long association with our Company and possess a breadth of experience in the water industry. In September 2005, our Promoters, with the support of India Advantage Fund I and represented by the investment manager ICICI Venture Funds Management Company Limited, effected a management buy-out of our Company from Siemens. In November 2007, our Company, through our wholly owned subsidiary, Wabag Singapore acquired the entire shareholding of Wabag Austria. Pursuant to this acquisition, Wabag Austria and its subsidiaries became our subsidiaries. For further details, please see the section titled “History and Certain Corporate Matters” on page 168.

Competitive Strengths

We believe that we have significant industry expertise and knowledge as a result of our project reference list of more than 2,250 projects over the last three decades in more than 19 countries across the world. In particular, we believe that the following strengths help differentiate us from our competitors and enable us to compete successfully in our industry:

Complete water solutions provider

We provide engineering solutions in the water industry for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse and offer a comprehensive range of services throughout the entire life cycle of water including conceptualization, project design, installation, construction and O&M support. Our clients are institutional, both municipal corporations and industries. We execute projects on a turnkey basis or an item rate basis; however our principal expertise is technology and we sub-contract the civil works. We believe that we are able to attract more clients because of our ability to provide services over the entire life-cycle of a project.

Our Company has completed the Perungudi plant on a DBO basis where we constructed a plant with a capacity of 54 MLD and have an O&M contract for a period of 10 years. Similarly, our Company is constructing a 62.5 MLD plant at Delawas near Jaipur and also has an O&M contract for a period of 20 years. We are setting up a wastewater treatment plant in Tehran, Iran for the Tehran Sewerage Company with a capacity of 450,000 m^3/d. This is a turn-key project on a DBO basis and we also have a contract for the O&M of the plant for a period of five years. Our Company has been awarded the contract for a sea water reverse osmosis desalination plant with a capacity of 100 MLD in Chennai including an O&M contract for seven years. Our Company has also completed the execution of a 455 MLD water treatment plant at Panjrapur for the Brihanmumbai Municipal Corporation.

In October 2007, our Company completed the construction of a plant water systems package for Durgapur Projects Limited for the project at Durgapur. We are currently executing a plant water systems package for the Damodar Valley Corporation for their 2 x 500 MW power plant at Durgapur which was scheduled to be completed in July 2010. Our Company is in the process of making an application requesting for an extension of time for the completion of this project.

Wabag brand recognition

We leverage our business on the Wabag brand, which was established in 1924. Over the years, we have continued to invest resources to build our brand. Our brand accords us the opportunity to penetrate new markets, pre-qualify for bids and expand our services in new areas such as BOOT and TOT. It also helps us in attracting and retaining skilled personnel. Additionally, it facilitates our operations in competitive markets where we are able to partner with other companies for our projects, if required.

Brand recognition combined with our technical competencies and ability to meet client requirements has won us repeat orders from our clients. We have a strong reference list with a dominant presence across various municipal markets in India, including Bengaluru, Chennai, Kolkata, Mumbai and New Delhi.

Lower investments and capital expenditure in our projects due to our outsourcing model

We usually outsource the civil works, construction and erection works for our projects to third party contractors. This benefits our returns on investments in each project as our fixed assets costs are low. For Fiscal 2010, our Company's gross block of fixed assets was 10% of its total assets. Out of 113 projects completed by our Company as of the date of the Red Herring Prospectus, 83 were turnkey projects, where the civil works, construction and erection works were outsourced. We utilise this outsourcing model as it allows scalability and allows us to focus on engineering, design and technology to provide quality water engineering solutions. We have been using this model since 1996 and we believe that this has been a key factor in the efficient execution of our projects. We have experienced and capable site management teams who oversee the civil and construction works being undertaken by third party contractors and execute all aspects of our projects. We undertake appropriate quality checks and controls throughout the process to ensure timely and appropriate completion of our projects. This model allows us to expand in different cities and countries at a fast pace and without excessive capital expenditure. Our outsourcing model enables us to leverage the expertise of service providers in the jurisdiction where the project is located, thus increasing efficiency and reducing our costs for the project. This also enables our management to focus on technology development and efficient project management. We also believe that our outsourcing model provides us with the scalability required not only to undertake large developments such as the 50 MGD water treatment plant at Dwarka for the Delhi Jal Board and the 100 MLD sea water reverse osmosis desalination plant for the Chennai Metropolitan Water Supply and Sewerage Board but also to explore opportunities and undertake similar and other projects in different parts of India and overseas.

Use of advanced technology

The designing and engineering of projects in the water and wastewater treatment segment is technically complex, time consuming and resource intensive because of unique client requirements. We constantly upgrade our technical abilities to offer our clients the full range of services at lower cost and without compromising quality. For instance, we have used state-of-the-art membrane based bio reactors for our project in Muscat. This enables the client to achieve filter water quality standards for re-use purposes. For a country, which has scarce water resources, this technology enables the client to re-use the water for other purposes including irrigation, construction, among others. The BeiXiaoHe wastewater treatment plant produces recycled water for the Olympic Park in Beijing and is a membrane bioreactor plant fitted with state-of-the-art technology for the reuse of cleaned wastewater. The contract comprised the modernisation and enlargement of an existing municipal wastewater treatment plant and an increase in its capacity from 40,000 m^3/d to 100,000 m^3/d. The new plant guarantees environment-friendly water reuse. Plant enlargement involved the addition of a completely new wastewater line, designed for water reclamation and with output of 60,000 m^3/d. The plant contains hollow fibre membranes (Memcor Memjet) with a total membrane area of 180,000 m2. Our technology enables us to meet the requirements of a broad spectrum of construction activity for a wide variety of clients.

Further, our Subsidiaries own several technologies for waste water treatment and we utilize the same for our various projects. Wabag Austria and Wabag Wassertechnik own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. For instance, we have used the Bio-Active Fixed Film ("BAFF") Technology ("BIOPUR"®) at the Sierre Plant in Switzerland with a capacity of 60,000 $m^3$where the treated sewage is discharged into the river. The same technology is also used at the Marburg plant in Germany which has a capacity of 155,000 cubic metre where the treated sewage is discharged into the river. We have developed the Hybrid® process which is a two stage activated sludge process for nitrogen removal jointly with the Vienna University of Technology and facilitates a considerable reduction in the tank volume required and has been used for the municipal wastewater treatment plant with a capacity of 4,500,000 p.e. in Vienna. Our Subsidiaries have developed BIODEN® which is a biological process for ground water denitrification which uses natural micro organisms controlling their activity by nutrient dosing. The process consists of nutrient dosage, a biological filter, subsequent aeration for oxygen enrichment, downstream flocculation filtration and final safety disinfection. We have completed a sewage treatment plant in Vienna, Austria for a 4,300,000 population equivalent. We are setting up a drinking water treatment plant in Czestochowa, Poland, with a capacity of 12,000 m^3/d designed for the treatment of groundwater with a high level of nitrates caused by intensive agriculture where we treat water and reduce nitrate content from 80 ppm to five ppm.

The Southern wastewater treatment plant Tehran, Modules 1-4 (municipal waste water treatment plant) constructed under a contract for planning, installation and operational management for five years, treats municipal waste water generated in the area of Tehran, the capital of Iran and has a capacity of 450,000 m3/d. The plant is designed for carbon and partial nutrient removal using activated sludge process, trickling filters and applying anaerobic sludge digestion. The plant is designed in four parallel trains and serves the equivalent of 21 lakhs of the population. The Southern Tehran wastewater treatment plant enables the coverage of 80% of the plant's electricity needs through the use of biogas, which is produced in six digesters (each 9,000 m^3) and is utilized by four co-generators for generation of electric and thermal power. The new plant guarantees environment-friendly water reuse. The treated effluent is reused for agricultural irrigation purposes in the area of the Varamin plain.

In India, we have used several technologies such as dual media filter, ultra filtration and reverse osmosis and mixed bed filter at the refinery in Panipat where the effluent is recycled after treatment for its industrial purpose like boiler feed water and process water.

Strong execution track record and Order Book

We have a demonstrated track record of utilising our management bandwidth, skills and internal systems to execute large and complex projects that take several years to complete. We concentrate on executing projects that leverage our experience, expertise and our proprietary processes and technology.

Our Company has proven its execution capabilities in large EPC contracts such as the construction of a 455 MLD plant for water treatment at Panjrapur for the Brihanmumbai Municipal Corporation and demineralization plant and condensate polishing at the refinery in Panipat. The average period for the execution for EPC projects is between 18 to 24 months. The average period for execution varies between one year and 10 years for O&M projects.

The construction of water and wastewater treatment projects requires a significant amount of technical expertise and skill in execution. We utilize proprietary technology held by our Subsidiaries, as well as experience for our projects. BIOPUR® is an example of our proprietary technology used in several of our projects**.** Additional technologies used by us include fine sieving in Switzerland, Denitirifcation plant in Austria, Poland and Saudi Arabia as well as FLUOPUR® in Switzerland as well as the filter system in Switzerland, China and Romania. Pre-qualification for bidding of projects is often based on past experience of execution of similar projects and financial strength. We were pre-qualified because our reference of projects such as for the wastewater projects for IZMIR in Turkey as well as the membrane bio reactor in Bejing, China. We were pre-qualified for the Kondli water treatment plant by the Delhi Jal Board because of our projects reference in this segment. We believe that our expertise in such diverse project implementation provides us with a significant competitive advantage in an industry where substantial expansion is expected in the future.

Our Order Book as on June 30, 2010 was Rs. 2,77,960 lakhs and for our Company was Rs. 1,86,080 lakhs. Of our Order Book on a consolidated basis and for our Company on an unconsolidated basis, 88% was attributable to municipal clients and 12% to industrial clients.

Domestic and International Presence

The level of growth in our industry depends upon many factors including water demand and supply mismatch, the level of development, the standard of living and the demographics of various regions. According to Global Water Markets 2008, the 15 largest growth markets in the world include Saudi Arabia, Romania, Algeria, India, Oman, Egypt, China, Libya, Spain, Iran, UAE and Turkey and we have market presence in all of these markets.

We have offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao and have a market presence in the Middle East, North Africa, Central and Eastern Europe, China, India and the South East Asia. We believe our presence in various countries allows us to identify and evaluate projects in new jurisdictions effectively, establish client relations, understand local markets, culture and requirements, procure raw materials locally, reduce currency risks and meet client expectations efficiently. Our experience in diverse jurisdictions helps us to assess risks and the potential returns of a new project helps us to pre-qualify for large projects globally.

Strong Management Team and Experienced Staff

Our Promoters are part of our senior management team and have been with us for several years. They are actively involved in our day to day activities and possess a breadth of experience in our industry. They combine entrepreneurial skills with professional commitment.

We have a highly qualified, experienced and dedicated management team and a skilled work-force. As at July 31, 2010 we had a workforce of approximately 1,469 including 757 qualified engineers while our Company had a workforce of 754 including 588 qualified engineers. This large pool of engineering and technical workers is essential for the efficient and effective execution of our projects. In addition, our senior management includes highly qualified people with extensive experience in our business with engineering or technical background, which enhances our ability to successfully execute large projects. Our staff also has diversified experience in various types of construction projects, which enables us to execute varied projects and deploy the most appropriate people for various projects. We are dedicated to the development of expertise and know-how of our employees and we continue to invest in them through training and skills.

Business Strategy

Our goal is to maintain and expand our presence as a global player in the water treatment industry by leveraging our reputation and delivering excellence, quality, performance and reliability across all types of water and wastewater treatment in a cost efficient manner. Our plan is to achieve this goal by focusing our business growth strategy on the following key elements:

Strengthen our presence in high growth emerging markets

In the past, we have focussed on emerging markets as a part of our strategy and intend to continue our focus on these markets in the future. We believe that certain markets including India, regions in North Africa, Middle East, China, South East Asia and Central and Eastern Europe, many of which regions we are currently present in, provide significant growth opportunities for our business. In many of these countries, the water infrastructure is not adequate and given the demands of urban populations, most of these countries are focus areas of multilateral agencies for infrastructure upgradation. We plan to leverage our market leadership, our brand name and execution capabilities to attract new clients and obtain new projects in these geographies. We plan to expand in newer markets within these regions and aim to deliver quality in a cost efficient manner by using indigenous labour and skills. We may enter into partnerships/ alliances with local partners to understand local markets better and build on our capabilities.

Emphasis on the higher margin through stronger presence in the O&M Segment

As the market is evolving for O&M, we plan to further penetrate the water and wastewater treatment sector through DBO contracts drawing on our capabilities in the water and wastewater treatment sector through EPC contracts. From executing O&M contracts for our own projects, we are gradually moving towards executing O&M contracts for projects built by other players. Our capabilities as an established player allows us to focus and bid more for O&M contracts across all the focus geographies which, we believe, offers steady cash flow and adds significantly to the company's margins. We intend to increase the proportion of revenues from this segment so as to improve our overall profitability.

Growth and expansion through BOOT and TOT models

As water and wastewater treatment reaches national prominence in more and more countries, governments across the world are inviting private participation to meet the funding requirements of the sector. In all the markets that we have presence in, we intend to bid for all such opportunities and expand our presence in BOOT projects by leveraging our technical and financial credentials. BOOT projects involve an arrangement by which a private developer builds an infrastructure facility using limited or non-recourse financing in return for the right to operate the facility and charges users a fee in order to generate a commercially acceptable rate of return on investment. BOOT projects provide consistent and assured revenue throughout the concession period, which is usually 25 to 30 years. As BOOT projects require substantial capital commitment, we may enter into partnerships with other companies to bid and develop the same. Further, in order to initiate operations in a new market, we may enter into partnerships with established companies in the same market.

In Central and Eastern European countries where the demand for refurbishment equals or at times, is higher than new demand, we endeavour to enter the TOT market where we refurbish an existing plant, built by us or a different contractor, for a consideration and operate the plant and gain revenue from it for a few years before transferring it back to the client. The average concession period for O&M of such projects is three to 10 years. We have been transferred a plant at a refinery in Romania for renovation and refurbishment as well as O&M for a period of three years.

Growth and expansion through acquisitions

We intend to expand inorganically by identifying acquisition opportunities. We intend to pursue acquisitions of companies which have a better treatment technology or a reference list of projects executed internationally than ours which can help us in further expanding our water and wastewater treatment technology portfolio as well as companies that will enhance our presence in some of the emerging geographies that we are present in. We intend to acquire companies which provide us further depth in the regional markets or a new business model. We also seek to acquire companies in the BOOT space in the markets where we are present.

Our goal is to pursue acquisitions which can enhance our existing portfolio of offerings and help us in staying in a preferred position in all the markets where we operate to efficiently realize the opportunities presented by the water market globally.

Consolidate our position as an international player and further strengthen the execution capabilities of our Subsidiaries and regional offices to serve local customers better

We aim to empower our Subsidiaries enabling us to decentralise business and strengthen the execution capabilities of our Subsidiaries. We intend to develop and nurture internal management teams authorised to take decisions. We believe that this will enable us to operate efficiently and effectively with local teams executing projects with centralised control only for important decisions. We are also working towards empowering local management teams of our Subsidiaries to ensure independent operations that enable regional teams to fully utilize their knowledge of the local markets in growing sales and profitability of our Company. This would also help in building close relationships with clients, give us the ability to service them better and ensure smooth and timely completion of projects.

Structural and process improvements to reduce costs

We acquired Wabag Austria in November 2007 and some of our operational subsidiaries are held through it. We are in the process of consolidating and realizing synergies through a structured and time bound integration for efficient utilization of the resources of our Company and our Subsidiaries.

We believe there are significant synergies in the areas of engineering and procurement, two primary business activities for us. For engineering, we propose to share technological support efficiently, by centralizing engineering assistance through international engineering teams currently operating from Pune in India and Tunisia in North Africa and by adopting a global procurement policy like negotiating rate contracts with global suppliers. Further, as a part of developing a global procurement policy, we are developing a low cost sourcing model by sharing vendors and material cost data across offices in different jurisdictions to source materials in a cost-effective manner.

To enhance the integration of technological support, we are establishing an ERP system which standardises accounting, project planning and execution of documentation across all our offices and assists in the creation of a common platform for data sharing with respect to technology, engineering and procurement. Further, our management is actively involved in the integration process and a substantial time of our key managerial persons is allocated to the same. We create opportunities for our employees to work in diverse markets through secondments, transfers and group interactions to enable knowledge sharing and integration of work culture.

Continue to enhance our core strengths by attracting, retaining and training qualified personnel

We believe that our ability to effectively execute and manage projects is crucial to our continued success as a global water and wastewater treatment player. We understand that maintaining quality, minimising costs and ensuring timely completion of our projects depends largely on the skill and workmanship of our employees. As competition for qualified personnel increases among engineering and construction companies in India, particularly with the entry of international companies, we seek to improve competitiveness by increasing our focus on training our staff. We offer our engineering and technical personnel a wide range of work experience and learning opportunities by providing them with continuous training in latest systems, techniques and knowledge upgradation. We have implemented an employee share option plan and granted options to our employees as part of our strategy to attract and retain employees and to be a preferred employer.

BUSINESS OFFERING

We are primarily a turnkey contractor for water and wastewater treatment plants, which contribute for a majority of our revenues. We execute water and wastewater treatment projects on a turnkey and item rate basis but our principal expertise is technology and we sub-contract civil works.

1. Design

Design is one of our core competencies. We provide the complete design of water and wastewater treatment plants starting from the preparation of the basic engineering plan to the provision of detailed blueprints on hydraulics, layout, process calculations, electrical control, instrumentation and mechanical equipment. The design teams are fully supported by sophisticated software such as PDMS, PV Elite, Propipe, STAAD pro and AutoCAD as well as document management system called Wrench which is used for document tracking and control as well as modules developed in-house.

2. Procurement and supply

Supply involves procurement of equipment, instruments and materials required for the construction and eventual operation of a treatment plant and ensuring that the same is made available at the site. Our internal team designs the equipment needed for construction and provides the layout to pre-selected manufacturers. Emphasis is placed on ensuring timely delivery and that all equipments assembled by our suppliers conform to the highest technological and safety standards. To facilitate this, the equipment fabricated by suppliers is inspected for quality control and quality assurance by an internal team before the material is supplied to the end user.

We have vendor networks across the geographies where we are present based on which a global procurement database has been created and is used for procurement. We leverage this network of vendors and suppliers to improve profitability.

3. Construction

The principal activity in this segment involves construction designing, which is carried out by a specialized civil engineering team. The civil construction work is subcontracted to select contractors and civil engineering firms depending on the nature of the project. We supervise the operations of subcontractors through appropriate quality control and assurance systems.

4. Installation

The mechanical, electrical, civil and piping erection works are subcontracted to erection contractors and conducted under our supervision.

5. Commissioning

Commissioning is the final stage of the EPC process, which involves a step-by-step procedure encompassing examination of equipment procured and their integration into a fully functioning system which is connected to the raw water/ wastewater input on one end and the wastewater/ treated water output mains at the other. The overriding objective is to ensure that all specifications and guarantees relating to output are met.

6. Personnel Training

We provide training to the client’s personnel in terms of understanding, managing and operating the plant. This ensures that the plant functions smoothly after commissioning.

7. ***After-Sales Services***

We emphasise maintaining relationships even after a project is completed and continue to support our clients on process-related issues and equipment breakdown problems amongst others. We believe this facilitates repeat orders by clients.

8. ***O&M***

We leverage our expertise, experience, process, technology and system in the EPC segment by offering high-value services following the successful construction and commissioning of a plant. With complete appreciation of the design, supply, commissioning and operational aspects of water treatment projects, we assess the O&M needs of both new and existing clients and formulate and offer comprehensive customer specific packages. We derive a steady stream of cash flow from O&M contracts because these are in the nature of annuities.

Our clients rely on our O&M expertise for the long-term maintenance of their plants. We also undertake projects on a BOOT/TOT and DBO basis based on client needs and our assessment of market opportunities.

INDIA OPERATIONS

Our Company provides a range of solutions extending from project development to long-term operation of the project. Our Company divides its business into the following four strategic business units ("SBUs"):

1. Municipal Business Group ("MBG");
2. Industrial Water Business Group ("IWG");
3. Operations Business Group ("OBG"); and
4. International Business Group ("IBG").

The MBG SBU provides a wide variety of water and wastewater solutions to municipal corporations across India and wastewater treatment to industrial clients. It is headed by Rajiv Mittal and as of the year ended March 31, 2010 reported total sales of Rs. 44,809 lakhs. The IWG SBU works with corporate clients to provide solutions for various industrial plants such as refineries, steel and power plants, among others. IWG is headed by Patrick Andrade and as of the year ended March 31, 2010 reported total sales of Rs. 7,999 lakhs. The OBG SBU provides O&M services to both municipal and industrial clients. This SBU is headed by S. Varadarajan and as of the year ended March 31, 2010 reported sales of Rs. 3,550 lakhs. The IBG SBU looks after our Company's business in South East Asian countries such as Singapore, Indonesia and Korea, India's neighbouring countries such as Sri Lanka and Bangladesh as well as countries in the Middle East such as Oman, Qatar and the UAE. As of the year ended March 31, 2010, the IBG SBU reported sales of Rs. 13,739 lakhs.

The various SBUs are inter-linked and co-ordinate together on various projects. The SBUs often work together on various stages of the project, including from the bid process to the execution of the project itself. The contracts are well defined and separately handled by respective SBUs. Our Company allocates separate identity numbers for the respective scope of work of each SBU for the purpose of tracking the cost and revenue generated.

Municipal Business Group

The MBG SBU focuses on water and wastewater treatment for municipal corporations and wastewater treatment to industrial clients and provides EPC services only. Any O&M required as part of our contract with the municipal corporation is performed by the OBG SBU. As at July 31, 2010, our Company is executing 14 water and wastewater treatment plants for municipal corporations and 11 wastewater treatment plants for industrial companies.

MBG is the largest SBU of our Company and is involved in executing contracts for water and wastewater treatment plants for municipal corporations of various metropolitan and major cities of India. Accordingly, a substantial portion of our Company's revenue is and is expected to continue to be derived from the MBG SBU. A number of these projects are funded by bilateral and multilateral agencies. The MBG SBU's focus has been, and is expected to continue to be on, large and complex EPC projects.

A predominant portion of the MBG SBU's business comes from contracts with municipal corporations. Majority of the contracts executed by us for municipal corporations are funded by external funding agencies like Asian Development Bank, Japanese International Co-operation Agency ("JICA"), World Bank or through Central government initiatives like the Jawaharlal Nehru National Urban Renewal Mission ("JNNURM") and the National Rivers Conservation Directorate. The Keshopur sewage treatment plant in New Delhi is funded by JICA while sewage treatment plants at Delawas and Khor near Jaipur are funded by the JNNURM.

MBG's scope of activities includes the following:

a. Drinking water treatment plants;
b. Sewage schemes;
c. Industrial wastewater treatment plants; and
d. Pumping stations and pipelines networks.

The following table describes some of the significant projects that the MBG SBU has undertaken and completed as at the date of this Red Herring Prospectus:

Name of Project	**Client**	**Contract Value as per letter of award (*In Rs. lakhs*)**	**Completion Date**
75 MLD and 20 MLD sewage treatment plants at Mailasandra and Nagasandra	Bangalore Water Supply & Sewerage Board	6,410.4 (Japanese yen component excluded)	April 2005
50 MLD sewage treatment plant at Kadbesinahalli	Bangalore Water Supply & Sewerage Board	4,001.6 (Japanese yen component excluded)	April 2005
110 MLD sewage treatment plant at Kodungaiyur	Chennai Metropolitan Water Supply & Sewerage Board	3,827.7	August 2006
54 MLD sewage treatment plant at Perungudi	Chennai Metropolitan Water Supply & Sewerage Board	3269.9	August 2006
Plant water system package	The Durgapur Projects Limited	6,657.3 (exclusive of taxes mentioned separately)	October 2007

The following table describes some of the significant projects that the MBG SBU is executing as at the date of this Red Herring Prospectus:

Name of Project	**Client**	**Contract Value as per letter of award (*In Rs. lakhs*)**	**Scheduled Completion Date**
Plant water system for thermal power plant at Vishakhapatnam	An Indian steel plant	13,444.9	November 2010
111 MLD water treatment plant at Cherthala	Kerala Water Authority	18,637.8	August 2010*
Plant water system package for 2 x 500 MW power plant at Durgapur	Damodar Valley Corporation	13,449.2	July 2010*
45 MGD sewage treatment plant at Kondli	Delhi Jal Board	19,071.1	September 2010

Name of Project	Client	Contract Value as per letter of award (*In Rs. lakhs*)	Scheduled Completion Date
54.6 MLD sewage treatment plant and allied works at Keshorpur	Delhi Jal Board	18,750.3	November 2010
100 MLD sea water reverse osmosis desalination plant, Chennai	Chennai Metropolitan Water Supply and Sewerage Board	53,338.1	January 2012
50 MGD water treatment plant at Dwarka	Delhi Jal Board	14,900.0	January 2011

***** *Our Company is in the process of making an application requesting for an extension of time for the completion of these projects.*

Industrial Water Group ("IWG")

The IWG SBU focuses on execution of projects for large industrial clients such as oil refineries, steel plants and power plants and provides solutions such as de-mineralization plants, reverse osmosis plants, thermal based desalination plants, condensate polishing units, wastewater recycle plants and zero liquid discharge plants. As at July 31, 2010, our Company is executing 14 water treatment plants for industrial companies.

A pre-dominant portion of IWG projects are funded by industrial clients as part of setting new refineries, steel plants and power plants and their expansions. The IWG SBU provides various industrial water treatment processes such as conventional and fluidized bed demineralization based DM plants, reverse osmosis plants, filtration systems, condensate polishing units, membrane based and thermal based sea water desalination plants, softening plants, wastewater recycle plants, zero liquid discharge plants to meet industrial water requirement for boilers feed, cooling and other process use.

IWG SBU offers a complete range of desalination technologies backed by its expertise and has a wide range of desalination technologies such as:

- Reverse osmosis ("RO");
- Multi-effect distillation ("MED");
- Thermal vapour compression ("TVC");
- Mechanical vapour compression ("MVC");
- Multi-stage flash ("MSF");
- Electrodialysis ("ED"); and
- Ion exchange ("IX").

The scope of the work provided by the IWG SBU includes design and engineering, equipment supply and retrofitting, installation and site supervision, start-up and commissioning and the completion of turnkey contracts.

The following table describes some of the significant projects that the IWG SBU has undertaken and completed as at the date of this Red Herring Prospectus:

Name of Project	Client	Contract Value as per letter of award (*In Rs. lakhs unless otherwise specified*)	Completion Date
9 x 160 m^3/hr DM plant at Panipat	An Indian oil company	3,474.0	January 2006
3 x 235 m3/hr conventional DM plant & CPU	An Australian fertilizers company	987.0*	May 2006
300 m3/hr ultra filtration based sewage recycling system at Vishakapatnam	An Indian steel manufacturing company	473.9	June 2006
900 m3/ hr effluent recycle plant	An Indian oil company	4,667.2	October 2006

** The contract value is USD 2.1 million as converted at the rate of Rs. 47.00.*

The following table describes some of the significant projects that the IWG SBU is executing as at the date of this Red Herring Prospectus:

Name of Project	**Client**	**Contract Value as per letter of award** (*In Rs. lakhs unless otherwise specified*)	**Scheduled Completion Date**
DM water treatment plant and condensate polishing plant for diesel hydro treater projects	A refinery of an Indian oil company	2,807.4	August 2010*
20 MLD seawater desalination plant at Mundra	Adani Power Limited	4,045.5	Phase I:December, 2009 Phase II: March 2010 Phase III: June 2010**
Pressure sand filters for 3.9 MTPA integrated steel plant	A steel manufacturer	2,445.0	September 2010
Balance of plant package for Korba West Thermal Power Project (1 x 500 MW thermal power plant)	An Indian company	6,800.0	DM – March 2011 Service and potable – September 2011 Effluent – December 2011
Seawater reverse osmosis plant for 2 x 800 MW thermal power plant	An Indian company	Rs. 2,314.9 for onshore supply of plant and equipment and services and EUR 165,212 + USD 695,028 for offshore supply of plant and equipment.	April, 2012
Condensate polishing unit for 2 x 800 MW steam turbine generators	An Indian company	Rs. 1,112.0 lakhs for main equipment Rs. 52.0 lakhs for spares Rs. 36.0 lakhs for services	December 31, 2011 for main equipment and spares; March 31, 2012 for services
Reverse osmosis plant	An Indian company	Rs. 2,319.7 lakhs for the reverse osmosis plant Rs. 62.56 lakhs for set of equipment for the reverse osmosis plant	October 31, 2010

***** *Our Company is in the process of making an application requesting for an extension of time for the completion of this project.*
*** Our Company has made an application to Adani Power Limited on July 5, 2010 for the extension of the time for completion of this project.*

Operations Business Group ("OBG")

The OBG SBU is involved solely in the core area of providing quality O&M services to both domestic and international clients who are usually municipal corporations and industrial clients. The OBG SBU services international clients in geographies covered by our IBG SBU. It provides complete O&M services including organization, staffing, supply of chemicals and consumables, supply of spares, major and minor repairs, and replacement of equipment and refurbishment of the plant. As at July 31, 2010 our Company operates 34 projects covering the entire range of water and wastewater treatment for municipal corporations and industrial companies.

OBG Business Model:

The OBG SBU operates plants constructed by our MBG and IWG SBUs, plants constructed by other contractors and handed over to clients and partners with other EPC contractors to operate their plant or to provide operational management support.

We adhere to standard O&M procedures as per our quality policy to generate highest plant operations efficiency and least down time. This ensures that our customers are serviced to satisfaction. Our O&M contracts generally range from a period of one year to 20 years with an average period of three to seven years.

The following table describes some of the significant projects that the OBG SBU has undertaken and completed as at the date of this Red Herring Prospectus:

Name of Project	Client	Contract Value as per letter of award (*In Rs. lakhs*)	Completion Date	Duration of contract
O&M of sea water treatment plant at Kutch based on multi effect distillation	Gujarat Mineral Development Corporation	418.5	October 2007	24 months
O&M of 300 MLD water treatment plant at Redhills	Chennai Metropolitan Water Supply and Sewerage Board	860.9	December 2007	64 months
O&M of 163 MLD sewage treatment plant at K&C Valley	Bangalore Water Supply and Sewerage Board	40.3	November 2006	31 months

The following table describes some of the significant projects that the OBG SBU is executing:

Name of Project	Client	Contract Value (*In Rs. lakhs unless otherwise specified*) as per letter of award	Scheduled Completion Date	Duration of contract
900 cum/hr TTP plant at Panipat	An Indian oil company	1,118.4	March 2012	24 months
1 MGD water treatment plant near Aksharadham Temple*	Delhi Jal Board	700.0	September 2014	48 months
50 MLD sewage treatment plant at Erandwane	Pune Municipal Corporation	422.1	February 2014	84 months
O&M of 110 MLD sewage treatment plant at Kodungaiyur with power generation using biogas engines	Chennai Metropolitan Water Supply & Sewerage Board	3,111.4	July 2016	120 months
Comprehensive maintenance works for five years	An Indian company operating an international airport	1,442.5	May 2015	60 months

** The construction of this project has been completed and is under commissioning. The plant will cater to the requirements of athletes and officials from the Common Wealth Games Associations. The operations and maintenance of this project will be undertaken by our OBG SBU upon commissioning of the plant which is scheduled to be in September 2010.*

International Business Group ("IBG")

IBG started as an independent SBU in April 2007. This SBU caters to both municipal and industrial water and wastewater treatment needs of customers outside India in geographies like South East Asia, the Middle East and neighbouring countries. In the Middle East, however, Wabag Austria is in charge of our operations in Saudi Arabia while our Company manages operations in Oman, Qatar and the UAE. In China, it is planned that our Company together with Wabag Austria and our Swiss subsidiary will jointly develop the market. The IBG SBU only deals with the EPC part of the scope of work.

IBG has received orders from EPC companies in Korea, Malaysia and Singapore. It has also received an order for executing an EPC contract in Duqum, Oman. As at July 31, 2010, the IBG SBU is executing eight projects in five countries. The IBG SBU has not completed any projects as at the date of this Red Herring Prospectus.

The following table describes one of the significant projects that the IBG SBU is executing as at the date of this Red Herring Prospectus:

Name of Project	Client	Contract Value as per letter of award	Scheduled Completion Date
Desalination plant for 2 x 300-400 MW coal fired power plant	A Malaysian company	USD 9.3 million	March 2010*
Water treatment and wastewater treatment packages - Cirebon Project	Doosan Heavy Industries and Construction	USD 4.6 million	May 2010**
Condensate polisher system for 4 x 350 MW power plant	Hyundai Engineering and Construction Company Limited	EUR 5.5 million	September 2010

**Our Company has received a preliminary provisional acceptance certificate confirming the completion of the design, engineering, supply, delivery, manufacture and transport for the desalination plant pending successful completion of testing and commissioning work.*
*** This project is yet to be commissioned.*

OVERSEAS OPERATIONS

Our international operations are conducted through our Subsidiaries and we operate in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia. Wabag Austria is the holding company for most of our subsidiaries overseas and the key subsidiaries of Wabag Austria include Wabag Wassertechnik and Wabag Brno. We also establish branch and representative offices to facilitate our operations. Our main branch and representative offices are located at Tripoli in Libya, Tehran in Iran and Riyadh in Saudi Arabia. The corporate headquarters of Wabag Austria are located at 87-91 Dresdner Strasse, Vienna 1200, Austria. Wabag Austria provides both technical and financial support, as may be required, to its subsidiaries.

Our Subsidiaries divide our lines of business across categories such as drinking water treatment plants, wastewater treatment plants and desalination plants, except in the Czech Republic where we primarily execute industrial water treatment plants. We provide both EPC and O&M services to our clients. Our Subsidiaries have historically been active as EPC contractors /suppliers of the entire mechanical / electrical systems for a water, wastewater or desalination plant and have now expanded into the DBO segment.

Wabag Austria: Wabag Austria categorises business under the five main heads of drinking water treatment, municipal wastewater treatment, industrial water treatment, desalination and O&M.

Wabag Wassertechnik: Wabag Wassertechnik categorises business under the three main heads of drinking water treatment, industrial and process water treatment and municipal wastewater treatment.

Wabag Brno: Wabag Brno primarily focuses on commercial water processing for power plants, heating plants as well as heating systems and boiler houses for industrial purposes.

Wabag Austria has several functional teams like business development and marketing, proposal management, project execution and finance and enjoys operational independence. However, it is required to obtain approval from the CEO of our Company for the submission of binding proposals as well as the acceptance of orders from customers where the value of the order exceeds Eur one million. Additionally, the Board of Directors of our Company must approve the annual revenue and capital expenditure budgets of our Subsidiaries.

The following table describes some of the significant projects that our Subsidiaries have completed as at the date of this Red Herring Prospectus:

Name of Project	Client	Location	Contract Value (*In Euro million unless otherwise specified*)	Completion Date
Power and heating plant	A Czech company	Czech Republic	CZK 105.1	October 2007
Zliten Thermal Desalination	GECOL	Libya	9.8	June 2008
Rzeszow drinking water	RzeszowMuncipality	Poland	21.4	December 2008
Izmir waste water	Izmir Metropolitan	Turkey	18.1	February 2001

The following table describes some of the significant projects that our Subsidiaries are executing as at the date of this Red Herring Prospectus:

Name of Project	Client	Location	Contract Value/ Estimated Contract Value (*In Euro million unless otherwise specified*)	Completion Date/Scheduled Completion Date (receipt of final acceptance certificate)
Teheran WWTP	Tehran Sewerage Company, Tehran, Iran	Teheran, Iran	39.9	June 2011
Benghazi 2&3	Housing and Infrastructure Board, Libya	Benghazi, Libya	15.3	March 2013
Zansur Pumping Stations	Housing and Infrastructure Board, Libya	Tripoli, Libya	15.5	August 2012
STP Herglah	Office National de l'Assainissement	Sousse, Tunisia	6.1	February 2013

As of June 30, 2010, our Subsidiaries had an Order Book of Eur 158 million of which 88% was attributable to municipal clients and 12% to industrial clients.

OVERVIEW OF BUSINESS PROCESS

Our primary business is water engineering which involves the use of technology for the treatment of water and wastewater in order to obtain water for specific purposes such as drinking and reuse in industries or safe disposal. Our business thus involves drinking water treatment, effluents treatment, sewage treatment, sludge treatment, desalination and de-mineralization, among others. We do not participate in the distribution of treated water by way of cross country pipelines and canals.

Project Lifecycle

We have wide experience in various product segments like drinking water treatment, effluents treatment, sewage treatment, sludge treatment, desalination and de-mineralization. In certain circumstances where the pre-qualification conditions can be fulfilled only by Wabag Austria as it has built a larger number of plants, our Company and our Subsidiaries bid in collaboration with Wabag Austria and hence rely on its experience to pre-qualify and then execute the project with technological support from Wabag Austria.

Business Development: We predominantly participate in published tenders in India and overseas. Most industrial projects and select municipal projects involve a reputed consultant employed by the client who identifies the needs of the customer and documents it in the form of a tender and publishes the same. Where there is a good relationship with the client due to business development activities, a client may approach us to enquire about designs and solutions which meet their requirements. This often functions as an entry barrier for other companies who participate in the tender. We undertake marketing and business development efforts where we approach potential clients and provide specific solutions without any publication of tender. The client may then negotiate rates directly with us without publishing a tender. We also participate in seminars and exhibitions and make specific presentations to individual customers as part of business development.

Tendering / Bidding: The client publishes a tender which specifies the pre-qualifications, both technical and commercial. We then submit the pre-qualification documents. If we are approved by the client, we provide a techno-commercial bid. Municipal clients usually only take up the lowest bid for further negotiation and for finalization of the order. There must be a minimum of two or three valid bids for the client to go ahead and place an order. Bids are usually accompanied by bid bonds/bank guarantee for about 1% of value of tender on an average. The bid bond may be invoked if we fail to accept the order when placed. The execution team is involved in certain projects which exhibit fair potential of being won by us to ensure smooth handover from the sales team to the execution team even before contract is awarded.

Engineering & Design: On receipt of the order from the client, we hand over documents from the proposal team to the execution team to begin the engineering and design process. We then submit plans to the client for approval and once the plans are approved, we place orders for various equipment that may be required and begin construction at the site.

Procurement: We float tenders with vendors on our panel and place orders on the selected tenders who meet our requirement and who are assessed competitive. We do not publish tenders but instead send written enquiries in detail. We empanel vendors on our panel and only send enquiries to vendors on our panel or the ones approved by our client. We procure material from India and overseas (predominantly from Europe and selectively from the United States) depending on client requirements and acceptance. In some cases, the client must also approve the vendor. We also enter into rate contracts with select vendors where we do not negotiate. We have a central procurement department in India which handles common raw materials such as steel, cement, cables and pipes while the rest of the procurement process is handled by each SBU.

Construction: We outsource construction to civil contractors. As construction progresses, the equipment reach the project site and we install the same and commission it. At every stage, the client certifies the work completed in terms of structure or the erection and commissioning of the equipment. The overall plant commissioning work is taken after the plant is mechanically completed. We run the performance guarantee trial run at the end of the project and obtain a provisional acceptance certificate and at end of the warranty period of average 12 months, the final acceptance certificate is issued by the client. We are required to provide a performance bank guarantee for about an average of 10% of the entire project life cycle.

Business Models

Our EPC contracts fall into the following categories:

1. **Standalone EPC contracts**: In this type of contract, we are responsible for the design, engineering, procurement and construction of the plant.

2. **Design, Build and Operate contracts ("DBO"):** In this type of contract, we are responsible for design and construction of the plant. We are also responsible for the O&M of these plants for a period determined by the customer.

3. **Build, Own, Operate and Transfer contracts ("BOOT")**: In this type of contract, we are responsible for the design and construction of the plant. The asset to be developed is conceded to the contractor, who builds the superstructure on the asset and operates it for the period of the concession, following which the asset is transferred back to the owner.

Our O&M contracts fall into the following categories:

1. **Design, Build and Operate contracts ("DBO"):** In this type of contract, apart from designing and constructing the plant, our Company is also responsible for O&M of these plants for a period determined by the customer.

2. **Build, Own, Operate and Transfer contracts ("BOOT")**: In this type of contract, the asset to be developed is conceded to the contractor, who builds the superstructure on the asset and operates it for the period of the concession, following which the asset is transferred back to the owner.

3. **Transfer, Operate and Transfer contracts ("TOT")**: In this type of contract, we are responsible for the refurbishment and further O&M activities for an already operational plant.

4. **O&M standalone contracts**: In this type of contract, we provide O&M services for a plant where we did not provide any EPC work. Once the contractual period as envisaged for O&M ends in a DBO contract, clients float fresh tenders for O&M activity and we bid for the same.

EPC contracts executed under the above business models fall into the following two categories:

1. **Lumpsum turnkey contracts**: In this type of contract, the project is implemented for a fixed fee, irrespective of the changes in the bills of quantity ("BOQ").

2. **Item Rate Contracts**: In this type of contract, the bidding is on price per unit of each of the BOQ items. Therefore whenever there are changes in BOQ, the contractor is paid based on the unit rate quoted.

O&M contracts executed under the above business models fall into the following two categories:

1. **Fixed Price**: In this type of contract, the services are billed at a fixed rate, irrespective of the changes in quality or quantity of water/wastewater treated.

2. **Variable Price**: In this type of contract, the billed value is variable depending on the quantity or quality of the water/wastewater treated.

3. **Combination of both**.

Key terms of contracts

Contracts, irrespective of their type (*i.e.,* turnkey, item rate), may contain price variation or escalation clauses, liquidated damages clauses and provide for a defects liability period as discussed below.

*Price escalation***:**

Most municipal contracts contain price escalation clauses but these are available in only a few of our contracts with industrial clients. Price escalation clauses provide for reimbursement by the client in the event of a variation in the total contract value in general but more usually in the prices of key raw materials such as steel and cement and link the escalation in amounts payable by the client to pre-defined price indices such as published GoI indices or other government indices mainly from the country of plant site or international indices.

*Liquidated damages***:**

Liquidated damages cover both performance as well as delay related issues. Quality parameters for liquidated damages include quantum of water produced, specification of the water produced as well as power and chemical guaranteed by us (which are not to be exceeded) in EPC contracts. Liquidated damages are usually 5-10% each for performance and delay in EPC contracts and 10% for O&M contracts but may even be unlimited in some instances. Our contracts generally specify a cap on the maximum liquidated damages that may be levied.

*Defects liability period***:**

The defects liability period is generally 12 months for the plant. It may extend up to five years for civil construction. During the defects liability period, our Company is responsible for the defective design and workmanship of components for which our Company enjoys back-to-back guarantees from the vendor. Our Company's process warranty ends with its running the performance guarantee trial run. The defects liability period may sometimes overlap with the responsibility for O&M in DBO contracts.

Technology

Technology is a vital part of our business and we believe that our technical expertise and experience in handling wide ranging technologies in water and wastewater treatment are the reasons for our selection to bid for important projects in the field. We have an array of technologies to fulfill most water and wastewater treatment needs.

We use a technology or combination of them to create a higher value proposition to our customers and our emphasis is to establish a "*minimum life cycle cost*" for the plants built by us. While we have some patented high end technologies normally found in use in developed European countries, we also use a combination of freely available technologies to deliver superior products to our customers.

Wabag Austria and Wabag Wassertechnik together own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending.

a. *BIOPUR®:* The BIOPUR® biofilteration technology can be used with a combination of other technologies for other treatment processes. The use of different filter media enables the process to be adapted to a wide range of wastewater types and treatment targets like elimination of organic pollution, pre and post-denitrification, nitrification, flocculation and the elimination of residual ammonia and nitrate. Its advantages include negligible filter head loss, long filter running time, simultaneous phosphate precipitation, operation security, low consumption of backwash water and suitability to water reuse as well as compact design with a small footprint.

b. *FLUOPUR®:* FLUOPUR® is a fluidised bed process for biological wastewater treatment and is used in both municipal and industrial effluent treatment as well as for landfill leachate. Its main purposes include carbon removal, nitrification, denitrification and phosphorus elimination. Its chief benefits include reduction of the sludge load transported to secondary clarification through elimination of the return sludge and easy phosphorus elimination through simultaneous precipitation (hybrid system). It provides other benefits such as low energy consumption, high operational flexibility due to low filling ratio and flexible and low cost application through the use of existing tank volumes and existing aeration systems.

c. *Inclined Plate Settler*– Normally used in drinking water treatment plant. It is a compact (uses<25% area) low foot print unit, generates better quality water than conventional plants and requires minimum maintenance. This technology is in use at our plant, one of the largest in India, for the Brihan Mumbai Municipal Corporation at Panjrapur with a capacity of 455 MLD.

d. *Use of Biogas from sewage treatment plant to generate power to run the plant* - We have two such large plants successfully operating in Chennai and such plants reduce, if not eliminate, the need to use power from the state electricity grid resulting in huge savings in running cost. Additionally, the client is eligible to obtain carbon credit.

e. Treatment of effluent from a petroleum refinery at Panipat and conversion to high purity and recycling it back to the plant. It solves the wastewater discharge problem as well as reduces dependence on fresh water.

f. *Wabag Drainage System:* This is an aeration system for nitrification and Floc-filtration and has been used in Hong Kong for a plant capacity of 400,000 m^3 /d of drinking water. The main advantages are that it provides adaptability to all desired filter dimensions, high reliability during operation, high efficiency of backwashing and easy assembly.

g. *Hybrid Patent jointly developed with Vienna University of Technology* – This has been filed and granted in 16 countries. This technology is used at the Vienna Main Sewage Treatment Plant which services a population of approximately 4 million. The main advantages are that it reduces tank volumes and the treatment performance is increased due to a two stage system.

h. *Membrane Bio-reactors (“MBR*”): This technology has greatly expanded the performance capacity of biological wastewater treatment in both municipal and industrial sectors. Its key characteristics are a) suspended solids free effluent; b) secondary clarifier tanks no longer required; c) low bacteria and germ levels allow water reuse even for strict requirement; d) smaller volume in activated sludge tank; and e) automated operation. We have used this technology for over a decade.

i. *MARAPUR* ®: This supplements the advantages of a standard MBR system with additional benefits like simplified maintenance, rational fouling control, high operational stability, minimised chemical requirement, high permeability and flexible operational range. The main element in this system is the Megamodule™ which is a compact membrane unit of cylindrical design containing several membrane modules. Membrane filtration occurs under pressure from inside to outside thus facilitating higher specific through flow and targeted cleaning through backflow during plant operation.

Range of solutions

We provide a similar range of solutions in India and our overseas operations.

a. Drinking water treatment plants

The objective of the drinking water treatment plants is to provide safe drinking water for human consumption from a viable source of water, available nearby to the urban local bodies. We offer a spectrum of physical, chemical and biological processes for water treatment in line with different water sources such as ground water, surface water and sea and brackish water. We use a range of technologies for the removal of inorganic material *viz.* ammonia, iron, manganese, fluorides, sulphates and nitrates and organic pollutants like chlorinated hydrocarbons, and pesticides.

Surface water requires multi-stage treatment processes to make it fit for human consumption and associated issues of storage and network distribution. We primarily use physical and chemical treatment processes for treatment of water and sometimes use biological membrane processes. We offer several processes ranging from clarification, filtration, aeration, sedimentation, disinfection, biological denitrification and advanced oxidation as well as membrane technologies such as micron filtration, ultra filtration, nano filtration, reverse osmosis and electro dialysis reversal for ground water treatment. We also offer a range of desalination technologies such as thermal processes and reverse osmosis.

Our focus is primarily on water treatment plants and other allied works like intake, raw water pumping station, transmission main, treated water reservoir and pumping station. Water treatment plants employ a combination of all or any one of the following systems for treatment of water to drinkable standards:

- ***Aeration*** – for the removal of dissolved iron and manganese in water.

- ***Sedimentation*** – removal of suspended particles present in water. For sedimentation we employ conventional Clariflocculator technology, advanced space saving technologies like inclined plate settler technology, tube settler technology and solids contact clarifier technology.

- ***Filtration*** –wherein the water will be filtered through a media of sand for removal of fine suspended particles present in water. For filtration we employ superior nozzle based under drain system for collecting filtered water which ensures superior quality compared with conventional header and lateral systems. Depending upon the requirement of quality, we also offer space saving dual media gravity filtration where anthracite or carbon is used in addition to sand as filtration media.

- ***Disinfection*** – for controlling microbial substances likes bacteria and viruses present in water. Depending upon the requirements, we use chlorine, ozone or ultra violet rays as disinfectants.

- ***Sludge Dewatering*** – The sludge generated from the facilities is dewatered using equipment such as centrifuge vacuum filter, filter press or dried on sludge drying beds.

b. Sewage treatment plants

The objective of the sewage treatment plants is to collect the sewage or domestic wastewater from each household and the treatment of this sewage at a central location so that the treated water meets the standards prescribed by the local pollution control authorities.

We employ a range of technologies, both proprietary and non-proprietary, for treatment of sewage like:

1. Activated Sludge Process (“ASP”);
2. Sequential Batch Reactor (“SBR”);
3. Upflow Anaerobic Sludge Blanket Reactor (UASB®);
4. Bio Active Fixed Film Technology (“BAFF”) (BIOPUR®);
5. Moving Bed Bio Reactor (“MBBR”) (FLUOPUR®);
6. Membrane Bio Reactor (“MBR”) (MARAPUR®);
7. Submerged membrane system;
8. Anaerobic/Aerobic sludge treatment;
9. Stabilization pond; and
10. Suspended and attached growth processes.

A majority of our sewage treatment plants in India are based on the activated sludge process and anaerobic sludge treatment with bio-gas utilisation. We offer several solutions for removal of various pollutants such as carbon and nutrients. The biogas derived from the sludge digestion process flows into a combi-cycle power plant to render the plant fully self-sufficient with regard to its energy supply.

c. Industrial Water Treatment

Our capabilities in this segment include:

1. Raw water pre treatment
2. Filtration plants
3. Membrane Process: Nano Filtration / Ultra filtration
4. Softening Plants
5. Thermal Desalination for sea water treatment
6. Reverse Osmosis for sea water / brackish water treatment
7. Demineralization Plants (Conventional and fluidized bed process)
8. Condensate Polishing Treatment Units
9. Tertiary Treatment System / Effluent Recycling
10. Zero Liquid Discharge

The quality of industrial water corresponds with different industrial processes such as power generation, cooling and refinery processing. The quality of water required for industrial use must the following requirements: (a) service water; (b) process water; (c) cooling water and (d) boiler feed water quality. Raw water such as surface water, ground water, sea and brackish water and treated wastewater are treated in various process units such as clarification, filtration, reverse osmosis and demineralization to produce specified quality of water. The extent of treatment and processes depends on the raw and product water quality.

d. Industrial wastewater treatment plants

We provide specialized tailor-made solutions for recycling and reuse of contaminated wastewater produced by manufacturing facilities. These solutions include:

1. Physico Chemical Treatment – Oil removal system using DAF / API / CPI separators;
2. Neutralization and primary sedimentation and grit removal;
3. Biological anaerobic treatment – UASB;
4. Tertiary treatment – activated carbon/sand filtration, disinfection;
5. Biological aerobic treatment – activated sludge process using surface and diffused aeration though caroussel process, trickling filter using stone or plastic media and fixed film reactors; and
6. Advanced treatment for recycling and reuse – ultra / micro filtration and reverse osmosis.

e. Desalination

We provide a complete range of sea and brackish water desalination technologies designed to optimize chemical consumption, energy recovery membrane durability and overall process automation. These technologies include the following:

1. Multi stage flash;
2. Multi-effect distillation (widely considered the most effective type of distillation);
3. Thermal vapor compression;
4. Mechanical vapor compression; and
5. Reverse osmosis and electrodialysis.

f. Recycling

With increased pressures on the world's water resources, the reuse of wastewater has become very important. We offer tailor-made solutions for the recycle and reuse of wastewater. We use the following technologies:

1. Sand/ activated carbon filtration;
2. Reverse osmosis;
3. Ultra filtration;
4. Micro filtration; and
5. MBR.

Project Specific Joint Ventures

We have entered into project specific joint ventures in the past where the scope of work is related to civil construction or pipeline networks involving significant values and where the customer's tender permits joint ventures. We also enter into joint ventures for technology references, predominantly with Wabag Austria, for pre-qualification for bids. We have recently entered into a technology joint venture with IDE Israel for the purpose of pre-qualification in a large desalination plant.

Our Company initiated its BOOT activities through a project for the construction of an underground sewerage system on BOOT basis, where our scope of work included financing, design, construction, operation and maintenance of a sewage treatment plant for the Alandur Municipal Corporation, Chennai. This project was undertaken by setting up an SPV through a joint venture with IVRCL Infrastructure & Projects Limited. The period of the O&M contract post commissioning of the plant is 14 years, from October 1, 2003 to September 30, 2017. Our Company is currently undertaking construction of the second phase of this sewage treatment plant.

Wabag Austria owns 33% of a joint venture in Namibia with Veolia EAU – Compagnie Generale des Eaux and Berlinwasser International AG which is executing a drinking water treatment project at Windhoek with a total capacity of 21,000 m^3/d. The raw water used consists of a mixture of treated municipal wastewater (90%) and polluted reservoir water from the Goreangab dam (10%). The municipal wastewater from the region is conditioned in the Gammans treatment plant (where nutrients are removed using the UCT process) and polished in maturation ponds before being combined with the reservoir water for cleaning in an advanced multi-barrier system. This employs several barriers for all crucial contaminants and thus guarantees outstanding drinking water quality. We were responsible for the design of this plant and are a part of operating consortium, and have been managing the plant since it commenced operations in 2001.

For details of our joint ventures, please see the section titled "History and Certain Corporate Matters - Joint Venture Agreements" on page 176.

Information Technology

We believe in efficiently and optimally utilising our resources, personnel and equipment through the use of sophisticated management information systems and tools. We constantly upgrade our technology in order to meet our business needs. Our headquarters in Chennai have a state of art large secure local area network. We also use a satellite server to ensure connectivity at remote sites. Our offices and project sites in India have secure access facilities thereby ensuring operational integration.

In February 2009 we went live with ERP solutions in India and started the implementation of ERP solutions for Wabag Austria and its subsidiaries for engineering, project management and business management in June 2009. We believe that ERP implementation will help reduce and control project costs by integrating disparate systems and estimating with accuracy the estimated costs of the project. Additionally ERP will help us in controlling and monitoring materials at site, bulk procurement as well as reconciliation of work orders, among others. Our Company will seek to duplicate the project management module that was customized in India for our Subsidiaries. This will help in process standardization across our Company and our Subsidiaries.

We are also working on the implementation of processes or systems that will create a centralised database and assist in global procurement of components. We expect to complete IFS implementation in Fiscal 2011 in Austria, Switzerland and the Czech Republic. It will then be extended to our subsidiaries in other countries.

Risk Management and Quality Control

In August 2007, pursuant to an E&Y study, our Company implemented Levels of Authority ("LOA") for the four SBUs and corporate services. LOA are derived from the ISO Quality Manual and common management procedures. Our Company aims to follow LOA in ERPs wherein decision points will be authorized electronically for better compliance procedures.

As part of this our Company has put in place internal audit systems to ensure the review of processes by appropriate levels of authority as well as compliance with all applicable statutes and regulations. Internal audits are conducted on a yearly basis to review compliance and address compliance related issues at appropriate levels and addresses any up gradations and changes required. Internal audits derive directives and guidance from the senior management and the Audit Committee.

Our Company has a similar policy that details LOAs for our Subsidiaries. Wabag Austria will implement LOAs through the ERP now under implementation.

Raw Materials

The principal raw materials we use in our operations include steel, aluminum, copper, other base metals, cement, tubes and pipes. For raw materials or building products sourced in India, we make our purchases as needed during the term of the contract. We generally source our raw materials from local sources for our international operations.

We recognise the importance of international procurement and sourcing capabilities and have been developing our capabilities in the sourcing of specialised raw materials, components and consumables from a variety of international suppliers in Europe and the United States apart from suppliers in India.

We have entered into rate contracts with vendors such as Emerson and Hach for motors, transmitters, analyzers and lighting for a period of two years.

Insurance

Our operations are subject to various risks inherent in the EPC industry as well as product liability risks, equipment failure, work accidents, fire, earthquake, flood and other *force majeure* events, acts of terrorism and explosions including hazards that may cause injury and loss of life, severe damage to and the destruction of property and equipment and environmental damage. As part of our risk management strategy we also identify potential risks in any project based on the commercial evaluations and seek to insure the same.

Most of the construction project contracts entered into by our Company require us to obtain and maintain insurance during the term of the project and for the defects liability period, which is usually a period of 12 months to 36 months after the project is completed.

We believe our insurance coverage is adequate to cover all normal risks associated with the operation of the business. The contractors' all risk policy, storage & erection policy and cargo policy that we take cover all risks during transit and storage of goods, construction, erection, testing and commissioning of the plant, as well as extended maintenance of the same (warranty). We maintain a standard fire and special perils policy and burglary policy that covers fire and allied perils as well as workmen's compensation policy. Our Company, however, does not have any insurance cover for the liability of our Directors and officers. We also obtain public liability insurance policies for most of our projects. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate and consistent with that typical for our businesses in India.

Our Subsidiaries obtain insurance cover for all projects until the completion of the works towards various perils, including political risk, during the execution of the contract. We also seek to obtain and maintain adequate insurance for all assets of our Subsidiaries. Wabag Austria has obtained directors and officers' liability insurance as well as professional indemnity insurance. We also obtain political risk insurance in countries like Algeria, Libya, Saudi Arabia and Iran.

Employees

As at July 31, 2010, we had a workforce of approximately 1,469 including 757 qualified engineers while our Company had a workforce of 754 including 588 qualified engineers. Many of our employees have undergraduate degrees, and some have advanced degrees such as masters in science and technology. In addition to the above, we employ a number of professionals in areas like accounts and finance, human resources and information systems.

The employees of our Company are not unionised. However, some of our Company's contractual staff (deployed through contractors) at O&M sites, are affiliated to unions. We believe that we have good relations with our employees and have not experienced any major labour related dispute in the recent past. Austria recognizes the concept of a work council. The employees of some of our Subsidiaries may also be members of unions. The union representative attends the management meetings relating to the performance of the relevant company every quarter. The management is also required to consult the union or work council in all major employee related decisions. We believe that Wabag Austria and its subsidiaries have good relations with the unions. We believe that we have good relations with our employees and have not experienced any major labour related dispute in the recent past.

We hire key staff for supervision at our sites. In addition to its workforce, our Company's third party contractors also employ contract labour for construction works. Our Company is regulated by the provisions of the Contract Labour (Regulation and Abolition) Act, 1970, as amended, which require it to be registered as a principal employer of the contract labourers and imposes certain prescribed obligations with respect to their welfare and health. Our Company has applied for and/or has obtained registration as a principal employer wherever required.

We offer our employees comprehensive on-going training in order to raise their competence and capability with respect to our operations. Our Company has launched the "Young Entrepreneur Program" to develop leadership skills in promising employees.

Wabag Austria is the operative management company for our Subsidiaries with responsibility for sales, technology and project management competences. Our human resources policy is designed to strengthen and develop the skills we need in our core businesses while helping employees achieve their personal growth objectives in a spirit of respect, professional commitment and mutual support.

Wabag Austria had 715 employees as of July 31, 2010. In addition to permanent employees, Wabag Austria also appoints full time and part time consultants. Wabag Austria may, from time to time, depute trained key senior staff to manage its subsidiaries in Algeria, the Czech Republic, Switzerland, and Romania. Our Subsidiaries hire most employees locally. Our Subsidiaries are subject to various local labour legislation in each jurisdiction where they operate. We believe that our Subsidiaries are in compliance with applicable laws.

Employees Stock Option Plan

Pursuant to the shareholders' approval dated August 3, 2006, our Company has established an employee stock option plan. The ESOP Scheme 2006 provides for a vesting period of not less than one year and not more than five years from October 1, 2007. As of August 20, 2010, our Company has allotted 2,65,147 Equity Shares pursuant to the ESOP Scheme 2006.

Further, our Company has established the ESOP Scheme 2010 pursuant to the approval of the shareholders dated July 19, 2010. 4,36,929 stock options have been issued under the ESOP Scheme 2010 as on the date of this Red Herring Prospectus.

For further details, please see the section titled "Capital Structure" on page 70.

Health, Safety and Environment

We seek to follow and comply with all applicable occupational safety and health legislation and provide a safe working environment for our workers. Applicable health, safety and environmental legislation and other requirements differ for our operations in different jurisdictions. As we increase our international operations, we will become increasingly subject to more stringent environmental and safety regulatory regimes.

Hygienic and safe conditions are ensured by deploying safety officers and engineers who are responsible for maintaining the safe and healthy working environment. Safety audits are one of the precautionary measures which help to identify the potential health and safety hazards. Such safety audits are conducted on a quarterly basis at sites.

We aim to follow best practices and have defined our own Safety, Health and Environment standards ("SHE"), corporate safety plans and client/consultant approved safety procedures, which go beyond current norms and regulations, and have integrated them into our management system. We aim to undertake systematic monitoring, checking and improvement of our SHE standards. Our goal is to ensure compliance with all applicable legislation as well as continuous improvement of our SHE standards.

For details of the Indian environmental and worker safety legislation and rules applicable to our business, please see the section titled "Regulations and Policies" on page 164.

Bureau Veritas has certified our Indian operations as ISO 9001: 2008. Bureau Veritas has certified Austria, Germany, Switzerland, the Czech Republic, Romania and Macao as ISO 9001; Austria, Germany, Romania and Macao as ISO 14001; Austria, Germany and Romania as OHSAS 18001; and Austria as ÖNORM.M7812.

Property

We own and lease certain properties for our corporate operations and projects. The brief details of some of the material properties owned/leased by our Company are set out below:

Purpose	Description of the Property	Particulars
Registered Office	No. 11, Murray's Gate Road, Alwarpet, Chennai	Lease

Purpose	Description of the Property	Particulars
Registered Office – annexe	No.9, Murray's Gate Road, Alwarpet, Chennai	Lease
Corporate Office	Ground Floor, ASMA Building, TTK Road, Alwarpet, Chennai	Lease*
Proposed Corporate Office Complex	Plot No.989, Door No 17 (New no.), S.Kulathur Village, Tambaram Taluk, Kanchipuram district, Chennai	Owned. Our Company has begun construction of its new corporate office at this site.
Corporate Office	New Delhi	Lease
Corporate Office	Pune	Lease
Corporate Office	Kolkata	Lease
Corporate Office	Vadodara	Leave and license

** Sub-leased from Elias Investments Private Limited.*

In addition, our Company leases, from time to time, various premises used for residential staff quarters at various project sites across the country.

Wabag Austria leases property for its corporate headquarters in Vienna and our Subsidiaries do not own any real property.

Intellectual Property

We seek to protect our intellectual property rights to the extent practicable. The trade name "Wabag" has been registered by Wabag Austria in India since May 7, 2005. We also own intellectual property rights in Austria.

Pursuant to the terms of a brand usage and non-compete agreement dated April 7, 2005 as amended by an addendum dated September 1, 2005 and an amendment dated September 21, 2009 between our Company, I-Ven Water Treatment Technologies Limited and Wabag Austria, our Company has been granted a perpetual right to use the "Wabag" name and logo in conjunction with any other name, prefix or suffix to the extent lawful. This includes a right to transfer or assign or sub-license or confer this right in any other way to any third party. For further details in relation to this agreement, please see the section titled "History and Certain Corporate Matters - Share Subscription, Share Purchase and Shareholders' Agreements" on page 173.

The trademark in "VA Tech" is owned by Siemens Aktiengesellschaft Oesterreich ("Siemens"), an Austrian company, which is an erstwhile promoter of Wabag Austria. Pursuant to the share purchase agreement entered into between Siemens and our Company through its subsidiary Wabag Sinagpore for the acquisition of Wabag Austria (the "Siemens SPA"), Siemens, through a perpetual, non-exclusive and royalty free license, has allowed us to use "VA Tech" together with the term "Wabag" in our corporate name and brand. However, in terms of the Siemens SPA, we have acknowledged that "VA Tech", "VA Tech Wabag" and "Wabag" trademarks are used by specific third parties in certain countries and we cannot contest such use to the extent the same is lawful.

Research and Development

On June 9, 2009, our Company entered into a memorandum of understanding with the Centre of Environment Studies of Anna University, Chennai ("CES"), for establishing a research programme in the areas of process and product development by way of a joint venture. The research was to be utilized in water and wastewater treatment, desalination and other water management projects in India and abroad. Our Company provides details relating to design and operation of plants currently being operated by it to assist the program. The research staff and infrastructure facilities available at CES are utilized for the programme.

In fiscal 2008, we established an International Engineering Centre at Pune in India ("IEC"). We aim to develop the IEC to provide services to us at various locations across the world. Our purpose in establishing the IEC is innovation in design of projects and products. We believe that the IEC will help maximise our returns and provide support to our global teams. Our IEC team has people who have worked for various international companies and have knowledge of engineering in overseas projects and relationships with international equipment sources and vendors.

Our domain knowledge includes water and wastewater treatment, ion exchange demineralization plants and steel plant wastewater recycle among others. The IEC is also subject to an internal audit in line with our ISO manual.

Our aim is the development and establishment of process/technologies that meet the specific requirements of each market relevant to us. We have developed MICROPUR-MBR™ fine screening process which helps to protect the downstream membrane bioreactor from clogging due to hair and fiber.

Other examples of our R&D activities include reduction of biofouling of reverse osmosis membranes and development of an advanced membrane ultra flitration process. Wabag Austria and Wabag Wassertechnik together own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. Wabag Austria receives a 37% grant in respect of its R&D expenditure from the Austrian government as part of certain subsidy schemes.

Competition

We operate in a competitive industry, with almost all the projects awarded based on the past relevant experience of the bidder, financial capability and most attractive bid price. While client decisions in selecting contractors also take into account quality of service, technical expertise, past experience and performance and availability of skilled personnel, the deciding factor in awarding contracts is the price.

In India, we compete with Indian and foreign companies in our business such as Veolia Water India Private Limited, Degremont India Limited, Hindustan Dorr Oliver Limited and Larsen & Toubro Limited in the municipal sector and companies like Thermax Limited, Ion Exchange Limited, Engineers India Limited, Hindustan Construction Company Limited, Nagarjuna Constructions Company Limited, Gammon India Limited and Driplex Limited in the industrial sector. In the overseas municipal market, we compete with multinational companies like Veolia, Degremont, Biwater, Metito and regional players who are active in select markets like Degremont Middle East LLC, Kharafi National LLC, Galfar Engineering and Contracting SAOG, Keppel Corporation Ltd. and Hyflux Engineering Pte. Ltd. Some of our competitors may have more experience than us and some of these companies may have more resources than us. For further details, please see the section titled "Our Industry" on page 109.

Corporate Social Responsibility

Our Company pursues several corporate social responsibility ("CSR") activities. We seek to use our technology and expertise to contribute to society generally and to take up community development projects in neighbourhoods where we execute our projects. In Fiscal 2009, we donated a reverse osmosis water purification plan to the people of village Vengadu, near Sriperumpudur, Tamil Nadu.

Our Company has formulated an internal whistle's blower policy and a sexual harassment policy as part of its CSR initiative. The whistle blower's policy provides that no employee with authority (including our Directors and managers) to make or materially influence significant personnel decisions shall take or recommend an adverse personnel action against an employee in knowing retaliation for a disclosure of information, made in good faith, about an alleged wrongful conduct. The identity of the whistle-blower will not be disclosed except where required under the law or for the purpose of the investigation. A whistle-blower's right to protection from retaliation does not extend to immunity for any complicity in the matters that are the subject of the allegations or an ensuing investigation or any other misconduct or wrong doing and any abuse of protection will warrant disciplinary action.

We believe that all of our employees have the right to work in an environment of dignity and respect. Accordingly we have formulated a policy on sexual harassment which provides that any employee found to have engaged in sexual harassment, after an impartial investigation, will receive prompt disciplinary action, up to and including dismissal.

These policies are at the moment applicable to our Company only and we will evaluate application to our Subsidiaries.

REGULATIONS AND POLICIES

The following description is a summary of certain relevant regulations and policies as prescribed by the GoI and various State Governments. The information detailed in this chapter has been obtained from various legislations that are available in the public domain. The regulations and policies set out below are not exhaustive and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional advice.

Our Company is involved in providing engineering solutions in the water industry relating to water and wastewater treatment plants.

Environmental Laws

Some of the important environmental legislations that pertain to our Company are the Water (Prevention and Control of Pollution) Act, 1974 ("Water Pollution Act"), the Water (Prevention and Control of Pollution) Cess Act, 1977 (the "Water Pollution Cess Act"), the Air (Prevention and Control of Pollution) Act, 1981 (the "Air Pollution Act") and the Environment Protection Act, 1986 (the "Environment Act").

The Water (Prevention and Control of Pollution) Act, 1974

The Water Pollution Act aims to prevent and control water pollution. This legislation provides for the constitution of a central pollution control board and state pollution control boards. The functions of the central board include coordination of activities of the state boards, collecting data relating to water pollution and measures for the prevention and control of water pollution and prescription of standards for streams or wells. The state pollution control boards are responsible for planning for programmes for prevention and control of pollution of streams and wells, collecting and disseminating information relating to water pollution and its prevention and control; inspection of sewage or trade effluents, works and plants for their treatment and reviewing of the specifications and data relating to plants set up for treatment and purification of water; laying down or annulling the effluent standards for trade effluents and for the quality of the receiving waters; and laying down standards for treatment of trade effluents to be discharged. If the required standards and conditions are not complied with, the relevant SPCB may serve a notice on the concerned person and cause the local magistrate to pass an injunction to restrain the activities of such person and impose fines.

The Water Pollution Act prohibits any person from establishing any industry, operation or process or any treatment and disposal system, which is likely to discharge trade effluent into a stream, well or sewer without taking prior consent of the state pollution control board. Under section 25 of the Water Pollution Act, the state board may give its consent for the establishment of the industry subject to conditions that it may impose and for a duration that it may specify. Having given consent, it can review its consent or the conditions imposed and revoke or alter any of them. Subject to the other provisions of the legislation, the state board may issue directions for the closure, prohibition or regulation of any industry.

The Air (Prevention and Control of Pollution) Act, 1981

The central and state pollution control boards constituted under the Water Pollution Act are also to perform functions as per the Air Pollution Act for the prevention and control of air pollution. The Air Pollution Act aims for the prevention, control and abatement of air pollution. In terms of the Air Pollution Act, it is mandated that no person can, without the previous consent of the state board, establish or operate any industrial plant in an air pollution control area. Penalties for the failure to comply with provisions of the Air Pollution Act include imprisonment up to seven years and payment of fine as may be deemed appropriate.

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

The Water Pollution Cess Act has been enacted to provide for the levy and collection of a cess on water consumed by persons carrying on certain industries to augment the resources of the central pollution control board and state pollution control boards. The Water Pollution Cess Act also provides for a rebate to the extent of 25% of the cess payable, in favour of persons who, being liable to cess under the Water Pollution Cess Act, install any plant for the treatment of sewage or effluents. However this rebate is not applicable to persons consuming water in excess of the maximum prescribed quantity or who fail to comply with the provisions of section 25 of the Water Pollution Act or who fail to adhere to standards laid down by the Central Government under the Environment Act. Penalties for non-compliance include imprisonment of any person in contravention of the provisions of the Water Pollution Cess Act for a period up to six months specified or both.

The Environment Protection Act, 1986

The Environment Act has been enacted for the protection and improvement of the environment. The Environment Act empowers the GoI to take measures to protect and improve the environment such as by laying down standards for emission or discharge of pollutants, providing for restrictions regarding areas where industries may operate and so on. The GoI may make rules for regulating environmental pollution. The Environment (Protection) Rules, 1986 (Environment Rules), as amended, further the purpose of the Environment Act. Rule 3 of the Environment Rules read with the Schedules to the Rules lay down the standards of emission or discharge of environmental pollutants. Rule 3 also permits the central board or state boards to prescribe even more stringent emission/discharge standards. Rule 5 sets out the procedure and considerations to be taken into account by the Central Government while passing an order prohibiting or restricting the location of industries.

Miscellaneous

With respect to forest conservation, the Forest (Conservation) Act, 1980 prevents State Governments from making any order directing that any forest land be used for a non-forest purpose or that any forest land is assigned through lease or otherwise to any private person or corporation not owned or controlled by the Government without the approval of the GoI. The Ministry of Environment and Forests mandates that Environment Impact Assessment must be conducted for such projects. In the process, the Ministry receives proposals for the setting up of projects and assesses their impact on the environment before granting clearances to the projects.

Labour Laws

Our Company is required to comply with the laws, rules and regulations in relation to hiring and employment of labour. Labour legislation in India classifies persons into 'employees' and 'workmen' based on factors which *inter alia* include nature of work and remuneration. While workmen are typically entitled to various statutory benefits including gratuity, bonus, retirement benefits and insurance protection, employees are governed by the terms of the contracts governing them.

The Contract Labour (Regulation and Abolition) Act, 1970

Our Company regularly engages contract labour to work in our plants. For this purpose, we are required to comply with the provisions of the Contract Labour (Regulation and Abolition) Act, 1970 (the "Contract Labour Act"). The Contract Labour Act applies to every establishment in which 20 or more workmen are employed or were employed on any day on the preceding 12 months as contract labour and to every contractor who employs 20 or more workmen. It does not apply to establishments where the work performed is of intermittent or casual nature. The establishments covered under the Contract Labour Act are required to be registered as the principal employer and every contractor to whom the Act applies is required to obtain a license and not to undertake or execute any work through contract labour except under and in accordance with the license issued. For further details on the licenses obtained by our Company, please see the section titled "Government Approvals" on page 301.

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 (the "Gratuity Act") provides for payment of gratuity to an employee at the time of termination of his services. Gratuity is payable to an employee on the termination of his employment after he has rendered continuous service for not less than five years: (a) on his/her superannuation; (b) on his/her retirement or resignation; or (c) on his/her death or disablement due to accident or disease (in this case the minimum requirement of five years does not apply).

The Gratuity Act establishes a scheme for the payment of gratuity to employees engaged in establishments in which 10 or more persons are employed or were employed on any day of the preceding 12 months; and in such other establishments in which 10 or more persons are employed or were employed on any day of the preceding 12 months, as the Central Government may, by notification, specify. Our Company provides for payment of gratuity and superannuation to all our permanent employees.

Payment of Bonus Act, 1965

The Payment of Bonus Act, 1965 (the "Bonus Act") provides for payment of bonus on the basis of profit or productivity to people employed in factories and establishments employing 20 or more persons on any day during an accounting year. The Bonus Act ensures that a minimum annual bonus is payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Under the Bonus Act every employer is bound to pay to every employee, in respect of the accounting year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or Rs.100, whichever is higher.

Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (the "Provident Fund Act") aims to institute provident funds and pension funds for the benefit of employees in establishments which employ more than 20 persons and factories specified in Schedule I of the Provident Fund Act. Our Company has a provident fund for all our permanent employees, including trainees.

Intellectual Property Laws

The following laws relating to intellectual property also apply to our Company.

The Patents Act, 1970

The Patents Act, 1970 (the "Patents Act") provides for the grant of patents to protect the legal rights tied to the intellectual property in inventions. A patent gives the holder of the patent the right to prevent others from exploiting the patented invention commercially in the country where the patent has been granted. In order for a patent to be granted to an invention, it must be novel, have an inventive step and should have some industrial utility. Under the Patents Act, it is possible to obtain patents for both products and processes and also to obtain patents of addition in respect of any improvements or modifications to an invention already patented. Chapter II of the Patents Act sets out inventions that are not patentable. The form and manner of application for patents is set out under Chapter III and Chapter VIII deals with the grant of patents. Patents obtained in India are valid for a period of 20 years from the date of filing the application.

The Trade Marks Act, 1999

The Trade Marks Act, 1999 (the "Trademark Act") governs the statutory protection of trademarks in India. In India, trademarks enjoy protection under both statutory and common law. Indian trademarks law permits the registration of trademarks for goods and services. Certification trademarks and collective marks are also registrable under the Trade Mark Act. An application for trademark registration may be made by any person claiming to be the proprietor of a trademark and can be made on the basis of either current use or intention to use a trademark in the future. The registration of certain types of trade marks are absolutely prohibited, including trademarks that are not distinctive and which indicate the kind or quality of the goods.

Applications for a trademark registration may be made for in one or more international classes. Once granted, trademark registration is valid for 10 years unless cancelled. If not renewed after 10 years, the mark lapses and the registration for such mark has to be obtained afresh.

While both registered and unregistered trademarks are protected under Indian law, the registration of trademarks offers significant advantages to the registered owner, particularly with respect to proving infringement. Registered trademarks may be protected by means of an action for infringement, whereas unregistered trademarks may only be protected by means of the common law remedy of passing off. In case of the latter, the plaintiff must, prior to proving passing off, first prove that he is the owner of the trademark concerned. In contrast, the owner of a registered trademark is prima facie regarded as the owner of the mark by virtue of the registration obtained.

Apart from the abovementioned legislations, the following enactments, rules and guidelines may also apply to our Company:

- The Arbitration and Conciliation Act, 1996
- The Companies Act, 1956
- The Copyright Act, 1957
- The Indian Contract Act,1872
- The Foreign Exchange Management Act, 1999
- The Negotiable Instruments Act, 1881
- The Information Technology Act, 2000
- The Income Tax Act, 1961
- The Central Sales Tax Act, 1956 and all State enactments relating to Sales Tax /VAT
- The Employees State Insurance Act, 1948
- The Employment Exchanges (Compulsory Notification Of Vacancies) Act, 1959
- The Equal Remuneration Act, 1976
- The Industrial Employment (Standing Orders) Act, 1946
- The Maternity Benefit Act, 1961
- The Minimum Wages Act, 1948
- The Payment of Wages Act, 1936
- The Pensions Act, 1871
- The Provident Funds Act, 1925
- The Workmen's Compensation Act, 1923
- Shops and Establishment Acts of different States as applicable
- The Interstate Migrant Workmen Act, 1979
- Supreme Court's Guidelines on Prohibition of Sexual Harassment of Women at the Workplace

HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was incorporated as Balcke Durr Cooling Towers Limited on February 17, 1995 and was awarded the certificate of commencement of business on March 8, 1995. It was involved in the business of design and construction of cooling towers and was a subsidiary of Balcke-Durr Aktiengesellschaft, a German company which was held by Deutsche Babcock. In 1996, Balcke Durr Cooling Towers Limited started a water treatment division and pursuant to this, it changed its name to Balcke Durr and Wabag Technologies Limited by a special resolution passed on July 29, 1996 and was issued a fresh certificate of incorporation on September 12, 1996.

In April 1999, the Austrian group VA Tech acquired the water business of Deutsche Babcock operating under the Wabag brand name. In India, the water and non-water divisions of Balcke Durr and Wabag Technologies Limited were demerged. The scheme of demerger was approved by the High Court of Madras pursuant to its order dated March 3, 2000 and the non-water division of Balcke Durr and Wabag Technologies Limited was transferred to BDT Limited. For further details, please see the section titled "History and Certain Corporate Matters – Key Agreements/ Schemes of Arrangement - Scheme of Demerger of water and non-water division of our Company (the "Demerger Scheme")" on page 172. Consequently, the name of Balcke Durr and Wabag Technologies Limited was changed to VA Tech Wabag Limited pursuant to a special resolution dated March 10, 2000. A fresh certificate of incorporation consequent upon the name change was granted to our Company on April 4, 2000. Pursuant to the demerger and change of name, our Company was primarily involved in the design, supply, construction and erection of water, wastewater treatment plants and operation and maintenance of the same.

On August 25, 2006, the majority shareholding of our Company was acquired by Western India Trustee and Executor Company Limited, in its capacity as trustee of India Advantage Funds – I and represented by the investment manager ICICI Venture Funds Management Company Limited, along with our Promoters, Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan. The aforementioned acquisition was undertaken through the acquisition of the shareholding of our Company from Wabag Austria through I-Ven Water Technologies Limited in September 2005 and subsequent merger of I-Ven Water Technologies Limited with our Company. For further details, please see the section titled "History and Certain Corporate Matters – Key Agreements/ Schemes of Arrangement - Scheme of Amalgamation of I-Ven Water Treatment Technologies Limited ("IVTL") with our Company (the "Scheme of Merger")" on page 172.

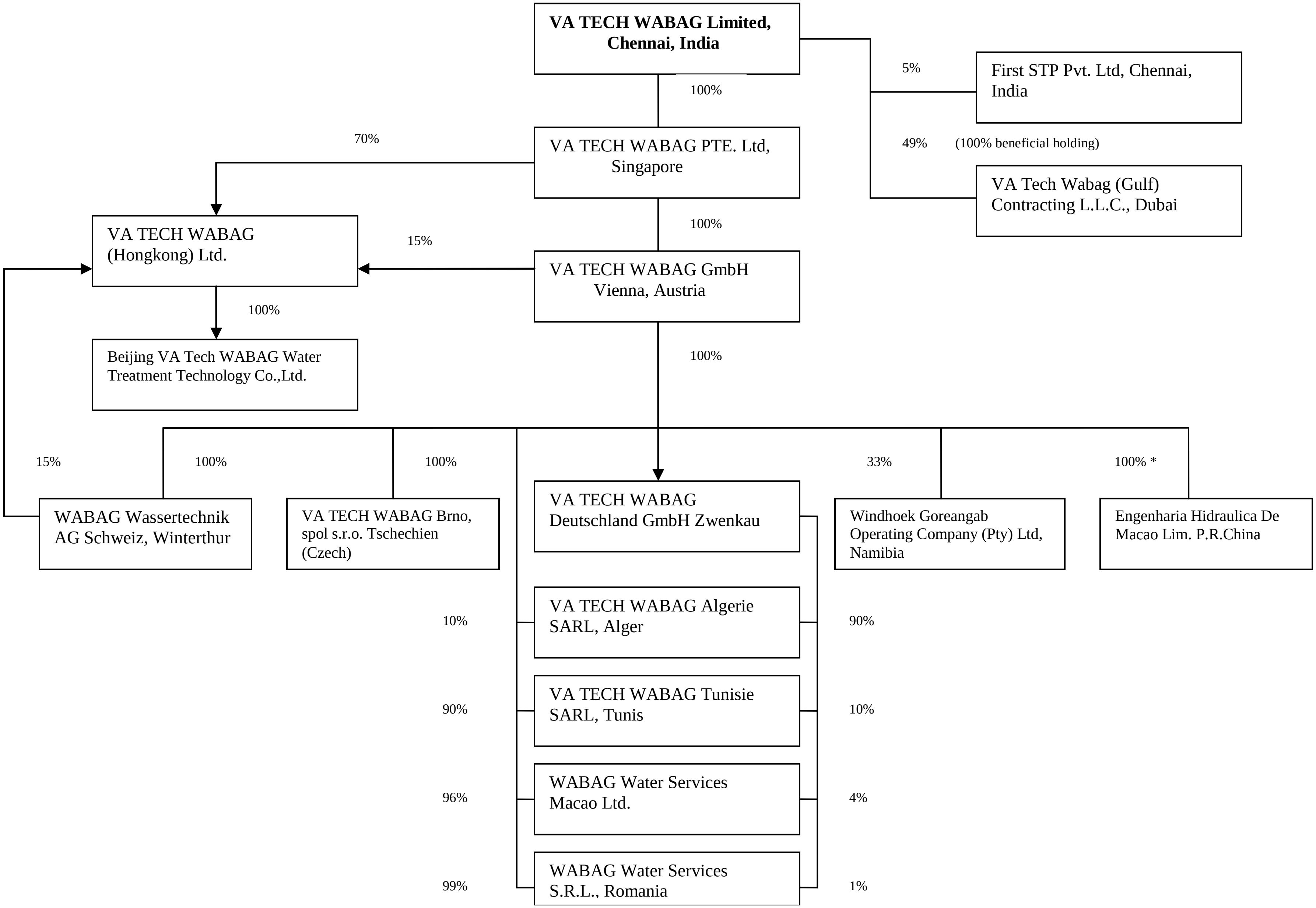
On December 6, 2007, our Company incorporated a joint venture company now called VA Tech Wabag (Gulf) Contracting LLC with Badriya Hassan Makki, in which our Company holds a 49% shareholding. In terms of a shareholders' agreement dated September 11, 2007, our Company has 100% beneficial interest in the aforementioned joint venture company. For further details, please see the section titled "Our Subsidiaries" on page 178.

Further, on November 6, 2007, our Company, through its wholly owned subsidiary Wabag Singapore, acquired the entire shareholding of Wabag Austria. Pursuant to this acquisition, Wabag Austria and its subsidiaries became our subsidiaries. For further details, please see the section titled "Our Subsidiaries" on page 178.

On December 21, 2009, our Company, through our Subsidiary, VA Tech Wabag (Hong Kong) Limited, incorporated a subsidiary called Beijing VA Tech Wabag Water Treatment Technology Co., Ltd., in which VA Tech Wabag (Hong Kong) Limited has a 100% shareholding. For further details, please see the section titled "Our Subsidiaries" on page 178.

Organisation Chart

The organization chart of our Company is as follows:



Note: Wabag Austria holds 80% of the shareholding of Engenharia Hidraulica de Macau, Limitada, Macao. The remaining 20% of the shareholding is held by Engenharia Hidraulica de Macau, Limitada itself.

Major Events of our Company

The table below sets forth some of the major events of our Company.

Date	Event
April 1997	First EPC order intake of our Company from Reliance Petroleum
March 2000	Entry into municipal segment by our Company: Receipt of first municipal order from Chennai Metropolitan Water Supply and Sewerage Board
September 2000	Receipt of ISO 9001:2000 certification from Lloyd's Register Quality Assurance
July 2002	Starting of O&M activity and receipt of first O&M order by our Company from Chennai Metropolitan Water Supply and Sewerage Board (Redhills plant)
September 2002	Receipt of an order worth approximately Rs. 7,000 lakhs from Bangalore Water Supply and Sewerage Board
March 2003	Crossing of Rs. 10,000 lakhs turnover by our Company
September 2004	Receipt of best construction award from Indian Concrete Institute – Karnataka for construction of sewage treatment plant at Mailasandra for Bangalore Water Supply and Sewerage Board
September 2005	I-Ven Water Treatment Technologies Limited acquired a majority stake in our Company
April 2006	Scheme of Merger of I-Ven Water Treatment Technologies Limited with our Company
August 2006	Adoption of the ESOP Scheme 2006 by our Company
August 2006	Acquisition of majority shareholding in our Company by Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan together with ICICI Venture Funds Management Company Limited
September 2006	Receipt of an order worth approximately Rs. 18,638 lakhs from Kerala Water Authority
March 2007	Crossing of Rs. 20,000 lakhs turnover by our Company
March 2007	Allotment of 3,97,078 equity shares of Rs. 10 each to GLG Emerging Markets Fund, Cayman Islands
April 2007	Creation of four SBUs – municipal, industrial, international and operations business group
July 2007	Company's Order Book crosses Rs. 50,000 lakhs
August 2007	Incorporation of Wabag Singapore
September 2007	Receipt of first overseas O&M order by our Company from Qatar
November 2007	Acquisition of Wabag Austria and subsidiaries by our Company
December 2007	Incorporation of VA Tech Wabag (Gulf) General Trading LLC, Dubai
January 2008	Allotment of 48,198 Equity Shares of Rs. 10 each to Government of Singapore Investment Corporation Pte Ltd, Singapore, 72,296 Equity Shares of Rs. 10 each to Passport India Investments (Mauritius) Ltd., Mauritius and 24,099 Equity Shares of Rs. 10 each to Sattva India Opportunities Company Ltd., Mauritius
February 2008	Incorporation of Wabag Water Services s.r.l, Romania
March 2008	Crossing of Rs. 30,000 lakhs turnover by our Company
March 2008	Company's Order Book crosses 1,00,000 lakhs
March 2008	Receipt of first overseas EPC order by our Company from Oman
May 2008	Starting of International Engineering Centre in Pune
May 2008	Opening of a branch office in Oman
June 2008	Receipt of approximately Rs. 19,071 lakhs order from Delhi Jal Board
December 2008	Amendment of Memorandum of Association of VA Tech (Gulf) General Trading LLC and change of name to VA Tech Wabag (Gulf) Contracting LLC, Dubai
March 2009	Crossing of Rs. 50,000 lakhs turnover by our Company
March 2009	Go Live of ERP by our Company
May 2009	Receipt of ISO-9001:2008 certification from Bureau Veritas
May 2009	Incorporation of VA Tech Wabag (Hong Kong) Limited
December 2009	Receipt of Rs. 1,03,368 lakhs order for sea water desalination plant from Chennai Metropolitan Water Supply and Sewerage Board
December 2009	Incorporation of Beijing VA Tech Wabag Water Treatment Technology Co., Ltd.
March 2010	Crossing of Rs. 70,000 lakhs turnover by our Company

Changes in Registered Office

Date of Change of Registered Office	Address
March 8, 1995	APEX Plaza, Fifth Floor, No. 3, Nungambakkam High Road, Chennai 600 034
March 13, 1996	Change of registered office from APEX Plaza, Fifth Floor, No. 3, Nungambakkam High Road, Chennai 600 034 to APEX Plaza, Third Floor, No. 3, Nungambakkam High Road, Chennai 600 034

Date of Change of Registered Office	Address
April 20, 1998	Change of registered office from APEX Plaza, Third Floor, No. 3, Nungambakkam High Road, Chennai 600 034 to No.6 Murray's Gate Road, Alwarpet, Chennai 600 018
July 5, 2005	Change of registered office from No.6 Murray's Gate Road, Alwarpet, Chennai 600 018 to No.11 Murray's Gate Road, Alwarpet, Chennai 600018

The changes in our registered office were to ensure greater operational efficiency.

Main Objects of our Company

The main objects as contained in the Memorandum of Association are:

1. To carry on business as general engineers, mechanical engineers, process engineers, civil engineers, general mechanical and civil contractors, wet and dry cooling systems specialists and to enter into contracts and joint ventures in relation to and to erect, construct, supervise, maintain, alter, repair, pull down and restore, either alone or jointly with other companies or persons, works of all descriptions including plants of all descriptions, factories, mills, refineries, pipelines, gas works, electric works, power plants, water works, water treatment plants, and to undertake turnkey projects of every description and to undertake the supervision of any plant or factory and to invest in or acquire interest in companies carrying on the above business.

2. To carry on the business of manufacturing, assembling, installing, repairing, converting, buying, selling, exchanging, altering, importing, exporting, hiring, letting on hire, distributing or dealing in all types of wet and dry cooling systems, monitoring equipment, steam trap and strainers, heat exchangers and other tools, implements, appliances, bolts, nuts, hooks and engineering goods, ferrous and non-ferrous metals and metal products, foundry and factory supplies, mill supplies, industrial articles of all kinds and description for all types of cooling systems applications and industrial vehicles of all kinds and all components parts, accessories, equipment and apparatus for use in connection therewith.

3. To act as engineering, technical, financial and management consultants and to advise and assist on all aspects of industrial management or activity and to make evaluations, feasibility studies, project reports, forecasts and surveys and to give expert advise and suggest ways and means of improving efficiency in power plants, chemical, petrochemical plants, steel and iron manufacturing and processing industries, plants of all other kinds, factories and industries of all kinds, and supply to and to provide, maintain and operate service facilities, conveniences, bureaus and the like for the benefit of any person, company, corporate body, firm, trust, association, society or organisation whatsoever and generally to act as service organisation or for providing generally engineering, administrative, advisory, commercial, management consultancy, technical, quality control and other services to persons, companies, corporate bodies, firms, trusts, associations or organisations whatsoever and to undertake the supervision of any business or organisation and to undertake turnkey projects and to invest in or acquire interest in companies carrying on the above business.

4. To act as agents, distributors, stockists for Government or other authorities, or for manufacturers, or merchants and others and to carry on agency business.

The main objects as contained in the Memorandum of Association enable our Company to carry on the business presently carried out as well as business proposed to be carried out and the activities proposed to be undertaken pursuant to the Objects of the Issue.

Amendments to the Memorandum of Association

Date of shareholders' resolution	Nature of amendment
July 29, 1996	The authorised share capital was increased from Rs.50,00,000 to Rs.1,00,00,000
July 29, 1996	The name of our Company was changed from Balcke Durr Cooling Towers Limited to Balcke Durr and Wabag Technologies Limited
December 17, 1997	The authorised share capital was increased from Rs.1,00,00,000 to Rs.2,00,00,000
July 24, 1998	The authorised share capital was increased from Rs.2,00,00,000 to Rs.2,50,00,000
March 10, 2000	The name of our Company was changed from Balcke Durr and Wabag Technologies Limited to VA Tech Wabag Limited
October 24, 2000	The authorised share capital was increased from Rs.2,50,00,000 to Rs.4,50,00,000
August 3, 2006	The authorised share capital was increased from Rs.4,50,00,000 to Rs.15,00,00,000
September 14, 2009	The authorised share capital was changed from Rs. 15,00,00,000 divided into 1,01,75,000 Equity Shares of Rs. 10 each and 48,25,000 preference shares of Rs. 10 each to 2,03,50,000 Equity Shares of Rs. 5 each and 48,25,000 preference shares of Rs. 10 each

Key Agreements/ Schemes of Arrangements

Scheme of Demerger of water and non-water business of our Company (the "Demerger Scheme")

On April 20, 1999, our Board of Directors approved the Demerger Scheme in terms of Sections 391 to 394 of the Companies Act for the demerger of the water and non-water treatment division of our Company. In terms of the Demerger Scheme, the non-water division of our Company was transferred to BDT Limited ("BDT") with effect from April 1, 1999 (the "Transfer Date") and the water treatment division would be retained by our Company. Our Company obtained the approval of the High Court of Madras for the Demerger Scheme on March 3, 2000.

The demerger was undertaken to allow our Company to focus on the activity of water treatment and BDT to focus on its independent line of activity.

The Demerger Scheme envisaged the transfer of the non-water treatment undertaking of our Company to BDT in the manner provided for in the Demerger Scheme and the consequent issue of 11 equity shares of BDT of face value Rs. 10 to the shareholders of our Company for every 25 Equity Shares of Rs. 10 each held by the then shareholders of our Company.

Further, it provided for the transfer of all the properties and assets relating to non-water treatment business of our Company and all other interests or rights in/arising out of/relating to such properties and all debts, liabilities, duties and obligations of our Company relating to the non-water treatment business as on the Transfer Date including liabilities on account of unsecured loans and sundry creditors to BDT.

The Demerger Scheme, *inter alia*, also provided for the manner of vesting and transfer of the assets of the non-water treatment business of our Company to BDT as well as the transfer of contracts of whatsoever nature relating to the non-water treatment business and employees of non-water treatment business of our Company to BDT.

Scheme of Amalgamation of I-Ven Water Treatment Technologies Limited ("IVTL") with our Company (the "Scheme of Merger")

On March 8, 2006, our Board approved the Scheme of Merger under Sections 391 to 394 of the Companies Act for the amalgamation of IVTL with our Company, whereby the undertakings, rights, obligations, etc. of IVTL were transferred to our Company and IVTL was dissolved without winding up, pursuant to a report by the official liquidator, with effect from the April 1, 2006. Our Company obtained the approval of the High Court of Madras for the Scheme of Merger on June 26, 2006.

The Scheme of Merger envisaged the transfer of the undertakings, business, investments, obligations, employees, etc. from IVTL to our Company and the consequent issue of 71 Equity Shares of Rs. 10 each by our Company to the shareholders of IVTL for every 100 equity shares held by the then shareholders of IVTL in the manner provided therein and issue of one preference share Rs. 10 each of our Company to the preference shareholders of IVTL for every one preference share of IVTL held by them.

The Scheme of Merger, *inter alia*, provided the manner of vesting and transfer of the assets and undertakings of IVTL to our Company, the transfer of contracts of whatsoever nature of IVTL to our Company and the continuance of our Company as a party in IVTL's place in the same, the transfer of all debts and obligations of IVTL to our Company, the transfer of all suits and proceedings by or against IVTL to our Company and the transfer of employees engaged by IVTL to our Company on terms and conditions not less favourable than those on which they were engaged in IVTL.

The accounting treatment for the Scheme of Merger is in compliance with AS-14.

Share Subscription, Share Purchase and Shareholders' Agreements

1. *Share purchase agreement (the "GSIC SPA") between our Company, individual shareholders as defined under the GSIC SPA (the "Sellers") and Government of Singapore Investment Corporation Pte. Ltd. ("GSIC") dated January 2, 2008*

   Our Company entered into the GSIC SPA pursuant to which the Sellers sold and GSIC purchased 18,777 fully paid Equity Shares of face value Rs. 10 each of our Company at a price of Rs. 2,766.39 Equity Share.

2. *Share subscription agreement (the "GSIC SSA") between our Company and Government of Singapore Investment Corporation Pte. Ltd. ("GSIC") dated January 2, 2008*

   Our Company entered into the GSIC SSA pursuant to which GSIC agreed to subscribe to 48,198 fully paid Equity Shares of face value Rs. 10 each of our Company at a price of Rs. 2,766.39 per Equity Share.

3. *Share purchase agreement (the "PIIM SPA") between our Company, individual shareholders as defined under the PIIM SPA (the "Sellers") and Passport India Investments (Mauritius) Ltd. ("PIIM") dated December 31, 2007*

   Our Company entered into the PIIM SPA pursuant to which the Sellers have sold and PIIM has purchased 13,109 fully paid Equity Shares of face value Rs. 10 each of our Company at a price of Rs. 2,766.39 per Equity Share.

4. *Share subscription agreement (the "PIIM SSA") between our Company and Passport India Investments (Mauritius) Limited ("PIIM") dated January 2, 2008*

   Our Company entered into the PIIM SSA pursuant to which PIIM agreed to subscribe to 72,296 fully paid Equity Shares of face value Rs. 10 each of our Company at a price of Rs. 2,766.39 per Equity Share.

5. *Share subscription agreement (the "Sattva SSA") between our Company and Sattva India Opportunities Company Limited ("Sattva") dated January 2, 2008*

   Our Company entered into the Sattva SSA pursuant to which Sattva agreed to subscribe to 24,099 fully paid Equity Shares of face value Rs. 10 each constituting 0.58% of the total issued and paid up share capital of our Company at a price of Rs. 2,766.39 per Equity Share. By a letter dated March 5, 2010, our Company requested Sattva and by a countersign Sattva has agreed to waive certain provisions under the Sattva SSA relating to obligations on our Company to provide information to Sattva. By a further letter dated August 3, 2010, out Company sought the waiver of the said provisions up to September 30, 2010 and by a countersign, Sattva has agreed to waive the said provisions. Sattva's rights under the Sattva SSA, in terms of the Sattva SSA will cease to have effect in the event of an IPO by our Company.

6. *Share subscription agreement (the "GLG SSA") between our Company and GLG Emerging Markets Fund ("GLG") dated February 23, 2007*

Our Company entered into the GLG SSA pursuant to which GLG agreed to subscribe to 397,078 Equity Shares at a price of Rs. 2,224.62 per Equity Share. By a letter dated March 5, 2010, our Company requested GLG to waive certain provisions under the GLG SSA relating to anti-dilution rights and right of first refusal to GLG for purchase of Equity Shares issued by our Company that GLG was entitled to in terms of the GLG SSA. These rights have been waived by GLG by a letter dated March 11, 2010. By a further letter dated August 3, 2010, our Company has requested the waiver of these rights up to September 30, 2010. These rights have been waived by GLG by a letter dated August 4, 2010.

7. *Siemens SPA between Siemens Aktiengesellschaft Öesterreich ("Siemens") and Wabag Singapore dated September 19, 2007 with closing memorandum dated November 6, 2007*

Wabag Singapore entered into the Siemens SPA pursuant to which Siemens agreed to transfer and Wabag Singapore agreed to purchase the registered paid up capital of Wabag Austria amounting to EUR 1,000,000 for a consideration of Euro 1.00.

In terms of this agreement, Siemens provided Wabag Austria a non-repayable equity contribution in the amount of EUR 23,850,000 (Euros Twenty three million eight hundred fifty thousand) net of tax towards repayment of its liabilities like the Kontrollbank Refinancing Facility, sublines cash obligations and in relation to its certain of its projects, to raise the equity as required by Austrian law. As consideration, Siemens was released from any and all of its liabilities under its indebtedness obligations to its banks which was to include (apart from the parent guarantees provided by the Siemens to Wabag Austria and its subsidiaries with respect to its/their business and/or to various third parties), unconditional and irrevocable bank guarantee from a first class bank acceptable to the Siemens and payable upon first demand. The amount of the bank guarantee, which was to enter into force upon closing, was not to exceed EUR 64,985,000.

8. *Share purchase agreement (the "I-Ven SPA") between Wabag Austria (the "Seller"), I-Ven Water Treatment Technologies Limited ("I-Ven"), Western India Trustee and Executor Company Limited in its capacity as trustee for India Advantage Funds – I ("IAF")represented by its Investment Manager ICICI Venture Funds Management Co. Limited ("I-Ven Funds") and our Company dated April 7, 2005 with addenda dated June 24, 2005 and September 1, 2005 and an amendment dated October 24, 2007*

Our Company entered into the I-Ven SPA pursuant to which I-Ven and I-Ven Funds purchased 40,81,593 Equity Shares of Rs. 10 each of our Company from the Seller in two tranches as set forth below:

First tranche: In terms of the I-Ven SPA, I-Ven purchased 33,83,639 Equity Shares of Rs. 10 each at a price of EUR 6,360,750.

Second tranche: A supplementary agreement was executed amongst our Company, Wabag Austria, IAF, Rajiv Mittal, Amit Sengupta and S. Varadarajan on October 24, 2007, incorporating changes in the I-Ven SPA pursuant to the Scheme of Merger. Pursuant to this, IAF purchased 5,58,363 equity shares, Rajiv Mittal purchased 1,18,616 equity shares and Amit Sengupta purchased 20,975 equity shares of our Company, at a total consideration of Rs. 10,70,44,855.

Concurrently, with the sale of these Equity Shares, the Seller was released from all liabilities and obligations undertaken/provided by the Seller in relation to the business of our Company.

Pursuant to the I-Ven SPA, our Company has entered into an agreement dated April 7, 2005 (the "Brand Usage Agreement") with the Seller, with an addendum dated September 1, 2005 and an amendment dated September 21, 2009. In terms of the Brand Usage Agreement, as amended, our Company, our Subsidiaries and joint ventures have a perpetual right to use the "Wabag" name and logo in conjunction with any other name, prefix or suffix to the extent lawful. This includes a right to transfer or assign or sub-license or confer this right in any other way to any third party. The consideration payable by our Company under the Brand Usage Agreement, as amended, in respect of the past and future use of rights granted under the Brand Usage Agreement, is Rs. 200 lakhs.

9. *Brand usage and non-compete agreement entered into between our Company, I-Ven and the Seller dated April 7, 2005 as amended by an addendum dated September 1, 2005 and an amendment dated September 21, 2009 (the "Brand Usage Agreement")*

Our Company, pursuant to the I-Ven SPA, entered into the Brand Usage Agreement pursuant to which our Company, our Subsidiaries and joint ventures have a perpetual right to use the "Wabag" name and logo in conjunction with any other name, prefix or suffix to the extent lawful. This includes a right to transfer or assign or sub-license or confer this right in any other way to any third party. The consideration payable by our Company under the Brand Usage Agreement is Rs. 200 lakhs covering the past and future use of rights granted under the Brand Usage Agreement.

In terms of the Brand Usage Agreement, the termination of the I-Ven SPA entered into between our Company, I-Ven and the Seller shall terminate the Brand Usage Agreement. Upon termination of the Brand Usage Agreement, any rights granted to our Company or I-Ven under the Brand Usage Agreement shall stand terminated and revoked. The payment obligation under the Brand Usage Agreement shall remain in force even in the event of termination of the Brand Usage Agreement other than pursuant to termination due to default on the part of the Seller or by the Seller voluntarily.

10. *Side letter ("Side Letter") between our Company, Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan (the "Management Team") and India Advantage Fund I dated March 10, 2010*

Our Company entered into the Side Letter to the agreement between our Company, Western India Trustee and Executor Company Limited in its capacity as trustee of India Advantage Fund I represented by its investment manager ICICI Venture Funds Management Company Limited, as merged into IDBI Trusteeship Services Limited, the Management Team and I-Ven Water Treatment Technologies Limited dated November 24, 2005 (the "Management Agreement"), pursuant to which the Management Agreement has been terminated as of March 10, 2010 except the clauses of the Management Agreement which survive termination, which are in relation to indemnity, jurisdiction, disputes and their resolution and confidentiality, to facilitate the initial public offer being undertaken by our Company and for certain affirmative voting rights of India Advantage Fund I which shall terminate immediately prior to the listing of the Equity Shares pursuant to the Issue.

The Articles of Association of our Company have been replaced by a new set of Articles of Association, pursuant to a resolution of the shareholders passed at the EGM held on September 14, 2009. In terms of the Side Letter, India Advantage Fund I will have the right to appoint one Director on the Board of Directors of our Company provided that the shareholding of India Advantage Fund I and its affiliates in our Company does not fall below 5% of the paid up share capital of our Company.

In terms of the Side Letter, the Management Agreement will be reinstated with full force and effect if our Company fails to undertake the initial public offer by September 1, 2010.

Our Company has entered into a side letter dated August 23, 2010 (the "Revised Side Letter") with the Management Team and India Advantage Fund I represented by its investment manager ICICI Venture Funds Management Company Limited. In terms of the Revised Side Letter, the Management Agreement shall stand terminated up to September 30, 2010 and will be reinstated with full force and effect if our Company fails to undertake the initial public offer by September 30, 2010.

11. *Share purchase agreement ("IDFC SPA") between our Company, IDFC Investment Advisors Limited ("IIAL") and individual shareholders as identified in the IDFC SPA (the "Sellers") dated August 17, 2010*

Our Company has entered into a share purchase agreement with IIAL and the Sellers, including our Promoters and 229 employees of our Company, pursuant to which the Sellers have sold IIAL an aggregate number of 4,05,992 Equity Shares of our Company at a price of Rs. 1,231.55 per Equity Share.

In terms of the IDFC SPA, in the event the listing of the Equity Shares of our Company is not completed within 60 days from the date of the IDFC SPA, our Company and IIAL shall enter into a shareholders' agreement providing for regular information rights to IIAL. The IDFC SPA shall terminate upon the mutual consent of the parties or in the event the transfer of the Equity Shares by the Sellers to IIAL, upon receipt of the purchase amount, does not take place within seven business days from the date of the IDFC SPA, as defined in the IDFC SPA.

Joint Venture Agreements

1. *Joint venture agreement (the "First STP JV") between our Company and IVRCL Infrastructure & Projects Limited ("IVRCL") dated October 26, 1999 to set up First STP Private Limited (hereinafter referred to as "First STP")*

Our Company has entered into the First STP JV for design, engineering and construction of a sewage treatment plant at Alandur Municipality, Chennai, Tamil Nadu. Pursuant to the First STP JV, an underground sewerage system has been constructed by First STP and design, construction, operation and maintenance of the sewage treatment plant has been undertaken on a BOOT basis.

Capital Structure of First STP

The authorized share capital of First STP is Rs. 3,00,00,000 divided into 30,00,000 equity shares of Rs. 10 each and the paid up capital is Rs. 3,00,00,000 divided into 30,00,000 equity shares of Rs. 10 each.

Shareholding of our Company in First STP

Our Company holds 5% of the shareholding in First STP.

2. *Joint venture agreement (the "Windhoek JV") between VA Tech Wabag SA (PTY) LTD ("Wabag SA"), Berlinwasser Holding Aktiengesellschaft (now renamed as "Berlinwasser International AG")(hereinafter referred to as "Berlinwasser") and Compagnie Generale des Eaux Societe en Commandite par Actions (SCA) (now renamed as "Veolia Eau-Compagnie Generale des Eaux") (hereinafter referred to as "Veolia") dated July 6, 2001*

Wabag SA entered into the Windhoek JV in respect of the Windhoek Goreangab Operating Company (Proprietary) Limited (hereinafter referred to as "Windhoek GOC") formed by Wabag SA, Berlinwasser and Veolia to manage the New Goreangab Water Reclamation Plant ("Goreangab Plant") for Windhoek Municipality, Windhoek, Namibia. Windhoek GOC was incorporated on January 12, 2001 and ownership in the company was transferred from the original shareholder to the parties to the Windhoek JV by a resolution dated July 5, 2001. In terms of the Windhoek JV, Veolia, Berlinwasser and Wabag SA purchased 34%, 33% and 33% of shares of Windhoek GOC respectively.

Windhoek GOC manages the Goreangab Plant in terms of the Windhoek management agreement (the "Windhoek Management agreement") entered into between the Municipal Council of Windhoek and Windhoek GOC dated July 6, 2001.

Under the terms of the Windhoek JV, the sale of shares of Windhoek GOC is subject to the terms of the Windhoek Management Agreement. Additionally, any one of the shareholders desiring to sell its shares in the Windhoek GOC shall be required to first offer the shares to the non selling shareholders of Windhoek GOC. Each of the parties to the Windhoek JV is under an obligation to further the joint object of holding and supporting Windhoek GOC and management of the Goreangab Plant. The Windhoek Management Agreement is valid for a period of 20 years from July 6, 2001. The Windhoek JV shall terminate with the termination of the Windhoek Management Agreement.

Pursuant to approval from the board of directors of Windhoek GOC by a resolution dated September 22, 2004, the shares of Wabag SA were transferred to Wabag Austria.

Capital Structure

The authorized share capital of Windhoek GOC is NAD 4,000 divided into 4,000 equity shares of NAD 1 each and the paid up capital is NAD 100 divided into 100 equity shares of NAD 1 each.

Shareholding Pattern

The shareholding pattern of Windhoek GOC is as follows:

S. No.	Name of the shareholder	Number of equity shares	Percentage of shareholding
1.	Wabag Austria	33	33%
2.	Berlinwasser	33	33%
3.	Veolia	34	34%
	Total	**100**	**100%**

Other Material Agreements

1. *Deed of sale ("Sale Deed") between G. Meena and G. Balaji (the "Vendors") and our Company dated July 18, 2007*

Our Company has entered into the Sale Deed for purchasing land admeasuring approximately one acre and 53 cents in total comprised in survey numbers 379/7A2, 380/2A2, 380/3A1, 380/15, 388/1, 388/2, 388/3A, 388/5A, 388/6 and 388/7 in Sunnambu Kulathur Village, Tambaram taluk, Kancheepuram district from the Vendors for a consideration of Rs. 1,698 lakhs.

2. *Deed of Gift ("Gift Deed") between our Company and the Chennai Metropolitan Development Authority (the "CMDA") dated May 5, 2010*

Our Company has entered into the Gift Deed for transferring the street alignment portion of survey numbers 379/7A2 (part), 388/2 (part) and 388/5A (part) in Sunnambu Kulathur Village, Tambaram taluk, Kancheepuram district measuring an extent of about 1,675 square feet to the CMDA in compliance with rules and regulations as applicable and in public interest.

OUR SUBSIDIARIES

Our Company has 13 subsidiaries. All of our Subsidiaries are incorporated outside India. None of our Subsidiaries have made any public or rights issue in the last three years or are under liquidation under their respective laws of incorporation. The equity shares of none of our Subsidiaries are listed on any stock exchange.

The information provided in this section is as of the date of this Red Herring Prospectus.

The direct subsidiaries of our Company are as follows:

a) VA Tech Wabag (Gulf) Contracting LLC, Dubai; and
b) VA Tech Wabag (Singapore) Pte. Ltd.

The indirect subsidiaries of our Company are as follows:

a) Beijing VA Tech Wabag Water Treatment Technology Co., Ltd.;
b) Engenharia Hidraulica de Macau, Limitada, Macao;
c) VA Tech Wabag Algeria s.a.r.l., Algeria;
d) VA Tech Wabag Brno Spol S.R.O, Czech Republic;
e) VA Tech Wabag Deutschland GmbH, Germany;
f) VA Tech Wabag GmbH, Austria;
g) VA Tech Wabag (Hong Kong) Limited;
h) VA Tech Wabag Tunisia s.a.r.l., Tunisia;
i) Wabag Wassertechnik AG, Switzerland;
j) Wabag Water Services (Macao) Limited, Macao; and
k) Wabag Water Services s.r.l, Romania.

Direct Subsidiaries

a) VA Tech Wabag (Gulf) Contracting LLC, Dubai

Corporate Information

VA Tech Wabag (Gulf) Contracting LLC, Dubai was incorporated as VA Tech Wabag (Gulf) General Trading LLC, Dubai on December 6, 2007 as a limited liability company under the laws of the UAE in relation to incorporation of companies. On December 21, 2008, the objects clause of the memorandum of association of the company was altered to include turnkey projects contracting and the name of the company was changed to VA Tech Wabag (Gulf) Contracting LLC, Dubai, pursuant to an agreement of amendment to the memorandum of association made between the shareholders.

VA Tech Wabag (Gulf) Contracting LLC, Dubai is a joint venture ("JV") entered into between our Company and Badriya Hassan Makki pursuant to a joint venture agreement dated September 11, 2007, in which our Company has a 49% shareholding but a 100% beneficial interest by way of a shareholders agreement dated September 11, 2007 entered into with Badriya Hassan Makki. Our Company controls the composition of the board of directors of VA Tech Wabag (Gulf) General Trading LLC and operating and financial decisions of VA Tech Wabag (Gulf) General Trading LLC.

VA Tech Wabag (Gulf) Contracting LLC, Dubai is involved in turnkey projects, contracting of equipment, parts and chemicals related to water, sewage and wastewater treatment and contracting for desalination plants, sewage treatment plants, water treatment plants for power projects, food and beverages and other industries and wastewater treatment plants for refineries, petrochemicals and other industries.

Shareholding Pattern

Sr. No.	Name of the shareholder	Number of equity shares held	Percentage of total equity holding (in %)
1.	VA Tech Wabag Limited	147	49
2.	Badriya Hassan Makki	153	51
TOTAL		**300**	**100**

Capital Structure

The authorised share capital of VA Tech Wabag (Gulf) Contracting LLC, Dubai is Dirhams 300,000 divided into 300 equity shares of Dirhams 1,000 each and the paid up capital is Dirhams 300,000, divided into 300 equity shares of Dirhams 1,000 each.

b) VA Tech Wabag (Singapore) Pte. Ltd.

Corporate Information and Nature of Business

Wabag Singapore was incorporated on August 14, 2007 as a private company with limited liability under the laws of Singapore in relation to incorporation of companies. It is involved in the design, supply, commissioning and operation and maintenance of water and wastewater treatment plants.

Shareholding Pattern

Wabag Singapore is a wholly-owned subsidiary of our Company.

Capital Structure

The paid up capital of Wabag Singapore is SGD 1,507,201 comprising 1,507,201 equity shares.

Indirect Subsidiaries

1. Beijing VA Tech Wabag Water Treatment Technology Co., Ltd.

Corporate Information and Nature of Business

Beijing VA Tech Wabag Water Treatment Technology Co., Ltd. was incorporated on December 21, 2009 as a limited liability company under the laws of China in relation to incorporation of companies. It is involved in the design, commissioning and maintenance of water and wastewater treatment plants.

Shareholding pattern

Beijing VA Tech Wabag Water Treatment Technology Co., Ltd. is a wholly-owned subsidiary of VA Tech Wabag (Hong Kong) Limited.

Capital Structure

The authorised share capital of Beijing VA Tech Wabag Water Treatment Technology Co., Ltd. is Eur One million. The paid up capital of Beijing VA Tech Wabag Water Treatment Technology Co., Ltd. is Eur 200,000.

2. Engenharia Hidraulica de Macau, Limitada, Macao

Corporate Information and Nature of Business

Engenharia Hidraulica de Macau, Limitada, Macao was incorporated on June 15, 1995 as a limited liability company under the laws of Macao in relation to incorporation of companies. It is involved in the operational management of the Macau wastewater plant.

Shareholding Pattern

Sr. No.	Name of the shareholder	Percentage of total equity holding (in %)
1.	Wabag Austria	80
2.	Engenharia Hidraulica de Macau, Limitada	20
TOTAL		**100.00**

Capital Structure

The capital of Engenharia Hidraulica de Macau, Limitada, Macao is MOP Three million divided into two equity shares representing 80% and 20% of the capital respectively and the paid up capital of Engenharia Hidraulica de Macau, Limitada, Macao is MOP Three million.

3. VA Tech Wabag Algeria s.a.r.l., Algeria

Corporate Information and Nature of Business

VA Tech Wabag Algeria s.a.r.l., Algeria was incorporated on May 6, 1995 as a limited liability company under the laws of Algeria in relation to incorporation of companies. It is involved in the installation, supply and operational management of drinking water and wastewater plants.

Shareholding Pattern

Sr. No.	Name of the shareholder	Number of equity shares held	Percentage of total equity holding (in %)
1.	Wabag Austria	10	10
2.	VA Tech Wabag Deutschland GmbH, Germany	90	90
TOTAL		100	**100**

Capital Structure

The paid up capital VA Tech Wabag Algeria s.a.r.l., Algeria is DZD One million divided into 100 equity shares of DZD 10,000 each.

4. VA Tech Wabag Brno Spol S.R.O, Czech Republic

Corporate Information and Nature of Business

Wabag Brno was incorporated on May 27, 1994 as a limited liability company under the laws of The Czech Republic in relation to incorporation of companies. It is involved in the installation, supply and operational management of drinking water and wastewater plants.

Shareholding Pattern

Wabag Brno is a wholly-owned subsidiary of Wabag Austria.

Capital Structure

The authorised share capital of Wabag Brno is CZK Two million.

5. VA Tech Wabag Deutschland GmbH, Germany

Corporate Information and Nature of Business

VA Tech Wabag Deutschland GmbH, Germany was incorporated on June 29, 1990 as a limited liability company under the laws of Germany in relation to incorporation of companies. It is involved in the installation, supply and operational management of drinking water and wastewater plants.

Shareholding Pattern

VA Tech Wabag Deutschland GmbH, Germany is a wholly-owned subsidiary of Wabag Austria.

Capital Structure

The authorised share capital of VA Tech Wabag Deutschland GmbH, Germany is Euros 230,250.

6. VA Tech Wabag GmbH, Austria

Corporate Information and Nature of Business

Wabag Austria was incorporated on June 26, 1990 as a limited liability company under the laws of Austria in relation to incorporation of companies. It is involved in the installation, supply and operational management of drinking water and wastewater plants.

Shareholding Pattern

Wabag Austria is a wholly-owned subsidiary of Wabag Singapore.

Capital Structure

The paid up capital of Wabag Austria is EUR One million.

7. VA Tech Wabag (Hong Kong) Limited

Corporate Information and Nature of Business

VA Tech Wabag (Hong Kong) Limited was incorporated on May 26, 2009 as a private company limited by shares under the laws of Hong Kong in relation to incorporation of companies. It is involved in the design, supply, commissioning and operations and maintenance of water and wastewater treatment plants.

Shareholding Pattern

Sr. No.	Name of the shareholder	Number of equity shares held	Percentage of total equity holding (in %)
1.	Wabag Singapore	1,540,000	70
2.	Wabag Austria	330,000	15
3.	Wabag Wassertechnik	330,000	15
TOTAL		**2,200,000**	**100.00**

Capital Structure

The authorised share capital of VA Tech Wabag (Hong Kong) Limited is HKD 2,200,000 divided into 2,200,000 equity shares of HKD 1 each and the paid up capital is HKD 2,200,000, divided into 2,200,000 equity shares of HKD 1 each.

8. VA Tech Wabag Tunisia s.a.r.l., Tunisia

Corporate Information and Nature of Business

VA Tech Wabag Tunisia s.a.r.l., Tunisia was incorporated on May 6, 1997 as a limited liability company under the laws of Tunisia in relation to incorporation of companies. It is involved in the installation, supply and operational management of drinking water and wastewater plants.

Shareholding Pattern

Sr. No.	Name of the shareholder	Number of equity shares held	Percentage of total equity holding (in %)
1.	Wabag Austria	90	90
2.	VA Tech Wabag Deutschland GmbH, Germany	10	10
TOTAL		**100**	**100.00**

Capital Structure

The paid up capital VA Tech Wabag Tunisia s.a.r.l., Tunisia is TND 10,000 divided into 100 equity shares of TND 100 each.

9. Wabag Wassertechnik

Corporate Information and Nature of Business

Wabag Wassertechnik was incorporated on December 9, 2004 as a limited liability incorporation under the laws of Switzerland in relation to incorporation of companies, as a subsidiary of Wabag Austria. It is involved in the installation and supply and provision of technology for drinking water and wastewater plants.

Shareholding Pattern

Wabag Wassertechnik is a wholly-owned subsidiary of Wabag Austria.

Capital Structure

The paid up capital of Wabag Wassertechnik is CHF 0.50 million divided into 500 equity shares of CHF 1,000 each.

10. Wabag Water Services (Macao) Limited, Macao

Corporate Information and Nature of Business

Wabag Water Services (Macao) Limited, Macao was incorporated on December 9, 2008 as a limited liability company under the laws of Macao in relation to incorporation of companies. It is involved in the operation and maintenance of wastewater treatment plants in Macau.

Shareholding Pattern

Sr. No.	Name of the shareholder	Percentage of total equity holding (in %)
1.	Wabag Austria	96
2.	VA Tech Wabag Deutschland GmbH (Germany)	4

Sr. No.	Name of the shareholder	Percentage of total equity holding (in %)
TOTAL		**100.00**

Capital Structure

The paid up capital Wabag Water Services (Macao) Limited is MOP 25,000.

11. Wabag Water Services s.r.l, Romania

Corporate Information and Nature of Business

Wabag Water Services s.r.l, Romania was incorporated on February 18, 2008 as a limited liability company under the laws of Romania in relation to incorporation of companies. It is involved in the installation, supply and operational management of drinking water and wastewater plants.

Shareholding Pattern

Sr. No.	Name of the shareholder	Number of equity shares held	Percentage of total equity holding (in %)
1.	Wabag Austria	3,564	99.00
2.	VA Tech Wabag Deutschland GmbH, Germany	36	1.00
TOTAL		**3,600**	**100.00**

Capital Structure

The paid up capital Wabag Water Services s.r.l, Romania is RON 0.036 million divided into 3,600 equity shares of RON 10 each.

Common Pursuits

Our Subsidiaries have common pursuits and are involved in the business of water and waste water treatment. We shall adopt necessary procedures and practices as permitted by law to address any conflict situations, as and when they may arise. For further details on the related party transactions, to the extent of which our Company is involved, see "Related Party Transactions" on page 202.

OUR MANAGEMENT

Our Board of Directors

Under our Articles of Association we are required to have not less than three Directors and not more than 12 Directors. We currently have five 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, Designation, Address, Occupation and Term	Age (in years)	Nationality	Other Directorships
Bhagwan Dass Narang *S/o Gurdit Singh Narang* **Designation** ***Chairman, non-executive Independent Director*** **Address** Flat No.29, DDA Apartments Pocket F SFS Scheme, Sheikh Sarai, Phase – I, New Delhi Delhi 110 017 **Occupation** Business **Term** Liable to retire by rotation **DIN** 00038052	65	Indian	**Indian Companies** (a) IST Steel & Power Limited; (b) Dish T.V. India Limited; (c) Jubilee Hill Landmark Projects Limited; (d) Revathi Equipment Limited; (e) Shivam Autotech Limited; (f) Afcon Infrastructure Limited; (g) Karvy Stock Broking Limited; (h) Amar Ujala Publications Limited; (i) DSE Financial Services Limited; (j) Lakshmi Precision Screws Limited; and (k) Shri Veni Madhav Portfolio Private Limited. ***Others*** (a) Chief executive officer, Dhir & Dhir Asset Reconstruction Company; (b) Member (Advisory Board), National Investment Fund; (c) Member (Advisory Board) Karma Offshore Fund Limited; (d) Consultant, ICICI Venture Funds Management Company Limited; (e) Advisor (investments), Indian Sugar Export Corporation; and (f) Trustee, Multiples Equity Trustee Limited.
Rajiv Mittal *S/o Devraj Mittal* **Designation** ***Managing Director*** **Address** No.13A, Jeevarathinam Nagar, 1st Street, Adyar Chennai 600 020 **Occupation** Business **Term** Five years with effect from October 1, 2005	50	British	**Foreign Companies** (a) Wabag Singapore; (b) Wabag Austria; and (c) VA Tech Wabag (Hong Kong) Limited.

Name, Father's Name, Designation, Address, Occupation and Term	Age (in years)	Nationality	Other Directorships
DIN 01299110			
Sumit Chandwani *S/o Mohan Tekchand Chandwani* **Designation** ***Non-executive non-Independent nominee Director*** **Address** 2001, Era 3 Marathon Nextgen, Ganpatrao Kadam Marg, Lower Parel, Mumbai 400 013 **Occupation** Service **Term** Liable to retire by rotation **DIN** 00179100	42	Indian	**Indian Companies** (a) PVR Limited; (b) PVR Pictures Limited; (c) Tebma Shipyards Limited; (d) Rubamin Limited; and (e) I-Ven Medicare India Limited.
Dr. Guenter Heisler *S/o Leopold Heisler* **Designation** ***Non-executive Independent Director*** **Address** Huetteldorferstre., 349/8 A-1410, Vienna Austria **Occupation** Service **Term** Liable to retire by rotation **DIN** 01359297	57	Austrian	**Foreign Companies** (a) AWE Wassertechnik GmbH ***Others*** (a) Director, Austrian Society for Water and Waste Management; (b) Director, Austrian-Egyptian Chamber of Commerce; and (c) Member, International Desalination Association
Jaithirth Rao *S/o Raghavendra Pandu Ranga* **Designation** ***Non-executive Independent Director*** **Address** #61, Umang, Kashibai Navrang Marg Gamdevi, Mumbai 400 007 **Occupation** Service **Term**	57	Indian	**Indian Companies** (a) IDFC Private Equity Company Limited; (b) Royal Orchid Hotels Limited; (c) Rao Properties Private Limited; (d) Sanvijay Tourist Services Private Limited; (e) Juris Realty Private Limited; (f) Jurimatrix Services India Private Limited; (g) Value and Budget Housing Corporation India Private Limited; (h) Infotech Enterprises Limited;

Name, Father's Name, Designation, Address, Occupation and Term	Age (in years)	Nationality	Other Directorships
Liable to retire by rotation **DIN** 00025289			(i) Kandor Solutions Private Limited.; (j) PSK Financial Planning & Insurance Sales Company Limited; (k) Chai Bageecha Estates Private Limited; (l) Data Security Council of India; (m) Home First Finance Company India Private Limited; (n) Rao Horticulture Private Limited; and (o) Fostiima Integrated Learning Resources Private Limited. ***Foreign Companies*** (a) Sankhyaa Limited; and (b) AARM, USA. ***Others*** (a) Chairman, NASSCOM Foundation; (b) Trustee, Sujaya Foundation; (c) Chairman, Indian Foundation for the Arts; (d) Trustee, Mathematical Sciences Foundation; (e) Settlor, IIMA Alumni Association Trust – India; and (f) Trustee, Jurimatrix Employee Benefit.

None of the Directors on our Board are related to each other.

There are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of the Directors were selected as a Director, except for the appointment of Sumit Chandwani who is a nominee Director of ICICI Venture Funds Management Company Limited on our Board.

Brief Biographies

Bhagwan Dass Narang is the Chairman, non-executive Independent Director on our Board. He holds a master's degree in agricultural economics from Punjab Agriculture University. He has been a Director of our Company since June 7, 2007. He was previously the chairman and managing director of Oriental Bank of Commerce from 2000 to 2005. He has over 25 years of experience in the banking industry. He has previously worked with Punjab and Sind Bank and Union Bank of India. He has chaired a panel appointed by the RBI on serious financial frauds and a panel appointed by the Indian Banks' Association on financing construction industry. He was awarded the 'Banker of the Year Award for 2004' by Business Standard. Bhagwan Dass Narang was nominated by the RBI as a member of the expert group formed for examining the problems of distressed farmers. He was also nominated by the Ministry of Corporate Affairs as a member of the committee formed to oversee the working of National Education and Investor Fund.

Rajiv Mittal is the Managing Director of our Company. He is a graduate in chemical engineering from the University of Bombay. He has been the Managing Director of our Company since September 27, 2000. He has previously worked with Wabag Water Engineering Limited, UK as a deputy director (international sales). He has 27 years of experience in the water industry.

Sumit Chandwani is a non-executive non-Independent nominee Director of our Company. He holds a bachelor's degree in engineering from the Indian Institute of Technology, Roorkee and has a postgraduate diploma in business management from the Indian Institute of Management, Bangalore. He has been a Director of our Company since September 13, 2005. He has 19 years of experience in the areas of private equity, structured finance and project finance. He is currently executive director with ICICI Venture Funds Management Company Limited. He has previously worked with GE Capital Limited where he was the country head for the vendor financing business.

Dr. Guenter Heisler is a non-executive Independent Director of our Company. He holds a doctorate degree in technical chemistry from Vienna Technical University and has qualified under the top executive development program of VA TECH AG. He has 30 years of experience in the water industry. He has over 20 years of experience in corporate and division management, development and implementation of business and corporate strategies, business and market development, marketing and sales, project and engineering management, product and technology development, development and implementation of process oriented management systems, mergers and acquisitions. He has been a Director of our Company since December 5, 2005. He is currently the managing director of Austrian Water Engineering and GMH Management & Beteilgungs- ges.mb.H and the general manager of Al Arrab Contracting – Water. He has previously worked with Wabag Austria as the chief operations officer. He is the co-author of several publications and papers in the field of water and wastewater treatment and serves as lecturer for the Technical University in Vienna. He is also a board member at the International Desalination Association, the Austrian Society for Water and Waste Management and the Austrian Egyptian Chamber of Commerce.

Jaithirth Rao is an Independent Director on our Board. He holds a bachelor's degree in chemistry from Loyola College, Chennai and a master's degree in management from the Indian Institute of Management, Ahmedabad and from the University of Chicago. He has been a Director of our Company since January 31, 2007. He has over 20 years of experience in the banking industry. He was previously the chairman and chief executive officer of Mphasis-BFL. He is currently the chairman of Value Budget Housing Development Corporation Private Limited and is a visiting faculty at the Indian Institute of Management, Ahmedabad. Jaithirth Rao was honoured with the Rajyotsva award by the State of Karnataka in 2005.

Borrowing Powers of Board

In terms of our Articles, our Board may, from time to time, with the consent of our Company in general meeting raise or borrow any sum or sums of money for the purposes of our Company. However, if the moneys sought to be borrowed (apart from temporary loans obtained from our Company's bankers in the ordinary course of business) exceed the aggregate of the paid-up capital of our Company and its free reserves (not being reserves set apart for any specific purpose), the Board is required to obtain the sanction of our Company in general meeting.

On March 30, 1998, the shareholders passed a ordinary resolution empowering our Board to borrow monies which together with monies already borrowed might exceed the paid up share capital and free reserves of our Company then existing, but in the aggregate not exceeding Rs. 500 lakhs at any one time. On May 21, 2003, the shareholders of our Company passed an ordinary resolution at an AGM, increasing the said borrowing limits to Rs. 1,000 lakhs. On September 28, 2007, the shareholders passed an ordinary resolution at an AGM to increase the borrowing limits to Rs. 10,000 lakhs.

Remuneration of Directors

Executive Directors

The remuneration of our Executive Directors is as per the terms of appointment contained below:

Rajiv Mittal, Managing Director

Rajiv Mittal was reappointed as Managing Director of our Company for a term of five years from October 1, 2005, pursuant to a resolution of our shareholders at the EGM held on August 3, 2006. Our Company entered into a contract for appointment of Rajiv Mittal as Managing Director with effect from October 1, 2005 ("Appointment Contract") pursuant to this resolution, on August 23, 2006. Rajiv Mittal's remuneration was revised in a meeting of the remuneration committee held on October 22, 2008 and approved by our Board in its meeting on October 22, 2008. Our Company entered into a supplementary agreement to amend the Appointment Contract with effect from

October 1, 2008 pursuant to this resolution, on December 22, 2008. The terms of his employment and remuneration include the following:

Salary: Rs.10,000,000 per annum.

Bonus: Pursuant to the resolution of the remuneration committee of our Company dated June 4, 2009, the bonus of Rs. 45,00,000 per annum for fiscal year 2009 has been determined based on achievements of such performance parameters as laid down by our Board or any Committee thereof.

Perquisites:
- (i) Personal accident insurance
- (ii) Life insurance
- (iii) Medical insurance for self and family
- (iv) Use of car with driver
- (v) Telephone at residence or reimbursement of expenses in lieu thereof
- (vi) Membership for two clubs
- (vii) Leave and travel reimbursement
- (viii) Soft furnishing reimbursement, hard furnishing reimbursement and soft furnishing loan
- (ix) Superannuation fund, gratuity and other retirement benefits in accordance with the scheme(s) and rule(s) applicable to the members of the staff from time to time for the said benefits.

As per the terms of his employment, our Managing Director is not entitled to any sitting fees for attending any meetings of our Board or meetings of any Committee.

The above said remuneration and perquisites shall be subject to the ceiling laid down in Sections 198 and 309 and Schedule XIII of the Companies Act and all other applicable provisions of the Companies Act as maybe amended from time to time. In case of payment of remuneration in excess of the prescribed limits, recovery of the excess amount may be waived by our Board of Directors upon the recommendation of the Remuneration Committee and with the approval of the Central Government.

The Remuneration Committee passed a resolution on June 27, 2008 recommending waiver of recovery of excess amount of Rs. 31,25,505 paid as remuneration to Rajiv Mittal for Fiscal 2008. The waiver of recovery of excess remuneration was accepted by our Board by a resolution dated June 27, 2008 and an application was made to the Ministry of Corporate Affairs on August 20, 2008 and was approved by the Ministry of Corporate Affairs on April 21, 2009.

Rajiv Mittal has been paid Rs. 157.60 lakhs as remuneration for Fiscal 2010.

Nominee Director

No compensation is paid to Sumit Chandwani.

Independent Directors

The independent Directors are paid sitting fees of Rs. 20,000 per meeting of our Board or any committee thereof. The aggregate remuneration paid to Bhagwan Dass Narang, Jaithirth Rao and Guenter Heisler in the preceding fiscal year was Rs. 1,60,000, Rs. 1,40,000 and Rs. 56,127 (inclusive of bank charges for remittance), respectively.

Interest of Directors

All of our Directors may be deemed to be interested to the extent of fees payable to them for attending meetings of our Board or a Committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Our Directors may also be regarded as interested in the Equity Shares, if any, held by them or that may be subscribed by or allotted to the companies, firms, trusts, in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue. All of our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the Equity Shares held by them.

Rajiv Mittal, our Managing Director, is one of the Promoters of our Company.

Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn holds 7,148 Equity Shares of our Company.

Sumit Chandwani is employed as executive director with ICICI Venture Funds Management Company Limited, an investment manager to India Advantage Fund I, which holds equity shares in our Company.

Except as stated in the section titled "Related Party Transactions" on page 202 and to the extent of shareholding in our Company, if any, our Directors do not have any other interest in our business.

Our Company has not entered into any service contracts with our Directors except Rajiv Mittal. Our Company has not entered into any service contracts with any of our Directors providing for benefits upon termination of employment.

Our Directors have no interest in any property acquired by our Company within two years of the date of filing of the Red Herring Prospectus.

None of the beneficiaries of loans and advances and sundry debtors are related to our Directors.

Changes in our Board of Directors in the last three years

Name	Date of Appointment/ Change/ Cessation	Reason
Renuka Ramnath	April 20, 2009	Resignation
Josef Schnaitl	November 22, 2007	Resignation
Bhagwan Dass Narang	June 7, 2007*	Appointment
Jaithirth Rao	January 31, 2007	Appointment

**Bhagwan Dass Narang was designated Chairman at the Board meeting held on September 7, 2009.*

Corporate Governance

Pursuant to the listing of our Equity Shares upon completion of the Issue, our Company will comply with the requirements of the applicable regulations including the Listing Agreement with the Stock Exchanges and the SEBI Regulations, in respect of corporate governance. Our Company is in compliance with the requirements of the Listing Agreement in respect of the constitution of our Board and Committees thereof. The corporate governance framework is based on an effective independent Board of Directors, separation of the Board's supervisory role from the executive management team and constitution of the Board Committees, as required under law.

Our Board is constituted in compliance with the Companies Act and Listing Agreements with the Stock Exchanges and in accordance with best practices in corporate governance. Our Board functions either as a full Board or through various committees constituted to oversee specific operational areas. Our executive management provides our Board detailed reports on its performance periodically.

Our Board has five Directors, of whom one is an executive Director and one is a non-independent nominee Director and three are independent Directors. Our Board functions through the following Committees.
Committees of the Board

Audit Committee

The members of the Audit Committee are:

1. Bhagwan Dass Narang, *Chairman*;
2. Sumit Chandwani; and

3. Jaithirth Rao

The Audit Committee was constituted by a meeting of our Board held on June 7, 2007 and reconstituted on August 3, 2009. The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the listing agreement and its terms of reference include the following:

1. Overseeing the Company's financial reporting process and disclosure of its financial information;

2. Recommending to the Board the appointment, re-appointment, and replacement of the statutory auditor and the fixation of audit fee;

3. Approval of payments to the statutory auditors for any other services rendered by them;

4. Reviewing, with the management, the annual financial statements before submission to the Board for approval, with particular reference to:

    (i) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act;

    (ii) Changes, if any, in accounting policies and practices and reasons for the same;

    (iii) Major accounting entries involving estimates based on the exercise of judgment by management;

    (iv) Significant adjustments made in the financial statements arising out of audit findings;

    (v) Compliance with listing agreements and other legal requirements relating to financial statements;

    (vi) Disclosure of any related party transactions; and

    (vii) Qualifications in the draft audit report.

5. Reviewing, with the management, the quarterly, half-yearly and annual financial statements before submission to the Board for approval;

6. Reviewing, with the management, the performance of statutory and internal auditors, and adequacy of the internal control systems;

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;

8. Discussion with internal auditors on any significant findings and follow up there on;

9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern;

11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors;

12. Reviewing the functioning of the whistle blower mechanism, in case the same is existing;

13. Review of management discussion and analysis of financial condition and results of operations, statements of significant related party transactions submitted by management, management letters/letters of internal control weaknesses issued by the statutory auditors, internal audit reports relating to internal control weaknesses, and the appointment, removal and terms of remuneration of the chief internal auditor;

14. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee; and

15. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.

The Audit Committee is required to meet at least four times in a year as required under Clause 49 of the Listing Agreement. The Audit Committee held one meeting in Fiscal 2009, on June 27, 2008 and three meetings in Fiscal 2010, on May 8, 2009, June 4, 2009 and December 4, 2009.

Remuneration cum Compensation Committee

The members of the Remuneration cum Compensation Committee are:

1. Bhagwan Dass Narang, *Chairman*;
2. Jaithirth Rao; and
3. Dr. Guenter Heisler.

The Remuneration Committee was constituted by a meeting of our Board held on November 22, 2007. It was renamed as the Remuneration cum Compensation Committee on June 4, 2009. The terms of reference to the Remuneration cum Compensation Committee include the following:

1. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including:

    a. The Securities and Exchange Board of India (Insider Trading) Regulations, 1992; and

    b. The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995.

2. Determine on behalf of the Board and the shareholders the Company's policy on remuneration packages for executive directors including pension rights and any compensation payment.

3. Perform such functions as are required to be performed by the Remuneration cum Compensation Committee under the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 ("ESOP Guidelines"), in particular, those stated in Clause 5 of the ESOP Guidelines; and

4. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

The Remuneration Committee met once in the preceding fiscal year.

Shareholders'/Investors' Grievance Committee

The Shareholders'/Investors' Grievance Committee was constituted by our Board at their meeting held on August 3, 2009. This Committee is responsible for the redressal of shareholder grievances and consists of the following members:

1. Sumit Chandwani, *Chairman*; and
2. Rajiv Mittal

The terms of reference to the Shareholders'/Investors' Grievance Committee are the redressal of shareholders' and investors' complaints including the following:

1. Transfer of shares;
2. Non-receipt of balance sheet;
3. Non-receipt of dividends; and
4. Any other grievance that a shareholder or investor of our Company may have against our Company.

Other Committees of the Board

IPO Committee

The IPO Committee was constituted by our Board at their meeting held on December 4, 2009. The members of the IPO Committee are:

1. Rajiv Mittal; and
2. Sumit Chandwani

The terms of reference to the IPO Committee include the following:

a) To make applications to the Foreign Investment Promotion Board, the RBI and such other authorities as may be required for the purpose of allotment of shares to non-resident investors;

b) To decide on the timing, pricing and all the terms and conditions of the issue of the shares for the Issue, including the price, and to accept any amendments, modifications, variations or alterations thereto;

c) To appoint and enter into arrangements with the book running lead managers, underwriters to the Issue, syndicate members to the Issue, brokers to the Issue, escrow collection bankers to the Issue, registrars, legal advisors and any other agencies or persons or intermediaries to the Issue and to negotiate and finalise the terms of their appointment, including but not limited to execution of the book running lead managers to the Issue mandate letter, negotiation, finalisation and execution of the memorandum of understanding with the book running lead managers etc.;

d) To finalise and settle and to execute and deliver or arrange the delivery of the draft red herring prospectus, the red herring prospectus, the final prospectus, syndicate agreement, underwriting agreement, escrow agreement, stabilisation agreement and all other documents, deeds, agreements and instruments as may be required or desirable in relation to the Issue;

e) To open with the bankers to the Issue such accounts as are required by the regulations issued by SEBI;

f) To authorise and approve the incurring of expenditure and payment of fees in connection with the Issue;

g) To do all such acts, deeds, matters and things and execute all such other documents, etc. as it may, in its absolute discretion, deem necessary or desirable for such purpose, including without limitation, finalise the basis of allocation and to allot the shares to the successful allottees as permissible in law, issue of share certificates in accordance with the relevant rules;

h) To make applications for listing of the shares in one or more stock exchange(s) for listing of the equity shares of the Company and to execute and to deliver or arrange the delivery of necessary documentation to the concerned stock exchange(s); and

i) To settle all questions, difficulties or doubts that may arise in regard to such issues or allotment as it may, in its absolute discretion deem fit.

Monitoring Committee

The Monitoring Committee was constituted by our Board at their meeting held on June 27, 2008. The members of the Monitoring Committee are:

1. Sumit Chandwani, *Chairman*;
2. Bhagwan Dass Narang; and
3. Dr. Guenter Heisler

The terms of reference to the Monitoring Committee include the following:

Review of the projects, which are time-overrun, cost over-run and conduct detailed discussion on issues related to liquidity.

The Monitoring Committee met once in the preceding fiscal year.

Shareholding of Directors

Our Directors are not required to hold any qualification shares under the terms of our Articles. The list of our Directors holding Equity Shares and stock options as of the date of this Red Herring Prospectus is set forth below:

Name of Director	No. of Equity Shares held	No. of Options granted under our Company's ESOP Scheme 2006	No. of Options granted under our Company's ESOP Scheme 2010
Bhagwan Dass Narang*	Nil	Nil	Nil
Rajiv Mittal	19,19,944	Nil	Nil
Sumit Chandwani	Nil	Nil	Nil
Dr. Guenter Heisler	8,933	Nil	Nil
Jaithirth Rao	80,408	Nil	Nil

**Bhagwan Dass Narang currently holds 50% of the share capital of Shri Venimadhav Portfolio Private Limited, which in turn holds 7,148 Equity Shares of our Company.*

Employee Stock Options Scheme

For details of the ESOP Scheme 2006 and ESOP Scheme 2010 and conversion of options granted to our Directors and key managerial personnel, please see the section titled "Capital Structure" on page 70.

Payment or Benefit to officers of our Company

Except as stated otherwise in this Red Herring Prospectus, no non-salary amount or benefit has been paid or given or is intended to be paid or given to any of our Company's employees including the key managerial personnel and our Directors, except the following:

(i) The following employees have been given loans in the last two years:

   a. A sum of Rs. 9,48,782 is outstanding as of June 30, 2010 from the head of operations and management, Shiv Narayan Saraf, against a soft furnishing loan of Rs. 15,00,000 given to him on December 15, 2008 at an interest rate of 6% per annum. The loan is repayable in equated instalments of Rs. 35,228 per month over a period of 48 months from December, 2008.

A sum of Rs. 2,87,856 is outstanding as of June 30, 2010 from Shiv Narayan Saraf from a salary advance loan of Rs. 7,50,000 given to him on June 9, 2005 at nil interest. The advance is repayable in equated instalments of Rs. 7,576 per month over a period of 100 months from June, 2005.

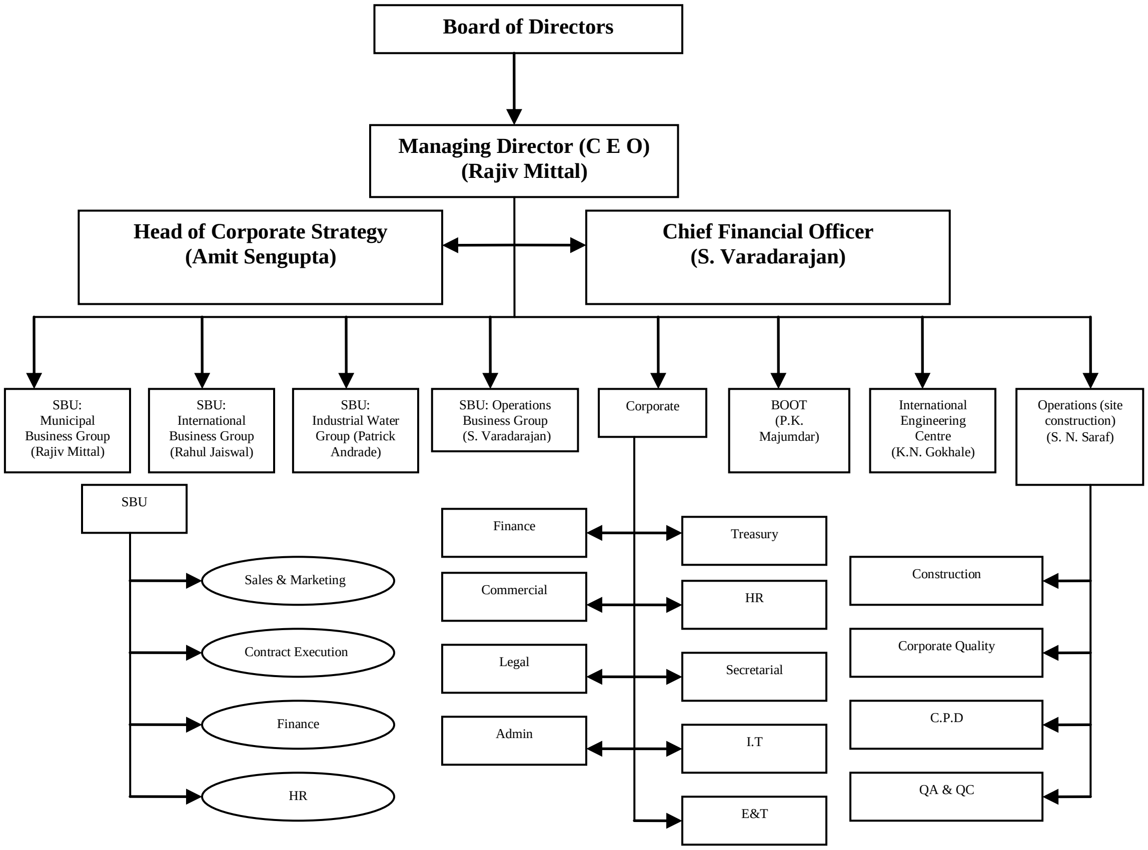
b. A sum of Rs. 2,49,474 is outstanding as of June 30, 2010 from the head of the IBG SBU, Amit Sengupta, against a salary advance loan of Rs. 6,50,000 given to him on June 13, 2005 at nil interest. The loan is repayable in equated instalments of Rs. 6,566 per month over a period of 100 months from June, 2005.

c. A sum of Rs. 2,11,084 is outstanding as of June 30, 2010 from the chief financial officer, S. Varadarajan against a salary advance loan of Rs. 5,50,000 given to him on June 9, 2005 at nil interest. The loan is repayable in equated instalments of Rs. 5,556 per month over a period of 100 months from June, 2005.

(ii) Our Company has entered into a lease agreement dated August 1, 2009 with P.B. Mohan (the "Lease Agreement") for providing housing accommodation to Amit Sengupta at Old No 3, New No. 7, 8th Cross Street, Shastri Nagar, Chennai 600 020. In terms of the Lease Agreement our Company is required to pay an aggregate amount of Rs. 0.20 lakhs per month for a period from August 1, 2009 to July 31, 2010 as rent and compensation for use of amenities. Additionally, our Company has also paid an advance amounting to Rs. 0.78 lakhs as refundable security deposit. The Lease Agreement is valid for a period of two years from August 1, 2009.

(iii) Our Company has entered into a lease agreement dated August 1, 2010 with Sanjay Vasudevan (the "Lease") for providing housing accommodation to Rahul Jaiswal at Flat no. 4 on the fourth floor of Maayapuri Sea Breeze Complex at no. 55/4, Tiger Varadhachari Road, First Street, Besant Nagar, Chennai 600 090. In terms of the Lease our Company is required to pay an aggregate amount of Rs. 1.35 lakhs per month for a period of 11 months from August 1, 2010 as monthly lease rent. Additionally, our Company has also paid an advance amounting to Rs. 13.50 lakhs as refundable security deposit. The Lease is valid for a period of 11 months from August 1, 2010.

Management Organisation Structure



Key Managerial Personnel

Provided below are the details of our key managerial personnel. For details relating to the profile of Rajiv Mittal, please see the section titled "Our Management – Brief Biographies" on page 186. There are no arrangements or understanding with major shareholders, customers, suppliers or others, pursuant to which any of our key managerial personnel were selected as members of the senior management. The key managerial personnel of our Company are not related to each other.

Shiv Narayan Saraf, 58, is the head of operations. He holds a bachelor's degree in engineering from Karnataka Regional Engineering College. He has been working with our Company since August 14, 2000. Before joining our Company, he was employed with Ion Exchange India Limited and has over 38 years of work experience. He is responsible for construction management of all projects of all SBUs and is also the management representative for quality management system. An aggregate amount of Rs. 33,77,651 has been paid to Shiv Narayan Saraf as remuneration for Fiscal 2010. This amount includes deferred compensation that accrued to Shiv Narayan Saraf for Fiscal 2010. The expected date of termination of employment of Shiv Narayan Saraf is August 26, 2012.

Amit Sengupta, 54, is the head of corporate strategy. He holds a bachelor's degree in chemical engineering from the Indian Institute of Technology, Kharagpur. He has been working with our Company since June 19, 2001. Before joining our Company, he was employed with Kirloskar AAF Limited and has over 32 years of work experience. He was earlier the head of the IBG SBU and is now the head of corporate strategy with effect from May 1, 2010. He is responsible for strategy for growth, technology acquisitions and synergising strengths within the Wabag group to improve efficiency, apart from heading the corporate marketing and communications (excluding investor and financial market communications). An aggregate amount of Rs. 33,18,846 has been paid to Amit Sengupta as remuneration for Fiscal 2010. This amount includes deferred compensation that accrued to Amit Sengupta for the Fiscal 2010. The expected date of termination of employment of Amit Sengupta is June 11, 2015.

S. Varadarajan, 44, is the chief financial officer and the head of the OBG SBU of our Company. He is an associate member of the Institute of Company Secretaries of India and the Institute of Cost and Works Accountants of India. He has been working with our Company since January 20, 1997. Before joining our Company, he was employed with PL Agro Technologies Limited as finance manager and company secretary and has 24 years of work experience. He is incharge for finance, commercial, legal, secretarial, information technology, income tax and general administration functions of our Company. He additionally heads the business for the OBG SBU of our Company. An aggregate amount of Rs. 33,95,015 has been paid to S. Varadarajan as remuneration for the Fiscal 2010. This amount includes deferred compensation that accrued to S. Varadarajan for the Fiscal 2010. The expected date of termination of employment of S. Varadarajan is September 23, 2025.

Patrick Andrade, 47, is the senior vice president and head of the IWG SBU of our Company. He has a diploma in chemical engineering from Karnataka Polytechnic, Mangalore. He has been working with our Company since January 1, 2003. Before joining our Company, he was employed with Aquatech International as director – sales (South East Asia) and has over 27 years of work experience. He is responsible for the development of markets for industrial water business in India and the functional heads of sales and marketing, finance, project execution and administration and human resources in the IWG SBU report to him. An aggregate amount of Rs. 23,94,777 has been paid to Patrick Andrade as remuneration for Fiscal 2010. This amount includes deferred compensation that accrued to Patrick Andrade for Fiscal 2010. The expected date of termination of employment of Patrick Andrade is July 31, 2022.

Rahul Jaiswal, 51, is the president of the IBG SBU. He holds a bachelor's degree in chemical engineering from the Indian Institute of Technology, New Delhi. He has been working with our Company since May 3, 2010. Before joining our Company, he was employed with John Holland Pty and has nearly 30 years of work experience in the manufacturing and EPC industry, with 20 years of his experience being in the water treatment industry. He is responsible for our business in the Middle East, South Asia and Asia Pacific. The expected date of termination of employment of Rahul Jaiswal is April 30, 2019.

K.N. Gokhale, 54, is the senior vice-president of our Company's International Engineering Centre at Pune. He holds a master's degree in mechanical engineering from the Indian Institute of Science, Bangalore. He joined our Company on May 7, 2008 and was promoted as senior vice-president (part of our key managerial personnel) on April 20, 2010. Before joining our Company, he was employed with Aquatech Systems Asia Private Limited as vice-president and has nearly 30 years of experience in engineering, including in the engineering and execution of various types of water treatment plants. An aggregate amount of Rs. 36,53,090 has been paid to K.N. Gokhale as remuneration for Fiscal 2010. This amount includes deferred compensation that accrued to K.N. Gokhale for Fiscal 2010. The expected date of termination of employment of K.N. Gokhale is October 24, 2015.

Rajiv Mittal, Shiv Narayan Saraf, Amit Sengupta, S. Varadarajan, Patrick Andrade, Rahul Jaiswal and K.N. Gokhale are the permanent employees of our Company. In terms of the HR Manual Employment Rules and Regulations of our Company they are required to retire from employment at the age of 60 years. The employment of our permanent employees can be terminated by our Company or by the employees by giving a notice of three months.

In addition to the above mentioned key managerial personnel, the following are the key managerial personnel of our Subsidiaries:

Erik P. Gothlin, 44, is the chief executive officer of Wabag Austria. He has a masters' degree in mechanical engineering from Lund Institute of Technology, Sweden and Ecole Polytechnique Federale de Lausse Switzerland. He joined Wabag Austria on January 11, 2010. Before joining Wabag Austria, he was employed with Morphic Technologies group in Stockholm, Sweden. He has held various management positions in Westermo Teleindustri, Sweden, ABB in Mexico, USA, Sweden and Switzerland and Chromalox Group as managing director – International for United Kingdom, France and China. He has 18 of years of experience in the field of turnkey projects for electrical power distribution as well as manufacturing. He is responsible for all matters related to Wabag Austria as well as its subsidiaries and permanent establishments. The aggregate remuneration paid to Erik P. Gothlin in the preceding fiscal year was EUR 34,286.

Josef Schnaitl, 53, is the head of the Libya Capture team of Wabag Austria. He has a graduation in electrical engineering from HTL Höhere Technische Lehranstalt Salzburg (higher technical education institute). He joined Wabag Austria on February 15, 2004. Before joining Wabag Austria, he was employed with VA TECH ELIN EBG, *inter alia*, as head of water department and was responsible for the business region – west Austria. He has over 30 years of experience in the field of water and wastewater treatment. He is responsible for our business operations in Libya. The aggregate remuneration paid to Josef Schnaitl in the preceding fiscal year was EUR 171,064.

Gerhard Jantscher, 57, is the chief financial officer of Wabag Austria. He has obtained a master's degree in economics from the Vienna University of Economics and Business Administration and completed an executive development program of the Management Centre, St. Gallen, Switzerland and a top executive development program of VA Tech AG. He joined Wabag Austria on February 18, 2008. Before joining Wabag Austria, he was employed with VACE Consulting GmbH as senior consultant. He has over 25 years of experience in general management of financial department and project management. He is responsible for finance and accounts, legal, information technology and administration. The aggregate remuneration paid to Gerhard Jantscher in the preceding fiscal year was EUR 167,513.

Gerhard Ryhiner, 48, is the chief executive officer of Wabag Wassertechnik, Switzerland. He has obtained a doctorate in technical sciences from the Swiss Federal Institute of Technology, Zurich. He was transferred to Wabag Wassertechnik, Switzerland on November 30, 2004. Before joining Wabag Wassertechnik, he was employed with Sulzer Brothers as head of the wastewater department. He has over 19 years of experience in the water industry. He is responsible for sales, finance and administration including human resources, quality management and health safety and environment. The aggregate remuneration paid to Gerhard Ryhiner in the preceding fiscal year was CHF 166,343.

Arnold Gmünder, 54, is the chief operating officer of Wabag Wassertechnik, Switzerland. He has obtained a diploma of completed apprenticeship as a laboratory technician from Sulzer Brothers Limited/Swiss Chemist Association in 1979. He was transferred to Wabag Wassertechnik, Switzerland on November 30, 2004. Before joining Wabag Wassertechnik, he was employed with Sulzer Brothers Limited as head of water sales. He has over 30 years of experience in water and wastewater treatment and is on the board of the Swiss Water Association. He is responsible for project execution and research and development. The aggregate remuneration paid to Arnold Gmünder in the preceding fiscal year was CHF 169,658.

Tomislav Smid, 42, is the general manager of Wabag Brno. He has a Diplom-Ingenieur degree from Vysoké Učení Technické University. He joined Wabag Brno on May 23, 2001. Before joining Wabag Brno, he was employed with Wabag Vodohospodárská zarízení spol. S.r.o., Brno, Czech Republic, as business director and head purchasing manager. He has over 15 years of experience in Wabag group including his experience in Wabag Wassertechnische Anlagen GmbH, Kulmbach, Germany. He is responsible for overall business activities. The aggregate remuneration paid to Tomislav Smid in the preceding fiscal year was CZK 844,000.

All of the above are permanent employees of our Subsidiaries.

Shareholding of the Key Managerial Personnel of Our Company

The list of our key managerial personnel holding Equity Shares and stock options as of the date of this Red Herring Prospectus is set forth below.

Name	No. of Equity Shares held*	No. of Options granted under our Company's ESOP Scheme 2006*	No. of Options granted under our Company's ESOP Scheme 2010
Rajiv Mittal	19,19,944	Nil	Nil
Shiv Narayan Saraf	4,36,440	Nil	Nil
Amit Sengupta	4,83,632	Nil	Nil
S. Varadarajan	4,36,440	Nil	Nil
Patrick Andrade	Nil	11,700	5,500
Rahul Jaiswal	Nil	Nil	12,000
K. N. Gokhale	Nil	Nil	5,500
Erik P Gothlin	Nil	Nil	15,000
Josef Schnaitl	Nil	Nil	4,000
Gerhard Jantscher	Nil	Nil	4,000
Gerhard Ryhiner	Nil	Nil	3,000
Arnold Gmunder	Nil	Nil	3,000
Tomislav Smid	Nil	Nil	2,500

** As adjusted for the split in shares pursuant to a resolution of our shareholders on September 14, 2009 and the bonus issue of shares made by our Company on September 19, 2009 pursuant to a resolution of our shareholders on September 14, 2009.*

Bonus or Profit Sharing Plan of the Directors and the Key Managerial Personnel of Our Company

Our Company does not have any profit sharing plan with its Directors or its key managerial personnel. Our Company awards performance linked bonuses, as part of remuneration, to its key managerial personnel.

Changes in our Key Managerial Personnel

Name	Date of Appointment/ Change/ Cessation	Reason
Gerhard Jantscher	February 18, 2008	Appointment
Erik P. Gothlin	January 11, 2010	Appointment
K.N. Gokhale	April 20, 2010	-*
Rahul Jaiswal	May 3, 2010	Appointment

** K.N. Gokhale joined our Company on May 7, 2008 and was promoted as senior vice-president (part of our key managerial personnel) on April 20, 2010.*

Interest of Key Managerial Personnel of Our Company

Except as disclosed in section titled "Capital Structure" on page 70, our key managerial personnel do not hold any Equity Shares. All of our key managerial personnel may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of such Equity Shares and the stock options held by them pursuant to the ESOP Scheme 2006 and ESOP Scheme 2010. For further details please see the section titled "Capital Structure – Employee stock option plans" on page 81. The key managerial personnel of our Company do not have any interest in our Company other than to the extent of the remuneration or benefits to which they are entitled to as per their terms of appointment and reimbursement of expenses incurred by them during the ordinary course of business including in their capacity as nominee directors of our Subsidiaries. The employees of our Company including our key managerial personnel are entitled to superannuation and gratuity benefits.

Except as disclosed in the section titled "Our Management – Payment or Benefit to Officers of our Company" on page 193, none of our key managerial personnel have been paid any consideration of any nature from our Company other than their remuneration.

OUR PROMOTERS AND PROMOTER GROUP

The promoters of our Company are as follows:

1. Rajiv Mittal;
2. Amit Sengupta;
3. Shiv Narayan Saraf; and
4. S. Varadarajan.

	Residential Address: No. 13A, Jeevarathinam Nagar, 1st Street, Adyar, Chennai – 600 020, Tamil Nadu	Rajiv Mittal is the Managing Director of our Company. He is a British national resident in India and holds a Person of Indian Origin card. For further details, please see the section titled "Our Management – Our Board of Directors" on page 184.
	Residential Address: 4A, "Shruti", Old No. 3, New No. 7, 8th Cross Street, Shastri Nagar, Adyar, Chennai – 600 020, Tamil Nadu	Amit Sengupta is the head of corporate strategy. He is an Indian national and a resident of India. For further details, please see the section titled "Our Management – Key Managerial Personnel" on page 196. His driving license number is WB 011986413793 and his voter identification number is WB / 20 / 139 /684201.
	Residential Address: 4A, Casa Chella, 9/16, West Mada Street, Srinagar Colony, Saidapet, Chennai – 600 015, Tamil Nadu	Shiv Narayan Saraf is the head of operations of our Company. He is an Indian national and a resident of India. For further details, please see the section titled "Our Management – Key Managerial Personnel" on page 196. He does not have a driving license. His voter identification number is FTJ7899206.
	Residential Address: 8-B, Block I, Ceebros Shyamala Garden, 136, Acrot Road, Saligramam, (Next to Avichi School), Chennai – 600 093, Tamil Nadu	S. Varadarajan is the chief financial officer and the head of the OBG SBU of our Company. He is an Indian national and a resident of India. He is also a director of Wabag Singapore. For further details, please see the section titled "Our Management – Key Managerial Personnel" on page 196. His driving license number is TN01 19910005397. He does not have a voter identification number.

The details of the PAN, bank account numbers and passport numbers of our Promoters have been submitted to the Stock Exchanges at the time of filing the Draft Red Herring Prospectus with the Stock Exchanges.

Interests of Promoters and Common Pursuits

The aforementioned Promoters of our Company are interested to the extent of their shareholding in our Company. Further, our 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 and reimbursement of expenses payable to them.

Except as stated otherwise in this Red Herring Prospectus, we have not entered into any contract, agreements or arrangements during the preceding two years from the date of the Draft Red Herring Prospectus 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 and no amount or benefit is intended to be paid or given to any Promoter or Promoter Group.

Payment or Benefit to Promoters

Except as stated otherwise in the sections “Financial Statements”, “Our Management – Payment or Benefit to Officers of our Company” and “Our Promoters and Promoter Group - Interests of Promoters and Common Pursuits” on pages 204, 193 and 199 respectively, there has been no payment or benefits to our Promoters during the two years prior to the filing of the Draft Red Herring Prospectus.

Common Pursuits

Our Promoters do not have any interest in any venture that is involved in any activities similar to those conducted by us.

Other Confirmations

Our Promoters have further confirmed that they have not been declared as wilful defaulters by the RBI or any other governmental authority and there are no violations of securities laws committed by them in the past and no proceedings pertaining to such penalties are pending against them.

Additionally, none of our Promoters have been debarred from dealing in securities or have been restrained from accessing the capital markets for any reasons by the SEBI or any other authorities.

The Promoter Group of Our Company is as follows:

Relative of Promoters

The natural persons who are part of our Promoter Group (due to their relationship with each of our Promoters), other than our Promoters are as follows:

Rajiv Mittal

Name of the Person	Relationship with our Promoter
Devraj Mittal	Father
Nirmal Mittal	Mother
Sanjay Mittal	Brother
Shashi Agarwal	Sister
Ruchi Mittal	Daughter
Rohan Mittal	Son
Rekha Mittal	Wife
Sunil Gupta	Spouse’s Brother
Sudheer Gupta	Spouse’s Brother
Arun Gupta	Spouse’s Brother
Renu Gupta	Spouse’s Sister

Amit Sengupta

Name of the Person	Relationship with our Promoter
Kshirode Ranjan Sengupta	Father

Name of the Person	Relationship with our Promoter
Gouri Sengupta	Mother
Adrija Sengupta	Daughter
Shramana Sengupta	Daughter
Keya Sengupta	Wife
Salil Kumar Dasgupta	Spouse's Father
Bandana Dasgupta	Spouse's Mother
Arindam Dasgupta	Spouse's Brother

Shiv Narayan Saraf

Name of the Person	Relationship with our Promoter
Jagan Nath Saraf	Father
Shubhawati Saraf	Mother
Vijay Kaul	Sister
Shantha Saraf	Sister
Lalitha Razdan	Sister
Roshni Saraf	Daughter
Usha Saraf	Wife
Niranjan Nath Razdan	Spouse's Father
Mohini Razdan	Spouse's Mother
Naginder Razdan	Spouse's Brother

S. Varadarajan

Name of the Person	Relationship with our Promoter
V.Subramanian	Father
T.A.Seshambal	Mother
S.Venkatachalam	Brother
S.Gopalakrishnan	Brother
S.Ganesan	Brother
S.Padmavathy	Sister
S.Lakshmi	Sister
V.Balathirupurasundari	Daughter
V.Roopa	Wife
N.Rajasimeswaran	Spouse's Father
R.Gomathi	Spouse's Mother
Subha Subramanian	Spouse's Sister
Vidya Srinivasan	Spouse's Sister

Companies/Partnership Firms/ HUFs forming part of Promoter Group

No company, partnership firm or HUF forms part of our Promoter Group.

Group Companies

Except our Company, there are no companies, firms or ventures promoted by our Promoters. Our Promoters have not disassociated themselves from any companies or firms during the three years preceding the filing of the Draft Red Herring Prospectus.

RELATED PARTY TRANSACTIONS

For details of the related party transactions, please see the sections titled "Consolidated Financial Statements – Annexure XI: Consolidated Related Party Disclosures" and "Unconsolidated Financial Statements – Annexure XI: Related Party Disclosures" on pages 227 and 256, respectively.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board and approved by our shareholders, at their discretion and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The Board may also from time to time pay interim dividends. All dividend payments are made in cash/cheque/demand draft to the shareholders of our Company. The dividends declared by our Company during the last five fiscal years have been presented below:

	For the period from January 1, 2005 to March 31, 2006	Year ended March 31, 2007	Year ended March 31, 2008	Year ended March 31, 2009	Year ended March 31, 2010
Face value of equity share (per share)	10	10	10	10	5
Interim dividend on equity shares (Rs. per share)	23	Nil	Nil	Nil	Nil
Final dividend on each equity share (Rs.)	Nil	Nil	Nil	Nil	Nil
Dividend rate for equity shares (%)	230	Nil	Nil	Nil	Nil

The amounts paid as dividends in the past are not necessarily indicative of our dividend policy or dividend amounts, if any, in the future.

SECTION V – FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report on Consolidated Restated Financial Information

To

The Board of Directors,
VA Tech Wabag Limited
No. 11, Murrays Gate Road,
Alwarpet, Chennai

Dear Sirs,

We have examined the Consolidated Restated Financial Information of VA TECH WABAG LIMITED ('the Company') and its subsidiaries (collectively described as "the Group") annexed to this report for the purpose of inclusion in the Red Herring Prospectus (the 'RHP'). The said consolidated restated summary statements have been prepared by the Company and approved by the Board of Directors in accordance with the requirements of:

i. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the 'SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments;

iii. The Guidance Note on the Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India ('ICAI'); and

iv. The terms of our letter of engagement with the Company requesting us to carry out work in connection with the Offer Document being issued by the Company in connection with its IPO of equity shares.

Consolidated Financial Information as per Audited Financial Statements:

We have examined the attached 'Summary Consolidated Statement of Assets and Liabilities, As Restated' of the Company as at March 31, 2010, 2009 and 2008 (Annexure I) and the attached 'Summary Consolidated Statement of Profits and Losses, As Restated' (Annexure II) for the years ended March 31, 2010, 2009 and 2008, together with schedules, annexures and notes thereto collectively referred to as 'Consolidated Restated Financial Information.' The Consolidated Restated Financial Information including the adjustments and regrouping which are more fully described in the note on adjustments appearing in Annexure IX to this report have been extracted from the Audited consolidated financial statements of the Company, its subsidiaries and its associates ("the Group") as at March 31, 2010. The Company did not prepare consolidated financial statements as of and for the year/period ended March 31, 2009 and March 31, 2008 under Indian GAAP. The Consolidated Restated Financial Information of the Group for the years ended March 31, 2009 and March 31, 2008, together with the schedules, annexures and notes thereto have been prepared by the Company based on the Unconsolidated Audited Financial Statements of the Group as of and for the period/year ended March 31, 2009 and March 31, 2008.

Audit of the financial statements of VA Tech Wabag Limited for the year ended March 31, 2008, was conducted by the previous auditors, M/s K.S. Aiyar & Co., and accordingly reliance has been placed on the audited financial statements examined by them for the said year. The financial information included for the year is based solely on the reports submitted by them.

We did not audit the financial statements of the Company's subsidiaries, whose financial statements reflect total assets of Rs. 48,317 lakhs, Rs. 59,187 lakhs and Rs. 61,863 lakhs as at 31 March 2010, 2009 and 2008 respectively, total revenue of Rs. 52,277 lakhs, Rs. 56,442 lakhs and Rs. 26,546 lakhs respectively for the years then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us.

Based on our examination of these consolidated restated financial information, we state that:

i. The Consolidated Restated Financial Information have to be read in conjunction with the Significant Accounting Policies and Notes to Summary Consolidated Statement of Assets and Liabilities, Profits and Loss Account and Cashflows, As Restated, given in Annexure IX to this report.

ii. The Consolidated Restated Financial Information of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at March 31, 2010, as stated in the Significant Accounting Policies and Notes to Summary Consolidated Statement of Assets and Liabilities, Profits and Loss Account and Cashflows, As Restated, given in Annexure IX to this report.

iii. The consolidated restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate in the year to which they relate as described in the Notes forming part of the Consolidated Restated Summary Statements given in Annexure IX to this report, except as follows:

With reference to Note no. C. 1 under para III in Annexure IX, consequent to Section 80-IA, being amended by Finance Act, 2009, denying benefit of deduction under this Section to business in the nature of work contracts, with retrospective effect from April, 2000, the Company based on a legal opinion, believes that this amendment will not impact its eligibility to claim deduction under the said section. Also, based on the legal opinion, the Company has filed a writ petition in the High Court, challenging the constitutional validity of the retrospective amendment.

The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statements by the company for the period from April 1, 2002 to March 31, 2009. However, such liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability including interest for the year ended March 31, 2009 and 2008 amounting to Rs 810 lakhs and Rs 184 lakhs respectively, the impact for the period prior to April 1, 2007 amounting to Rs 2,212 lakhs and the interest liability for the year ended March 31, 2010 amounting to Rs 295 lakhs has not been adjusted in the Consolidated Restated Financial Information.

Had such adjustments been effected, the net profit/ loss as restated for the years will be lower/ higher to the extent of the tax and/ or interest for the respective years after March 31, 2007 as stated above and the reserves as at March 31, 2007 will be lower to the extent of Rs 2,212 lakhs.

In the event the Company is not successful in its efforts in this regard, the aggregate tax liabilities and interest thereupon amounting to Rs. 2,420 lakhs and Rs. 1,081 lakhs respectively which has been disclosed under Contingent Liabilities as at March 31, 2010, will devolve on the Company.

iv. There are no extra-ordinary items that need to be disclosed separately in the consolidated restated summary statements;

v. There are no qualifications in the Auditors' Reports which would require an adjustment in the consolidated restated summary statements.

Other Consolidated Financial Information

We have examined the following other consolidated financial information in respect of the years ended March 31, 2010, 2009 and 2008, as approved by the Board of Directors and annexed to this report:

(a) Summary Consolidated Statement of Cash Flows, As Restated (Annexure III) ;

(b) Consolidated Schedule of Investments, As Restated (Annexure IV)

(c) Consolidated Schedule of Sundry Debtors, As Restated (Annexure V);

(d) Consolidated Schedule of Loans and Advances, As Restated (Annexure VI);

(e) Consolidated Schedule of Secured Loans, As Restated (Annexure VII);

(f) Consolidated Schedule of Other Income, As Restated (Annexure VIII)

(g) Consolidated Statement of Accounting Ratios, As Restated (Annexure X);

(h) Consolidated Related Party Disclosures (Annexure XI); and

(i) Consolidated Statement of Tax Shelter (Annexure XII)

(j) Details of Rates of Dividend, As Restated (Annexure XIII);

(k) Consolidated Capitalization Statement (Annexure XIV);

In our opinion, the 'Consolidated Financial Information as per Audited Financial Statements' and 'Other Consolidated Financial Information' mentioned above for the years ended March 31, 2010, 2009 and 2008 have been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

The sufficiency of the procedures, as set forth in the above paragraphs, is the sole responsibility of the Company and we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should it be construed as a new opinion on any of the financial statements referred to therein.

We have no responsibility to update our report for events and circumstances occurring after the date of the report.

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

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No. 001076N

per **Mohan Ramakrishna**
Partner
Membership No. 027628

Chennai
August 12, 2010

ANNEXURE I: SUMMARY CONSOLIDATED STATEMENT OF ASSETS & LIABILITIES, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
A. Fixed assets			
Tangible assets			
Gross block	5,145	5,028	4,162
Less: Depreciation	1,952	1,537	1,318
Net block	**3,193**	**3,491**	**2,844**
Intangible assets	800	1,084	1,041
Capital work-in-progress including capital advances	584	12	48
	4,577	**4,587**	**3,933**
B. Investments	**1,337**	**1,468**	**1,265**
C. Deferred tax assets (net)	**1,810**	**1,264**	**671**
D. Current assets, loans and advances			
Inventories	3,512	5,482	3,907
Sundry debtors	63,530	57,438	38,318
Cash and bank balances	21,851	31,449	36,056
Other current assets	23	23	15
Loans and advances	12,827	13,731	9,320
	101,743	**108,123**	**87,616**
E. Liabilities and provisions			
Secured loans	3,912	4,592	4,472
Current liabilities	53,790	62,333	49,848
Provisions	11,685	11,223	7,864
	69,387	**78,148**	**62,184**
Net worth(A+B+C+D-E)	**40,080**	**37,294**	**31,301**
Represented by			
Share capital			
- Equity shares	468	415	415
Reserves and surplus	39,612	36,739	30,753
Minority interest	-	140	133
Net worth	**40,080**	**37,294**	**31,301**

Note: The above statements should be read with the Significant Accounting Policies and Notes to Consolidated Statement of Assets and liabilities, Profit and loss account and Cash flows as restated (Annexure IX).

ANNEXURE II: SUMMARY CONSOLIDATED STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Income			
Income from operations	122,374	113,328	61,089
Other income	1,002	2,167	1,231
Total income	**123,376**	**115,495**	**62,320**
Expenditure			
Cost of sales and services	84,632	83,332	49,149
Employee costs	16,744	15,554	6,180
General, selling and administrative expenses	9,870	8,298	3,999
Interest and bank charges	2,990	3,537	1,440
Depreciation and amortisation	1,389	844	528
Total expenditure	**115,625**	**111,565**	**61,296**
Profit before tax and Prior period expenditure	**7,751**	**3,930**	**1,024**
Prior period expenditure [Refer Annexure IX (II)]			
Amortisation of goodwill	(311)	-	-
Amortisation of deferred employee compensation	-	(126)	-
Gratuity expenses	-	(15)	-
Profit before tax and extraordinary items	**7,440**	**3,789**	**1,024**
Provision for tax			
Current tax	3,584	1,108	306
Deferred tax	(549)	(754)	(115)
Fringe benefit tax	-	47	34
MAT credit entitlement	-	-	(122)
Profit before extraordinary items	**4,405**	**3,388**	**921**
Extraordinary items (net of tax)	-	-	-
Profit after extraordinary items before minority interest	**4,405**	**3,388**	**921**
Share of profit/ (loss) from Associate	69	106	(6)
Minority interest	-	(7)	(32)
Net profit before adjustments	**4,474**	**3,487**	**883**
Adjustments, net of tax [Refer Annexure IX (III)]			
Changes in accounting policies	-	28	33
Other material adjustments	465	707	(373)
Net profit as restated	**4,939**	**4,222**	**543**
Balance brought forward from previous year	8,094	3,872	3,329
Transfer to other reserves	(2)	-	-
Acquisition of minority interest	134	-	**-**
Balance carried to Balance Sheet	**13,165**	**8,094**	**3,872**

Note: The above statements should be read with the Significant Accounting Policies and Notes to Consolidated Statement of Assets and liabilities, Profit and loss account and Cash flows as restated (Annexure IX).

ANNEXURE III: SUMMARY CONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

(Rs in lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
A. Cash flow from operating activities			
Net Profit before tax, as restated	8,122	4,986	777
Adjustments for:			
Depreciation and amortization	1,389	844	528
Interest expenses	419	716	375
Interest income	(405)	(1,159)	(707)
Dividend income	(14)	-	-
(Profit)/loss on sale of fixed assets, net	(41)	1	-
(Profit)/loss on sale of investment	-	-	(73)
Amortisation of deferred employees compensation	93	93	93
Share of profit/(loss) from associate	(69)	(106)	6
Operating profit before working capital changes	**9,494**	**5,375**	**999**
Adjustments for:			
(Increase)/ decrease in sundry debtors	(7,907)	(17,535)	(1,520)
(Increase)/ decrease in loans and advances and other current assets	(1,006)	364	(3,791)
(Increase)/ decrease in inventory	1,740	(1,378)	4,769
Increase/ (decrease) in sundry creditors	(3,806)	5,331	8,461
Increase/ (decrease) in provisions	(2,049)	3,595	55
Cash generated from operations	**(3,534)**	**(4,248)**	**8,973**
Direct taxes paid	(2,047)	(1,518)	(613)
Net cash generated from operating activities	**(5,581)**	**(5,766)**	**8,360**
B. Cash flow from investing activities			
Purchase of fixed assets (including capital work in progress)	(1,598)	(1,437)	(2,408)
Proceeds on disposal of fixed assets	58	19	4
Purchase of investments	(1,301)		
Investment in subsidiaries	-	-	14,577
Receipt of inter corporate deposits	-	-	1,000
Movement in restricted cash	4,620	1,249	(10,248)
Proceeds from sale of investments	1,315	-	105
Interest received	405	1,151	735
Net cash used in investing activities	**3,499**	**982**	**3,765**
C. Cash flow from financing activities			
Proceeds from issue of share capital including share premium	48	38	4,113
Redemption of preference shares	-	-	(1,071)
Movement in cash credit and other short term borrowings	869	(1,200)	4,198
Proceeds/(repayment) from working capital demand loan	(1,000)	1,000	(440)
Proceeds/(repayment) of secured loan	(33)	22	(26)
Interest paid to banks and others	(419)	(716)	(375)
Net cash used in financing activities	**(535)**	**(856)**	**6,399**
D. Net cash flows during the year (A+B+C)	(2,617)	(5,640)	18,524
Effects of foreign currency translation	(1,444)	1,584	1,497
E. Cash and cash equivalents at the beginning	20,231	24,287	4,266
F. Cash and cash equivalents at the end (D+E)	**16,170**	**20,231**	**24,287**
Note:			
1. Components of cash and cash equivalents			

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Cash in hand	701	467	299
Balances with scheduled banks::			
Current accounts	1,558	2,951	1,047
Deposit account	4,831	3,619	3,656
Balances with non-scheduled banks::			
Current accounts	7,245	14,000	22,941
Deposit account	7,516	10,412	8,113
	21,851	**31,449**	**36,056**
Less: Margin money and restricted cash	5,681	11,218	11,769
Cash and cash equivalents	**16,170**	**20,231**	**24,287**

Note:

1. The above statements should be read with the Significant Accounting Policies and Notes to Consolidated Statement of Assets and liabilities, Profit and loss account and Cash flows as restated (Annexure IX)
2. The Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3 'Cash Flow Statement' of Companies (Accounting Standard) Rules, 2006
3. Negative figures are shown in brackets.
4. Reconciliation of net profit before tax between Summary Consolidated Statement of Profits and Losses, as restated and Summary Consolidated Cash Flow Statement, as restated

Particulars	Reference	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Profit before tax and extraordinary items as per Summary Consolidated Statement of Profits and Losses, as restated		**7,440**	**3,789**	**1,024**
Add: Share of profit/(loss) from Associate		69	106	(6)
Add: Adjustments, net of tax	Annexure IX [III]			
Changes in accounting policies		-	28	33
Other material adjustments		465	707	(373)
Add: Reversal of Tax impact on account of adjustments	Annexure IX [III]	147	356	99
Net profit before tax, as restated, as per Summary Consolidated Cash Flow Statement, as restated		**8,122**	**4,986**	**777**

ANNEXURE IV: CONSOLIDATED SCHEDULE OF INVESTMENTS, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
Long term investments – trade, unquoted			
In associate companies			
Winhoek Goreangab Operating Company Limited	256	246	143
Investment in securities[$]	1,066	1,207	1,107
In other companies - non trade, unquoted			
First STP Private Limited	15	15	15
(150,000 equity shares (Previous year - 150,000) of Rs. 10 each)			
	1,337	**1,468**	**1,265**

[$] Market value of the investment in securities as at March 31, 2010, March 31, 2009 and March 31, 2008 was Rs. 1,031 lakhs, Rs. 1,045 lakhs and Rs. 1,074 lakhs.

ANNEXURE V: CONSOLIDATED SCHEDULE OF SUNDRY DEBTORS, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
(Unsecured considered good unless otherwise stated) *			
Outstanding for a period exceeding six months			
Considered good	6,888	6,437	11,104
Considered doubtful	1,829	330	1,231
	8,717	6,767	12,335
Other debts			
Considered good	56,642	51,001	27,214
Considered doubtful	181	685	6
	56,823	51,686	27,220
	65,540	58,453	39,555
Less: Provision for doubtful debts	(2,010)	(1,015)	(1,237)
	63,530	**57,438**	**38,318**

*There is no amount due from promoters or directors of the Company or from any persons related to promoters and directors of the Company.

ANNEXURE VI: CONSOLIDATED SCHEDULE OF LOANS AND ADVANCES' AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
(Unsecured considered good, unless otherwise stated) #			
Advances recoverable in cash or kind for value to be received	10,863	12,904	8,254
Deposits	1,919	514	609
Advance tax (net of provisions)	45	313	416
MAT receivable	-	-	41
	12,827	**13,731**	**9,320**

Includes advances due from promoters and directors of the Company is Rs. 18 lakhs.

ANNEXURE VII: CONSOLIDATED SCHEDULE OF SECURED LOANS, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
From Banks			
Term loans[#]	51	58	31
Working capital demand loan[$]	-	1,000	-
Cash credit account[$]	3,861	3,534	4,441
	3,912	**4,592**	**4,472**

* The entire amount is repayable in one year

[$]Security details

Period ended	Particulars
31-Mar-2010	The cash credit accounts are secured against bank deposits.
31-Mar-2009	Hypothecation of all current assets present and future on pari passu basis and second charge on the fixed assets of the company
31-Mar-2008	Hypothecation by first charge on present and future goods, book debts and all other movable assets including documents of title to goods, outstanding monies, bills, invoices and present and future machinery belonging to the company

[#] The Term Loans is part of funding by Austrian Government for R&D or innovative technology projects and is regulated by EU regulations. These loans carry nominal interest rates and generally have a maturity period of 5 years.

ANNEXURE VIII: CONSOLIDATED SCHEDULE OF OTHER INCOME, AS RESTATED

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Income from normal business activity			
Recurring			
Interest income (net of TDS)	405	1,159	707
Exchange gain (net)	-	856	342
Investment income	43	43	20
Profit on sale of tangible assets	41	7	2
Bad debts recovered	321	-	-
Others	192	102	58
Non-recurring			
Profit on redemption of mutual fund	-	-	102
	1,002	**2,167**	**1,231**

ANNEXURE IX - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO SUMMARY CONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES, PROFIT AND LOSS ACCOUNT AND CASHFLOWS, AS RESTATED:

I. Summary of accounting policies

1. Basis of preparation of financial statements

The financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") applicable in India. GAAP comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub- section (I) (a) of Section 642 and the relevant provisions of the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis. All amounts are in Indian Rupees, except as otherwise stated.

2. Basis of consolidation

The Consolidated financial statements include the financial statements of VA Tech Wabag Limited 'the Company', its subsidiaries and associates (collectively referred to as 'the Group') as listed below. The financial statements of the subsidiary undertakings and associates forming part of these consolidated financial statements are drawn up to March 31, 2010. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies.

The consolidated financial statements are prepared in accordance with the principles and procedures for the preparation and presentation of the consolidated financial statements as laid down under AS 21 Consolidated Financial Statements. In respect of investment in an Associate Company, the principles prescribed under AS 23 - Accounting for Investments in Associates in Consolidated Financial Statements has been adopted in the preparation of these financial statements. All material inter-company transactions and accounts are eliminated on consolidation.

The following subsidiaries and associates have been included in the consolidated financial statements

Subsidiaries	Country of Incorporation	Percentage of holding
VA TECH WABAG (Singapore) Pte Ltd	Singapore	100%
VA TECH WABAG GmbH, Austria	Austria	100%
WABAG Wassertechnik AG, Switzerland	Switzerland	100%
VA TECH WABAG Deutschland GmbH, Germany	Germany	100%
VA TECH WABAG Brno Spol S.R.O, Czech Republic	Czech Republic	100%
Engenharia Hidraulica de Macau, Limitada, Macao[#]	Macao	100%
Wabag Water Services (Macao) Limited, Macao	Macao	100%
WABAG Water Services s.r.l, Romania	Romania	100%
VA TECH WABAG Tunisia s.a.r.l., Tunisia	Tunisia	100%
VA TECH WABAG Algeria s.a.r.l.,Algeria	Algeria	100%
VA TECH WABAG (Gulf) Contracting LLC, Dubai	Dubai	49%
Beijing VA TECH WABAG Water Treatment Technology Co. Limited	China	100%
VA TECH WABAG (Hong Kong) Limited	Hong Kong	100%
Winhoek Goreangab Operating Company Limited	Namibia	33%

[#]Percentage holding in subsidiaries and associates has not changed during the period except for Engenharia Hidraulica de Macau, Limitada, a subsidiary in Macao where the group obtained 100% holding. Prior to that the group held 80% of the equity in that subsidiary.

Principles of consolidation:

The Consolidated financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down under the accounting standards on Consolidated Financial Statements as specified in the Companies (Accounting Standard) Rules 2006.

Excess of acquisition cost over the carrying amount of the parent company's share of equity of the acquiree at the date of acquisition is recognized as goodwill. In cases where the share of the equity in the acquiree as on the date of acquisition is in excess of Cost of Investment, it is recognised as 'Capital reserve' and classified under 'Reserves and Surplus'. The parent company's share of equity in the subsidiary is determined on the basis of book values of assets and liabilities as per the financial statements of the subsidiary as at the date of acquisition.

The financial statements of the parent company and its subsidiary have been combined on a line by line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transaction and unrealized profits in full. Unrealised losses resulting from intra-group transactions are also eliminated except to the extent recoverable value of related assets is lower than their cost to the Group. The amounts shown in respect of reserves comprise the amount of relevant reserves as per the balance sheet of the parent company and its share in the relevant reserves of the subsidiary.

Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss of subsidiaries acquired or disposed of during the year is recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Minority interests represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. If losses in a subsidiary applicable to minority interest exceed the minority interest in the subsidiary's equity, the excess is allocated to the majority interest except to the extent that the minority has a binding obligation and is able to cover the losses.

3. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

4. Fixed assets and depreciation/amortisation

Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses. Cost of acquisition is inclusive of duties, taxes, freight and other directly attributable costs incurred to bring the assets to its working condition for intended use and are net of CENVAT credits as applicable. Borrowing cost directly attributable to acquisition of these fixed assets which necessarily take a substantial period of time to get ready for their intended use is capitalised.

Advances paid towards acquisition of fixed assets outstanding at each balance sheet date and cost of fixed assets not ready for their intended use before such date are disclosed as capital work-in-progress.

Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

5. Impairment of assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. Recoverable amount is the higher of the asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

6. Intangibles

Goodwill represents the excess of acquisition cost over the carrying amount of the Group's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised over 5 years.

Software is stated at cost less accumulated amortisation. Software is amortised over its expected useful life.

7. Revenue recognition and receivables

Revenue is measured on the basis of consideration received or receivable by the Group for goods supplied and services provided, excluding trade discounts, VAT and other applicable taxes. Revenue is recognized upon the performance of service or transfer of risk to the customer.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Group's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are as described below.

Operations and Maintenance

The revenue from operations and maintenance for water and waste water treatment is recognised over the period during which the service is rendered.

Construction contracts

Contract Revenue and Contract Costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the Balance Sheet date.
Determination of revenues under the percentage of completion method by the Group is based on estimates (some of which are technical in nature) concerning the percentage of completion, costs to completion, expected revenue from the contract and the foreseeable losses of completion.

Foreseeable losses, if any, which are based on technical estimates, are provided in the accounts irrespective of the work done.

Unbilled revenue on contracts where costs incurred plus recognised profits (less recognised losses) exceeds progress billings, being due from customers for contract work, is presented as an asset for contracts in progress.

Unearned revenue on contracts where progress billings exceed costs incurred plus recognized profits (less loss) is the gross advance amount received from customers for contract work and is presented as a liability for all contracts in progress.

Interest and dividend income

Income from interest is being accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Dividend income is recognised when the right to receive is established.

8. Provision for Doubtful debts

The Group creates a provision for individual receivables when objective evidence is received that a specific counterparty will default. Receivables that do not have objective evidence of default are reviewed for provision in groups based on the period they have remained past due. The percentage of provision is based on recent historic default rates for each identified group.

9. Cost of revenue

Cost of revenue includes estimated internal development costs, external development charges, construction costs and development/construction materials, which is charged to the profit and loss account based on the percentage of revenue recognised as per accounting policy (7) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project. Construction costs include Costs of materials such as steel, cement and payment to construction contractors.

10. Taxation

Provision for tax for the year comprises current income tax, deferred tax and fringe benefit tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

In computing current taxes the Group in India takes into consideration the benefits admissible under the provisions of the Income Tax Act, 1961. In cases wherever the tax liability computed as per above is less than the Minimum Alternate Tax, the Company is liable to pay the Minimum Alternate Tax, in accordance with Section 115JB of the Income Tax Act, 1961. MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

11. Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 – Employee Benefits (Revised 2005) as prescribed by the Companies (Accounting Standards) Rules, 2006.

Provident fund

The Group makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit/obligation at the balance sheet date less the fair value of plan assets. The defined benefit/obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss account in the year in which such losses or gains are determined.

Compensated absences

Liability in respect of compensated absences becoming due or expected to be availed after the balance sheet date is estimated on the basis of an actuarial valuation performed by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss account in the year in which such losses or gains are determined.

Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to ICIC Prudential Life insurance) which is a defined contribution plan, is charged to revenue on accrual basis. There are no obligations other than the contribution made to respective trust.

12. Employees Stock Option Plan

The accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the fair value on the date of grant over the exercise price of the shares granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Share Based Payments" issued by the Institute of Chartered Accountants of India.

13. Contingent liabilities and provisions

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Group not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Group, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Group makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the Financial Statements.

14. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

II. Prior period expenditure

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Changes in Accounting Policies			
Amortisation of deferred employee compensation	-	(126)	-
Gratuity expenses	-	(15)	-
Total	-	(141)	-
Other Material Adjustments			
Amortisation of goodwill	(311)	-	-
Total	**(311)**	**-**	-

In the financial statements for the years/period ended March 31 2010, 2009, 2008 certain items of income/expenses have been identified as prior period items. For the purpose of this statement, such prior period items have been appropriately adjusted in the respective years (Refer A.1, B.1 and B.2 of adjustments).

III. Adjustments, net of tax

(Rs. in Lakhs)

Particulars	Explanatory Note	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Changes in accounting policies				
Provision for gratuity	A.1	-	15	(6)
Provision for leave encashment	A.1	-	13	39
Tax impact on changes in accounting policies		-	-	-
		-	**28**	**33**
Other material adjustments				
Amortisation of goodwill	B.1	311	-	-
Amortisation of deferred employee compensation	B.2	-	126	(93)
Provision for doubtful debts/ Bad debts recovered	B.3	(321)	903	(230)
Arrears of salaries paid	B.4	-	-	44
Provision for Works Contract Tax receivable	B.5	713	-	(3)
Reconciliation of inter company balances	B.6	(91)	34	8
Tax impact on other material adjustments	B.7	(147)	(356)	(99)
		465	**707**	**(373)**

A. Changes in Accounting Policies

1. Provision for leave encashment and gratuity

During the year ended March 31, 2009, the Group changed its accounting policy with regards to provision for leave encashment and gratuity. The same were made on the basis of actuarial valuation in compliance of the Accounting Standard – 15(R) for the period ended March 31, 2010, which was earlier accounted for on cash basis. Accordingly, provision for leave encashment and gratuity have been recomputed on actuarial valuation basis for each preceding year and consequently the adjustments have been made in the expense for leave encashment and gratuity for the concerned prior years. Further, the opening balances of Profit and loss account as at April 1, 2007 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule VI of Annexure IX.

B. Other material adjustments

1. Amortisation of goodwill

During the year ended March 31, 2007, the Company had purchased the operation of I-Ven Water Treatment Technologies Limited for a consideration of Rs. 428 lakhs, which resulted in goodwill of Rs.1,556 lakhs. The Group has adopted a policy to amortise goodwill over a period of 5 years only from the year ended March 31, 2008. However considering the fact that no tangible benefit could be assessed to substantiate the deferment of the amortisation of goodwill from the year ended March 31, 2008, adjustments have been made to summary statement of profit and loss for the goodwill portion to be amortised commencing from the year ended March 31, 2007 and the same has been expensed off during the period ended March 31, 2010. The effect of this has been appropriately adjusted to the profit and loss account as at April 1, 2007. The carrying value of goodwill has been regrouped and disclosed as intangibles in the statement of assets and liabilities, as restated.

2. Amortisation of deferred employee compensation

The Group, during the year ended March 31, 2007, adopted the "ESOP 2006" (the "Plan"). The Group recognized the employee compensation cost, measured using the intrinsic value, in accordance with Guidance Note 18 on "Employee Share-based payments" issued by the Institute of Chartered Accountants of India, during the year ended March 31, 2009. The portion of expenses relating to year ended March 31, 2008 has been classified as 'Prior period item' in the financials statements. For the purpose of restatement, such expense has been appropriately adjusted in the respective year. Further, the opening balances of Profit and loss account as at April 1, 2007 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule VI of Annexure IX.

3. Provision for doubtful debts/ bad debts recovered

During the year ended March 31, 2009, the Group adopted a debtors provisioning policy where by outstanding debts were provided based on its ageing. Adjustments are made in the restated financials for debts, which were considered doubtful/ written off in the year ended March 31, 2009 and which relate to conditions existing prior to March 31, 2009. Accordingly, adjustments have been made to the Consolidated Summary statement of profits and losses, as restated, for the year ended March 31, 2008. The Group had during the period ended March 31, 2010 recovered certain dues from debtors written off as bad debts during previous years. The same has been adjusted in the respective years. Further, the opening balances of Profit and loss account as at April 1, 2007 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule VI of Annexure IX.

4. Arrears of salary paid

The Group had paid arrears of salary during the year ended March 31, 2008. For the purpose of restatement, such items have been appropriately adjusted against the opening balance of the profit and loss account as at April 1, 2007.

5. Works contract tax

The Group has provided for part of works contract tax during the year ended March 31, 2010, which was accounted as receivable in previous years. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2009 and 2008. Further, the opening balances of Profit and loss account as at April 1, 2007 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule VI of Annexure IX.

6. Reconciliation of inter company balances:

The Group had identified certain inter company balances that were not reconciled as at March 31, 2008, the first reporting period after acquisition of the subsidiary in Austria. Subsequently, the Group has carried out reconciliations and has determined the reasons and impact these transactions have had on the period/year ended 31 March 2010, 31 March 2009 and 31 March 2008 and have restated the accounts to reflect the impact of the same.

7. Taxes

Income tax refunds/provision

The Profit and Loss Account of some years include amounts paid/ provided for or refunded/written back, in respect of shortfall/ excess income tax arising out of assessments, appeals etc. which has now been adjusted in the respective years.

Others

Also, income tax (current tax and deferred tax) has been computed on adjustments made as detailed above and has been adjusted in the restated profits and losses for the years ended March 31, 2010, 2009 and 2008, and the balance brought forward in Profit and Loss Account as at April 1, 2007.

C. Non-adjusting items

1. Tax deduction under section 80-IA

The Company had been claiming deduction under section 80-IA of the Income tax Act, 1961 from the financial year ended March 31, 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of section 80-IA retrospectively with effect from April 1, 2000 to make it inapplicable to persons having a mere works contract with the Government or Statutory Authority. The Company believes that this amendment is in line with the objective of the Government of incentivizing only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure carrying out turnkey development contracts starting from the conceptualization to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Also based on legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment.

Accordingly, the amount of tax applicable for the years/period ended prior to April 1, 2009 has been disclosed as contingent liability. The tax amount for these years is as under:

(Rs in Lakhs)

Periods prior to April 1, 2007	1,792
Year ended March 31, 2008	1
Year ended March 31, 2009	627

However, on a conservative basis, the liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax.

The Company, also based on opinion taken from a professional firm believes that interest under Section 234B of the Act amounting to Rs. 1,081 lakhs as at March 31, 2010 would not be payable as the Jurisdictional High Court rulings are in favor of the company on this aspect and on this basis, the amount of interest has been disclosed as Contingent Liability.

The Company's claim for deduction under Section 80 IA of the Income Tax Act, 1961 for the Assessment Years 2002-03 to 2008-09 has been disallowed by the Income tax authorities in respect of whom the company had preferred an appeal. The claim of the Company has been upheld by CIT (Appeals) for the assessment year 2002-03 to 2005-06. However, the department has gone on appeal and the matter has been referred to the Income Tax Appellate Tribunal (ITAT) for the years 2002-03 to 2004-05. The department has raised a demand for assessment year 2006-07 for Rs.578 lakhs. The disputed amount is also included in the paragraph above.

IV. Material regrouping

1. Retention

Upto the year ended March 31, 2008, retention money, which is realizable on the satisfactory completion of the project, was included under Advances recoverable in cash or in kind or for value to be received and hence classified as part of Loans and Advances. However, during the year ended March 31, 2009, the same has been classified under the head Sundry Debtors. In the statement of Assets and Liabilities as restated, such retention money amounting to Rs. 3,329 lakhs and Rs. 2,515 lakhs respectively for the year ended March 31, 2008 and 2007 has been regrouped and disclosed accordingly.

2. Tax adjustments

Upto the year ended March 31, 2008, the Group has disclosed advance income tax paid under 'Loans and advances' and the corresponding tax provisions as per books under 'Provisions'. During the year ended March 31, 2009, these loans and advances were netted off for corresponding provisions. In the Consolidated statement of Assets and Liabilities as restated, loans and advances amounting to Rs. 1,684 lakhs and provisions amounting to Rs. 839 lakhs for the years ended March 31, 2008 were netted off and disclosed accordingly.

V. Auditor's Qualifications:

There are no Audit qualifications, which require any corrective adjustment in the financial information. However other Audit qualifications which do not require any corrective adjustment in the financial information are as follows:

Companies (Auditor's Report) Order, 2003

There are delays, which are not serious, in depositing undisputed statutory dues, with regards to R&D cess for the year ended March 31, 2008.

VI. Profit and loss account as at April 01, 2007, as restated

Particulars	Amount
Profit and loss account as at April 01, 2007	4,342
Adjustments:	
Changes in accounting policies	
Provision for gratuity	(9)

Particulars	Amount
Provision for leave encashment	(52)
Tax impact on changes in accounting policies	**-**
	(61)
Other material adjustments	
Amortisation of deferred employee compensation	(33)
Brand usage fee	(20)
Amortisation of goodwill	(311)
Provision for doubtful debts/ Bad debts recovered	(352)
Works Contract Tax receivable written off	(710)
Arrears of salaries paid	(44)
Tax impact on other material adjustments	518
	(952)
Profit and loss account as at April 01, 2007, as restated	**3,329**

VII. Notes to accounts:

1. Contingent liabilities

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
Letters of credit established for purchase/import of material and components	3,750	6,258	3,360
Bank guarantees established in favour of customers for performance and earnest money deposit	49,111	62,922	68,061
Income tax demand contested in appeal	578	578	753
Income tax impact on non deductibility under Section 80IA (Refer Annexure IX (III) (C) (1))	2,420	2,420	1,793
Interest u/s 234 B on the tax liability referred above (Refer Annexure IX (III) (C) (1)	1,081	786	603
Disputed sales tax on appeal	144	389	72
Legal claims from pending litigations	-	-	-

No contingent liabilities have been incurred by the Group in relation to associates.

2. Segment reporting

The Group operates in a single segment “Construction and Maintenance of Water and Waste water treatment plants”. Therefore, the Group’s business does not fall under different business segments as defined by AS-17 ‘Segment Reporting” under the Companies Accounting Standard Rules, 2006.

ANNEXURE X: CONSOLIDATED STATEMENT OF ACCOUNTING RATIOS, AS RESTATED

Particulars	Units	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008
Face value per Equity shares as restated	Rs.	5	10	10
Earnings / (Loss) per share	Rs.			
- Basic earnings / (loss) per share		53.23	45.18	6.00
- Diluted earnings / (loss) per share		52.34	44.41	5.90
Return on net worth	%	12.43	11.36	1.74
Net asset value per equity share	Rs.	428.4	397.56	344.54
Total debt / Equity ratio	%	9.76	12.36	14.35
Weighted average number of equity shares outstanding during the year		9,355,637	9,345,535	9,046,271
Add: Effect of number of equity shares on issue of ESOP		158,941	160,524	160,647
Total diluted weighted average number of equity shares outstanding during the year		9,514,578	9,506,059	9,206,918

Notes:

1. The ratios have been computed as below:

Basic Earnings per Share:	Net profit/(loss) as restated attributable to equity share holders/Weighted average number of equity shares outstanding during the year or period
Diluted Earnings per Share (Rs.):	Net profit/(loss) as restated attributable to equity share holders/Diluted Weighted average number of equity shares outstanding during the year or period
Return on Net Worth (%):	Net profit/(loss) after tax, as restated/ Net Worth excluding preference share capital & revaluation reserve
Net asset value per Equity share (Rs.):	Net worth excluding preference share capital & revaluation reserve/ Weighted average number of equity shares outstanding during of the year or period
Total debt/ Equity ratio:	Long term debt plus short term debt/ Share holders' funds

2. Share holders' funds represents Equity Share Capital and Reserves and Surplus
3. These ratios are computed on the basis of the consolidated financial statements, as restated, which are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") applicable in India.
4. EPS has been computed in accordance with the requirements of Accounting Standard 20 – 'Earnings Per Share' under Companies (Accounting Standards) Rules, 2006.

ANNEXURE XI: CONSOLIDATED RELATED PARTY DISCLOSURES

(a) As per the requirement of Accounting Standards 18 of the Companies (Accounting Standards) Rules, 2006 on Related Party Disclosures, the name of the related parties with the description of the relationships and transactions between a reporting enterprise and its related parties, as identified and certified by the management are:

Key Managerial Personnel	Mr. Rajiv D Mittal – Managing Director
	Mr. S Varadarajan
	Mr. Shiv Narayan Saraf
	Mr. Amit Sengupta
	Mr. Patrick Andrade (from April 1, 2007)
	Mr.K.N.Gohkale (from April 1, 2009)

The aggregate managerial remuneration payable to the key managerial personnel is:

(Rs in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
(a) Salary and allowances	294	149	137
(b) Estimated value of benefits in cash or in kind provided	3	6	4
(c) Contribution to provident and other funds*	22	18	4

*The amount excludes the Group's contribution/ provision for gratuity for the year, which is determined periodically on actuarial basis for all the employees of the Group.

ANNEXURE XII: CONSOLIDATED STATEMENT OF TAX SHELTER

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Net Profit/(Loss) before tax, as restated	8,122	4,986	777
Income tax rates applicable	33.99%	33.99%	33.99%
Tax at Notional rates	2,761	1,695	264
Adjustments for tax rate differences	(60)	(215)	(99)
Adjustments:			
Timing Differences			
Provision for anticipated future loss	(115)	165	1
Provision for liquidated damages	195	584	(56)
Provision for warranty	(33)	30	26
Provision for Leave encashment	22	17	1
Provision for Cost	47	255	-
Provision for Doubtful Debts	455	(103)	78
Provision for Gratuity	(8)	3	2
Depreciation	37	(22)	(5)
Others	114	(78)	(1)
Permanent Differences			
ESOP expenses	32	32	32
Goodwill Written off	106	106	106
Income exempt from tax	111	-	-
Reduced tax on short term capital gains	-	-	(17)
Carry forward of losses	(173)	(423)	(101)
Interest under 234B and 234C	156	-	-
Profit exempt u/s 80 IA	-	(892)	-
Subsidiary’s loss not subject to tax	-	-	-
Others	84	202	86
Net Adjustments	1,030	(124)	152
Tax payable for the period/year	**3,731**	**1,356**	**317**

ANNEXURE XIII: DETAILS OF RATES OF DIVIDEND, AS RESTATED

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008
Class of shares			
Face value (Rs./Share)	5	10	10
Equity Share Capital (Rs. in Lakhs)	468	415	415
Preference Share Capital (Rs. in Lakhs)	-	-	-
Dividend (%)	-	-	-
Dividend (Rs. in Lakhs)	-	-	-
Dividend tax (Rs. in Lakhs)	-	-	-

ANNEXURE XIV: CONSOLIDATED CAPITALISATION STATEMENT, AS RESTATED

(Rs. in Lakhs)

Particulars	Pre-Issue	Post-Issue
Long term debt	-	
Short term debt	3,912	
Total debt	3,912	
Shareholders' funds		
Equity share capital	468	
Reserves as restated		
Securities Premium account	12,671	
Profit and Loss account	13,165	
Other Reserves and Surplus	13,776	
Total Shareholders' funds	40,080	
Long term debt/ Shareholders' funds	-	
Total debt/ Shareholders' funds	9.76%	

Notes:

1. Short term debts represent debts which are due within twelve months from March 31 2010.

2. Long term debts represents debt other than short term debt, as defined above.

3. The figures disclosed above are based on the summary consolidated statement of assets & liabilities, as restated, as at March 31, 2010

4. The corresponding post issue figures are not determinable at this stage pending the completion of the book building process and hence have not been furnished.

UNCONSOLIDATED FINANCIAL STATEMENTS

Auditors' Report on Unconsolidated Restated Financial Information

To
The Board of Directors,
VA Tech Wabag Limited
No. 11, Murrays Gate Road,
Alwarpet, Chennai

Dear Sirs,

We have examined the Unconsolidated Restated Financial Information of VA TECH WABAG LIMITED ('the Company') annexed to this report for the purpose of inclusion in the Red Herring Prospectus (the 'RHP'). The said Unconsolidated Restated Financial Information has been prepared by the Company and approved by the Board of Directors in accordance with the requirements of:

i. Paragraph B (1) of Part II of Schedule II to the Companies Act, 1956 (the 'Act');

ii. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (the 'SEBI Guidelines') issued by the Securities and Exchange Board of India ('SEBI') in pursuance to Section 11 of the Securities and Exchange Board of India Act, 1992 and related amendments;

iii. The Guidance Note on the Reports in Company Prospectuses (Revised) issued by the Institute of Chartered Accountants of India ('ICAI'); and

iv. The terms of our letter of engagement with the Company requesting us to carry out work in connection with the Offer Document being issued by the Company in connection with its IPO of equity shares.

Financial Information as per Audited Financial Statements:

We have examined the attached 'Summary Unconsolidated Statement of Assets and Liabilities, As Restated' of the Company as at March 31, 2010, 2009, 2008, 2007, and 2006 (Annexure I) and the attached 'Summary Unconsolidated Statement of Profits and Losses, As Restated' (Annexure II) for years ended March 31, 2010, 2009, 2008, 2007 and fifteen month period ended March 31, 2006 together with schedules, annexures and notes thereto collectively referred to as 'Unconsolidated Restated Financial Information.' The Unconsolidated Restated Financial Information including the adjustments and regrouping which are more fully described in the note on adjustments appearing in Annexure IX to this report have been extracted from the Audited Financial Statements of the Company as at and for the years/period ended March 31, 2010, 2009, 2008, 2007 and 2006.

Audit of the financial statements of VA Tech Wabag Limited for the years/period ended March 31, 2008, 2007 and 2006 were conducted by the previous auditors, M/s K.S. Aiyar & Co., and accordingly reliance has been placed on the audited financial statements examined by them for the said years/periods. The financial information included for these years/periods are based solely on the reports submitted by them.

We did not audit the financial statements of the Company, whose financial statements reflect total assets of Rs. 35,992 lakhs, Rs. 29,853 lakhs and Rs. 15,440 lakhs as at March 31, 2008, 2007 and 2006 respectively, total revenue of Rs. 33,538 lakhs, Rs. 26,012 lakhs and Rs. 27,538 respectively for the period/years then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us.

Based on our examination of these unconsolidated restated financial information, we state that:

i. The Unconsolidated Restated Financial Information have to be read in conjunction with the Significant Accounting Policies and Notes to Summary Unconsolidated Statement of Assets and Liabilities, Profits and

Loss Account and Cashflows, As Restated, given in Annexure IX to this report.

ii. The Unconsolidated Restated Financial Information of the Company have been restated with retrospective effect to reflect the significant accounting policies being adopted by the Company as at March 31, 2010, as stated in the Significant Accounting Policies and Notes to Summary Unconsolidated Statement of Assets and Liabilities, Profits and Loss Account and Cashflows, As Restated, given in Annexure IX to this report.

iii. The unconsolidated restated profits have been arrived at after making such adjustments and regroupings as in our opinion are appropriate in the year to which they relate as described in the Significant Accounting Policies and Notes to Summary Unconsolidated Statement of Assets and Liabilities, Profits and Loss Account and Cashflows, As Restated, given in Annexure IX to this report, except as follows:

With reference to Note no. C. 1 under para III in Annexure IX, consequent to Section 80-IA, being amended by Finance Act, 2009, denying benefit of deduction under this Section to business in the nature of work contracts, with retrospective effect from April, 2000, the Company based on a legal opinion believes that this amendment will not impact its eligibility to claim deduction under the said section. Also, based on the legal opinion, the Company has filed a writ petition in the High Court of Madras challenging the constitutional validity of the retrospective amendment.

The ultimate outcome of the matter cannot be presently determined and no provision for any liability that may result has been made in the financial statement by the Company for the period from April 1, 2002 to March 31, 2009. However such liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax. Pursuant to this, the estimated tax liability including interest for the years/period ended, March 31, 2009, 2008, 2007 and 2006 amounting to Rs.810 lakhs, Rs.184 lakhs, Rs. 206 lakhs and Rs. 609 lakhs respectively, the impact for the period prior to January 01, 2005 amounting to Rs. 1,397 lakhs and the interest liability for the year ended March 31, 2010 amounting to Rs. 295 lakhs has not been adjusted in the Unconsolidated Restated Financial Information.

Had such adjustments been effected, the net profit/loss as restated for the years will be lower/higher to the extent of the tax and/or interest for the respective years/periods after December 31, 2004 as stated above and the reserves as at December 31, 2004 will be lower to the extent of Rs. 1,397 lakhs.

In the event the Company is not successful in its efforts in this regard, the aggregate tax liabilities and interest thereupon amounting to Rs. 2,420 lakhs and Rs. 1,081 lakhs respectively which has been disclosed under Contingent Liabilities as at March 31, 2010, will devolve on the Company.

iv. There are no extra-ordinary items that need to be disclosed separately in the restated summary statements;

v. There are no qualifications in the Auditors' Reports which would require an adjustment in the restated summary statements.

Other Financial Information

We have examined the following other financial information in respect of years/period ended March 31, 2010, 2009, 2008, 2007 and 2006 as approved by the Board of Directors and annexed to this report:

(a) Summary Unconsolidated Cash Flow Statement, As Restated (Annexure III) ;

(b) Unconsolidated Schedule of Investments, As Restated (Annexure IV)

(c) Unconsolidated Schedule of Sundry Debtors, As Restated (Annexure V);

(d) Unconsolidated Schedule of Loans and Advances, As Restated (Annexure VI);

(e) Unconsolidated Schedule of Secured Loans, As Restated (Annexure VII);

(f) Unconsolidated Schedule of Other Income, As Restated (Annexure VIII)

(g) Unconsolidated Statement of Accounting Ratios, As Restated (Annexure X);

(h) Related Party Disclosures (Annexure XI);

(i) Unconsolidated Statement of Tax Shelter (Annexure XII);

(j) Details of Rates of Dividend, As Restated (Annexure XIII) and

(k) Unconsolidated Capitalization Statement, As Restated (Annexure XIV);

In our opinion, the 'Financial Information as per Audited Financial Statements' and 'Other Financial Information' mentioned above for years/period ended March 31, 2010, 2009, 2008, 2007 and 2006 have been prepared in accordance with Part II of Schedule II of the Act and the SEBI Guidelines.

The sufficiency of the procedures, as set forth in the above paragraphs, is the sole responsibility of the Company and we make no representation regarding the sufficiency of the procedures described above either for the purposes for which this report has been requested or for any other purpose.

This report should not be in any way construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should it be construed as a new opinion on any of the financial statements referred to therein.

We have no responsibility to update our report for events and circumstances occurring after the date of the report.

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

For Walker, Chandiok & Co
Chartered Accountants
Firm Registration No: 001076N

per Mohan Ramakrishna
Partner
Membership No. 027628

Chennai
August 12, 2010

ANNEXURE I: SUMMARY UNCONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
A. Fixed assets					
Tangible assets					
Gross block	3,458	3,219	2,951	845	716
Less: Depreciation	1,050	814	615	475	371
Net block	**2,408**	**2,405**	**2,336**	**370**	**345**
Intangible assets	606	895	950	1,262	8
Capital work-in-progress including Capital advances	64	12	49	16	-
	3,078	**3,312**	**3,335**	**1,648**	**353**
B. Investments	**555**	**555**	**31**	**47**	**3**
C. Deferred tax asset, (net)	**1,731**	**1,132**	**400**	**366**	**506**
D. Current assets, loans and advances					
Inventories	1,834	3,606	1,326	3,076	3,078
Sundry debtors	40,634	35,157	18,649	14,068	8,291
Cash and bank balances	6,411	6,576	4,719	5,255	1,118
Other current assets	23	23	15	43	4
Loans and advances	6,881	7,192	6,024	4,200	1,422
	55,783	**52,554**	**30,733**	**26,642**	**13,913**
E. Liabilities and provisions					
Secured loans	-	1,150	1,219	472	2,547
Current liabilities	32,901	34,606	16,036	13,873	7,739
Provisions	3,992	2,377	516	590	465
	36,893	**38,133**	**17,771**	**14,935**	**10,751**
Net worth (A+B+C+D-E)	**24,254**	**19,420**	**16,728**	**13,768**	**4,024**
Represented by					
Share capital					
- Equity shares	468	415	415	397	408
- Preference shares	-	-	-	483	-
Reserves and surplus	23,786	19,005	16,313	12,888	3,616
Net worth	**24,254**	**19,420**	**16,728**	**13,768**	**4,024**

Note:
The above statement should be read with the Significant Accounting Policies and Notes to Summary Unconsolidated Statement of Assets and liabilities, Profit and Loss Account and Cash Flows, as restated (Annexure IX)

ANNEXURE II: SUMMARY UNCONSOLIDATED STATEMENT OF PROFITS AND LOSSES, AS RESTATED

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
Income					
Income from operations	70,097	56,885	33,275	25,825	27,493
Other income	669	469	1,078	71	48
Total income	**70,766**	**57,354**	**34,353**	**25,896**	**27,541**
Expenditure					
Cost of sales and services	53,631	47,274	29,343	21,296	22,865
Employee costs	3,668	2,910	1,972	1,387	1,162
Selling, general and administrative expenses	4,657	3,343	1,686	1,394	1,463
Interest and finance charges	861	1,054	693	704	477
Depreciation and amortisation	794	545	475	115	111
Total expenditure	**63,611**	**55,126**	**34,169**	**24,896**	**26,078**
Profit before tax and Prior period expenditure	**7,155**	**2,228**	**184**	**1,000**	**1,463**
Prior period expenditure [Refer Annexure IX (II)]					
Amortisation of goodwill	(311)	-	-	-	-
Amortisation of deferred employee compensation		(126)	-	-	-
Gratuity expense		(15)	-	-	-
Royalty expense	(40)				
Profit before tax and extraordinary items	**6,804**	**2,087**	**184**	**1,000**	**1,463**
Provision for tax					
Current tax expense	3,310	972	89	100	4
Deferred tax expense/(income)	(602)	(840)	-	202	(338)
Fringe benefit tax	-	47	34	21	16
MAT credit entitlement	-	-	(122)	-	-
Profit before extraordinary items	**4,096**	**1,908**	**183**	**677**	**1,781**
Extraordinary items (net of tax)	-	-	-	-	-
Profit after extraordinary items before adjustments	**4,096**	**1,908**	**183**	**677**	**1,781**
Adjustments, net of tax [Refer Annexure IX (III)]					
Changes in accounting polices	-	28	33	(19)	2
Other material adjustments	596	663	(391)	(509)	(325)
Net profit/(loss) as restated	**4,692**	**2,599**	**(175)**	**149**	**1,458**
Balance brought forward from previous year	5,753	3,154	3,329	3,180	2,979
Balance available for appropriation, as restated	10,445	5,753	3,154	3,329	4,437
Appropriations					
Transfer to general reserve	-	-	-	-	186
Dividend	-	-	-	-	939
Tax on dividend	-	-	-	-	132

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
Total appropriation	-	-	-	-	1,257
Balance carried to Balance Sheet	**10,445**	**5,753**	**3,154**	**3,329**	**3,180**

Note: The above statement should be read with the Significant Accounting Policies and Notes to Summary Unconsolidated Statement of Assets and liabilities, Profit and Loss Account and Cash Flows, as restated. (Annexure IX)

ANNEXURE III: SUMMARY UNCONSOLIDATED CASH FLOW STATEMENT, AS RESTATED

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31-Mar-2006
A. Cash flow from operating activities					
Net Profit before tax, as restated	7,547	3,134	(75)	319	1,042
Adjustments for:					
Depreciation and amortisation	794	545	475	426	111
Interest expenses	196	442	332	456	192
Interest income	(192)	(341)	(366)	(45)	(5)
Income from mutual fund investments	(14)	-	-	-	-
Unrealized foreign exchange gain/loss	108	(185)	13	(24)	21
(Profit)/loss on sale of fixed assets	1	-	-	1	(2)
(Profit)/loss on sale of investments	-	-	(73)	-	-
Amortisation of deferred employees compensation	93	93	93	33	-
Provisions for doubtful advances	1,642	(304)	230	218	130
Provision for leave encashment and gratuity	41	60	10	34	10
Provision for liquidated damages and warranty	766	1,806	(89)	(119)	(76)
Operating profit before working capital changes	**10,982**	**5,250**	**550**	**1,299**	**1,423**
Adjustments for:					
(Increase)/decrease in sundry debtors	(7,226)	(16,019)	(4,824)	(6,114)	(1,365)
(Increase)/decrease in loans and advances	(1,145)	(1,634)	(2,317)	(1,209)	150
(Increase)/decrease in inventory	1,772	(2,280)	1,750	2	(2,005)
Increase/(decrease) in creditors	(1,012)	18,570	2,163	6,130	754
Cash generated from operations	**3,371**	**3,887**	**(2,678)**	**108**	**(1,043)**
Direct taxes paid	(1,877)	(806)	(636)	(388)	(218)
Net cash generated/(used) from operating activities	**1,494**	**3,081**	**(3,314)**	**(280)**	**(1,261)**
B. Cash flow from investing activities					
Purchase of fixed assets (including capital work in progress)	(574)	(536)	(2,166)	(172)	(218)
Proceeds on disposal of fixed assets	8	14	4	6	13
Investment in mutual funds	(1,301)				
Investment in subsidiaries	-	(524)	(16)	559	-
Investment in associate	-	-	-	(13)	-
Sale of investments	1,315	-	105	-	-
Payment of inter corporate deposit	-	-	-	(1,000)	-
Receipt of inter corporate deposits	-	-	1,000	-	-
Margin money deposits made	-	-	(2,667)	(930)	-
Receipt of margin money deposit	-	37	-	-	143
Movement in margin money deposit	3,613	-	-	-	-
Interest received	191	333	394	6	5
Net cash generated/(used) in investing activities	**3,252**	**(676)**	**(3,346)**	**(1,544)**	**(57)**
C. Cash flow from financing					

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31-Mar-2006
activities					
Proceeds from issue of share capital including share premium	48	-	4,113	9,562	-
Redemption of preference shares	-	-	(1,071)	-	-
Proceeds from short term borrowings	-	1,000	1,187	440	2,547
Repayment of short term borrowings	(1,150)	(1,069)	(440)	(4,515)	-
Dividend paid during the year	-	-	-	-	(1,071)
Interest paid to banks and others	(196)	(442)	(332)	(456)	(192)
Net cash generated/(used) in financing activities	**(1,298)**	**(511)**	**3,457**	**5,031**	**1,284**
D. Net cash flows during the year	3,448	1,894	(3,203)	3,207	(34)
E. Cash and cash equivalents at the beginning of the year/period	2,957	1,063	4,266	1,059	1,093
F. Cash and cash equivalents at the end of the year/period (D+E)	**6,405**	**2,957**	**1,063**	**4,266**	**1,059**
Components of cash and cash equivalents at the end of the year/period					
Cash in hand	23	6	16	76	64
Balances with scheduled banks in:					
Current accounts	1,557	2,951	1,047	640	963
Deposit accounts	4,831	3,619	3,656	4,539	59
Balances with non-scheduled banks in:					
Current accounts	-	-	-	-	32
	6,411	**6,576**	**4,719**	**5,255**	**1,118**
Less: Margin money deposit	6	3,619	3,656	989	59
Cash and cash equivalents	**6,405**	**2,957**	**1,063**	**4,266**	**1,059**

Note:

1. The above statement should be read with the Significant Accounting Policies and Notes to Unconsolidated Summary Statement of Assets and liabilities, Profit and Loss Account and Cash Flows as restated (Annexure IX)
2. The Cash Flow Statement has been prepared under the 'Indirect Method' set out in Accounting Standard 3 'Cash Flow Statement' of Companies (Accounting Standard) Rules, 2006
3. Negative figures are shown in brackets.
4. Reconciliation of net profit before tax between Summary Unconsolidated Statement of Profits and Losses, as restated and Summary Unconsolidated Cash Flow Statement, as restated

Particulars	Reference	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31-Mar-2006
Profit before tax and extraordinary items as per Summary Unconsolidated Statement of Profits and Losses, as restated		**6,804**	**2,087**	**184**	**1,000**	**1,463**
Add: Adjustments, net of tax	Annexure IX [III]					
Changes in accounting policies		-	28	33	(19)	2
Other material adjustments		596	663	(391)	(509)	(325)
Add: Reversal of Tax impact on	Annexure	147	356	99	(153)	(98)

Particulars	Reference	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31-Mar-2006
account of adjustments	IX [III]					
Net profit before tax, as restated, as per Summary Unconsolidated Cash Flow Statement, as restated		**7,547**	**3,134**	**(75)**	**319**	**1,042**

ANNEXURE IV: UNCONSOLIDATED SCHEDULE OF INVESTMENTS, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
Long term investments – trade, unquoted					
In subsidiary companies					
VA Tech WABAG (Singapore) Pte Ltd	524	524	-	-	-
(1,507,201 equity shares of SGD 1 each)					
VA Tech WABAG (Gulf) Contracting LLC	16	16	16	-	-
(147 equity shares of AED 1,000 each)					
In other companies – non trade unquoted					
First STP Private Limited	15	15	15	15	3
(150,000 equity shares of Rs. 10 each)					
	555	**555**	**31**	**15**	**3**
Current investments					
Investments in mutual funds[#]					
Prudential ICICI Liquid Fund	**-**	**-**	**-**	32	**-**
	555	**555**	**31**	**47**	**3**

[#] Aggregate market value of Company's investments in mutual funds as on March 31, 2007 was Rs. 35 lakhs

ANNEXURE V: UNCONSOLIDATED SCHEDULE OF SUNDRY DEBTORS, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
(Unsecured, considered good unless otherwise stated) *					
Outstanding for a period exceeding six months					
Considered good	5,106	2,790	2,043	1,823	633
Considered doubtful	1,599	278	582	352	134
Other debts	35,528	32,180	16,606	12,245	7,658
	42,233	**35,248**	**19,231**	**14,420**	**8,425**
Less: Provision for doubtful debts	1,599	91	582	352	134
	40,634	**35,157**	**18,649**	**14,068**	**8,291**

*There is no amount due from promoters or directors of the Company or any person related to promoters or directors of the Company.

ANNEXURE VI: UNCONSOLIDATED SCHEDULE OF LOANS AND ADVANCES, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
(Unsecured considered good, unless otherwise stated)#					
Advances recoverable in cash or kind for value to be received	5,215	5,217	2,467	1,939	1,089
Deposits	700	514	609	466	271
Advance tax (net of provisions)	-	610	1,076	568	-
Inter company deposits	-	-	-	1,000	-
MAT receivable	-	-	41	122	62
Due from subsidiary companies	966	851	1,831	105	-
	6,881	**7,192**	**6,024**	**4,200**	**1,422**

The advances due from promoters and directors of the company is Rs. 18 lakhs.

ANNEXURE VII: UNCONSOLIDATED SCHEDULE OF SECURED LOANS, AS RESTATED

(Rs. in Lakhs)

Particulars	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
From Banks					
Short Term loan	-	-	-	-	1,000
Working capital demand loan*[$#]	-	1,000	-	440	-
Cash credit account[$]	-	150	1,219	32	1,547
	-	**1,150**	**1,219**	**472**	**2,547**

* The entire amount is repayable in one year

[$]Security particulars

Year/ period ended	Particulars
31-Mar-2009	Hypothecation of all current assets present and future on pari passu basis and second charge on the present & future immovable & movable properties (other than current assets) of the company.
31-Mar-2008	Hypothecation by first charge on present and future goods, book debts and all other movable assets including documents of title to goods, outstanding monies, bills, invoices and present and future machinery belonging to the company
31-Mar-2007	Pari passu charge on all present and future goods, book debts, movable assets, outstanding monies, receivables, investments, etc.
31-Mar-2006	Pari passu charge on all present and future goods, book debts, movable assets, outstanding monies, receivables, investments, etc.

ANNEXURE VIII: UNCONSOLIDATED SCHEDULE OF OTHER INCOME, AS RESTATED

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
Income from normal business activity					
Recurring					
Interest income	191	341	366	45	5
Bad debts recovered	321	-	-	-	-
Exchange gain, (net)	-	120	-	-	21
Others	143	8	9	26	22
Non-recurring					
Management fee	-	-	630	-	-
Profit on redemption of mutual fund	14	-	73	-	-
Income from mutual fund investments	-	-	-	-	-
	669	**469**	**1,078**	**71**	**48**

ANNEXURE IX – SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO SUMMARY UNCONSOLIDATED STATEMENTS OF ASSETS AND LIABILITIES, PROFIT AND LOSS ACCOUNT AND CASHFLOWS, AS RESTATED

I. Summary of accounting policies

1. Basis of preparation of financial statements

The financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") applicable in India. GAAP comprises mandatory accounting standards prescribed by the Companies (Accounting Standards) Rules, 2006 issued by the Central Government in exercise of the power conferred under sub-section (I) (a) of Section 642 and the relevant provisions of the Institute of Chartered Accountants of India and provisions of the Companies Act, 1956. Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use. The management evaluates all recently issued or revised accounting standards on an ongoing basis. All the amounts are in Indian Rupees, except as otherwise stated.

2. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the results of operations during the reporting periods. Although these estimates are based upon management's knowledge of current events and actions, actual results could differ from those estimates and revisions, if any, are recognised in the current and future periods.

3. Fixed assets and depreciation/amortisation

Fixed assets are stated at acquisition cost less accumulated depreciation and impairment losses. Cost of acquisition is inclusive of duties, taxes, freight and other directly attributable costs incurred to bring the assets to its working condition for intended use and are net of CENVAT credits as applicable. Borrowing cost directly attributable to acquisition of these fixed assets which necessarily take a substantial period of time to get ready for their intended use is capitalised.

Advances paid towards acquisition of fixed assets outstanding at each balance sheet date and cost of fixed assets not ready for their intended use before such date are disclosed as capital work-in-progress.

Depreciation on assets is provided on written down value method at the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956.

4. Intangibles

Goodwill represents the excess of acquisition cost over the carrying amount of the Company's share of the identifiable net assets of the acquiree at the date of acquisition. Goodwill is amortised over 5 years.

Acquisition costs relating to brand are capitalized and amortised on a straight line basis over their useful life as estimated by the company which does not exceed 10 years

Software is stated at cost less accumulated amortization. Software is amortised over its expected useful life.

5. Impairment of assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is the higher of the asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

6. Revenue recognition and receivables

Revenue is measured on the basis of consideration received or receivable by the Company for goods supplied and services provided, excluding trade discounts, VAT and other applicable taxes. Revenue is recognized upon the performance of service or transfer of risk to the customer.

Revenue is recognised when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the costs incurred or to be incurred can be measured reliably, and when the criteria for each of the Company's different activities has been met. These activity-specific recognition criteria are based on the goods or solutions provided to the customer and the contract conditions in each case, and are as described below.

Operations and Maintenance

The revenue from operation and maintenance for waste water treatment is recognised over the period during which the service is rendered.

Construction contracts

Contract Revenue and Contract Costs in respect of construction contracts, execution of which is spread over different accounting periods is recognized as revenue and expense respectively by reference to the basis of percentage of completion method of the project at the Balance Sheet date.

Determination of revenues under the percentage of completion method by the Company is based on estimates (some of which are technical in nature) concerning the percentage of completion, costs to completion, expected revenue from the contract and the foreseeable losses of completion.

Foreseeable losses, if any, which are based on technical estimates, are provided in the accounts irrespective of the work done.

Unbilled revenue on contracts where costs incurred plus recognised profits (less recognised losses) exceeds progress billings, being due from customers for contract work, is presented as an asset for contracts in progress.

Unearned revenue on contracts where progress billings exceed costs incurred plus recognized profits (less loss) is the gross advance amount received from customers for contract work and is presented as a liability for all contracts in progress.

Interest and dividend income

Income from interest is being accounted for on time proportion basis taking into account the amount outstanding and the applicable rate of interest. Dividend income is recognised when the right to receive is established.

7. Provision for Doubtful debts

The company creates a provision for individual receivables when objective evidence is received that a specific counterparty will default. Receivables that do not have objective evidence of default are reviewed for provision in groups based on the period they have remained past due. The percentage of provision is based on recent historic default rates for each identified group.

8. Cost of revenue

Cost of revenue includes estimated internal development costs, external development charges, construction costs and development/construction materials, which is charged to the profit and loss account based on the percentage of revenue recognised as per accounting policy (6) above, in consonance with the concept of matching costs and revenue. Final adjustment is made on completion of the applicable project. Construction costs include costs of materials such as steel, cement and payment to construction contractors.

9. Taxation

Provision for tax for the year comprises current income tax, deferred tax and fringe benefit tax. Provision for current income tax is made based on the estimated tax liability in accordance with the relevant tax rates and tax laws.

Current tax is payable on taxable profits, which differ from profit or loss in the financial statements. Current tax is computed based on tax rates and tax laws that have been enacted or substantially enacted by the end of the reporting period.

In computing current taxes the Company takes into consideration the benefits admissible under the provisions of the Income Tax Act, 1961. In cases wherever the tax liability computed as per above is less than the Minimum Alternate Tax, the Company is liable to pay the Minimum Alternate Tax (MAT), in accordance with Section 115JB of the Income Tax Act, 1961. MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the specified period. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain that future taxable income will be available against which such deferred tax assets can be realised.

10. Employee benefits

Expenses and liabilities in respect of employee benefits are recorded in accordance with Accounting Standard 15 – Employee Benefits (Revised 2005) as prescribed by the Companies (Accounting Standards) Rules, 2006.

Provident fund

The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952, which is a defined contribution plan, and contribution paid or payable is recognized as an expense in the period in which services are rendered by the employee.

Gratuity

Gratuity is a post employment benefit and is in the nature of a defined benefit plan. The liability recognised in the balance sheet in respect of gratuity is the present value of the defined benefit/obligation at the balance sheet date less the fair value of plan assets. The defined benefit/obligation is calculated at the balance sheet date by an independent actuary using the projected unit credit method. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are charged or credited to the Profit and Loss account in the year in which such losses or gains are determined.

Superannuation Fund

Contribution made towards Superannuation Fund (funded by payments to ICICI Prudential Life insurance) which is a defined contribution plan, is charged to revenue on accrual basis. There are no obligations other than the contribution made to respective trust.

11. Employees Stock Option Plan

The accounting value of stock options is determined on the basis of "intrinsic value" representing the excess of the fair value on the date of grant over the exercise price of the shares granted under the "Employees Stock Option Scheme" of the Company, and is being amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the Guidance Note 18 "Share Based Payments" issued by the Institute of Chartered Accountants of India.

12. Contingent liabilities and provisions

Depending upon the facts of each case and after due evaluation of legal aspects, claims against the Company not acknowledged as debts are treated as contingent liabilities. In respect of statutory dues disputed and contested by the Company, contingent liabilities are provided for and disclosed as per original demand without taking into account any interest or penalty that may accrue thereafter. The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. Possible future or present obligations that may but will probably not require outflow of resources or where the same cannot be reliably estimated, has been made as a contingent liability in the Financial Statements.

13. Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue, bonus element in a rights issue to existing shareholders, share split and reverse share split (consolidation of shares). For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

II. Prior period expenditure

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
Income from normal business activity					
Changes in Accounting Policies					
Amortisation of deferred	-	(126)	-	-	-

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
employee compensation					
Gratuity expenses	-	(15)	-	-	-
Total	**-**	(141)			
Other Material Adjustments					
Amortisation of goodwill	(311)	-	-	-	-
Royalty	(40)	**-**	**-**	**-**	**-**
Total	**(351)**	**-**	**-**	**-**	**-**

In the financial statements for the years/period ended March 31, 2010, 2009, 2008, 2007 and 2006, certain items of income/expenses have been identified as prior period items. For the purpose of this statement, such prior period items have been appropriately adjusted in the respective years (Refer A.1, B.1 and B.2 of adjustments).

III. Adjustments, net of tax :

(Rs. in Lakhs)

Particulars	Note	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31-Mar-2006
Changes in Accounting Policies						
Provision for gratuity	A.1	**-**	15	(6)	(1)	2
Provision for leave encashment	A.1	**-**	13	39	(18)	-
Tax impact		-	**-**	**-**	-	**-**
Total		-	**28**	**33**	**(19)**	**2**
Other material adjustments						
Amortisation of goodwill	B.1	311	**-**	**-**	(311)	**-**
Employee stock option expenses	B.2	**-**	126	(93)	(33)	-
Provision for doubtful debts/ Bad debts recovered	B.3	(321)	903	(230)	(218)	(130)
Brand usage fee	B.4	40	(10)	(10)	(10)	(10)
Arrears of salaries paid	B.5	-	**-**	44	(44)	-
Works Contract Tax	B.6	713	**-**	(3)	(46)	(283)
Tax impact on account of adjustments	B.7	(147)	(356)	(99)	153	98
Total		**596**	**663**	**(391)**	**(509)**	**(325)**

D. Changes in Accounting Policies

2. Provision for leave encashment and gratuity

During the year ended March 31, 2009, the Group changed its accounting policy with regards to provision for leave encashment and gratuity. The same were made on the basis of actuarial valuation in compliance of the Accounting Standard – 15(R) for the year ended March 31, 2010, which was earlier accounted for on cash basis. Accordingly, provision for leave encashment and gratuity have been recomputed on actuarial valuation basis for each preceding year and consequently the adjustments have been made in the expense for leave encashment and gratuity for the concerned prior years. Further, the opening balances of Profit and loss account as at January 1, 2005 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule V of Annexure IX.

E. Other material adjustments

1. Amortization of goodwill

During the year ended March 31, 2007, the Company had purchased the operation of I-Ven Water Treatment Technologies Limited for a consideration of Rs. 428 lakhs, which resulted in goodwill of Rs.1,556 lakhs. The company has adopted a policy to amortise goodwill over a period of 5 years only from the year ended March 31, 2008. However considering the fact that no tangible benefit could be assessed to substantiate the deferment of the amortisation of goodwill from the year ended March 31, 2008, adjustments have been made to summary statement of profit and loss for the goodwill portion to be amortised commencing from the year ended March 31, 2007 and the same has been expensed off during the year ended March 31, 2010. The carrying value of goodwill has also been regrouped and disclosed as intangibles in the statement of assets and liabilities, as restated.

2. Employee stock option scheme

The Company, during the year ended March 31, 2007, adopted the "ESOP 2006" (the "Plan"). The Company recognized the employee compensation cost, measured using the intrinsic value, in accordance with Guidance Note 18 on "Employee Share-based payments" issued by ICAI, during the year ended March 31, 2009. The portion of expenses relating to years ended March 31, 2008 and 2007 have been classified as 'Prior period items in the financials statements. For the purpose of restatement, such expense has been appropriately adjusted in the respective year.

3. Provision for doubtful debts/bad debts

During the year ended March 31, 2009, the Company adopted a debtors provisioning policy where by outstanding debts were provided based on its ageing. Adjustments are made in the restated financials for debts, which were considered doubtful/ written off in the year ended March 31, 2009 and which relate to conditions existing prior to March 31, 2009. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2008. The Company had during the year ended March 31, 2010 recovered dues from debtors written off as bad debts during previous years. The same has been adjusted in the respective years. Further, the opening balances of Profit and loss account as at January 1, 2005 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule V of Annexure IX.

4. Brand usage fee

The Company has been using a brand from April 2005 onwards for which brand usage fee was payable every year. The entire amount has been provided during the year ended March 31, 2010. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2009, 2008, 2007 and 2006.

5. Arrears of salary paid

The Company had paid arrears of salary during the year ended March 31, 2008. For the purpose of restatement, such items have been appropriately adjusted in the respective years.

6. Works contract tax

The Company has during the year ended March 31, 2010 written off part of works contract tax which was accounted as receivable in previous years. Accordingly, adjustments have been made to the summary statement of profits and losses, as restated, for the years ended March 31, 2009, 2008, 2007 and 2006. Similarly in March 31, 2007, the Company has recognised a works contract tax refund which pertains to earlier period. The same has been appropriately adjusted for the purpose of this statement. Further, the opening balances of Profit and loss account as at January 1, 2005 has been appropriately adjusted to reflect the impact of changes pertaining to prior years. Refer schedule V of Annexure IX.

7. Current tax

Income tax refunds/provision:

The Profit and Loss Account of some years include amounts paid/ provided for or refunded/written back, in respect of shortfall/ excess income tax arising out of assessments, appeals etc. which has now been adjusted in the respective years.

Others:

Also, income tax (current tax and deferred tax) has been computed on adjustments made as detailed above and has been adjusted in the restated profits and losses for the years/Period ended March 31, 2010, 2009, 2008, 2007 and 2006 and the balance brought forward in Profit and Loss Account as at January 1, 2005.

C. Non-adjusting items

2. Tax deduction under section 80IA

The Company had been claiming deduction under section 80-IA of the Income tax Act, 1961 from the financial year ended March 31, 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of section 80-IA retrospectively with effect from April 1, 2000 to make it inapplicable to persons having a mere works contract with the Government or Statutory Authority. The Company believes that this amendment is in line with the objective of the Government of incentivizing only a developer of infrastructure facility and not a mere works contractor.

The Company strongly opines that, being a developer of infrastructure carrying out turnkey development contracts starting from the conceptualization to execution assuming significant financial commitment and risks, the Company would be treated as a developer and the amendment would not apply to it. Also based on legal opinion from a Senior Counsel, the Company has filed a writ petition in the High Court of Madras challenging the Constitutional validity of the retrospective amendment.

Accordingly, the amount of tax applicable for the years/period ended prior to April 1, 2009 has been disclosed as contingent liability. The tax amount for these years is as under:

(Rs in Lakhs)

Periods prior to January 01, 2005	1,323
Period ended March 31, 2006	446
Year ended March 31, 2007	23
Year ended March 31, 2008	1
Year ended March 31, 2009	627

However, on a conservative basis, the liability on account of possible denial of deduction prospectively from April 1, 2009 has been fully provided as current tax.

The Company, also based on opinion taken from a professional firm believes that interest under Section 234B on account of the 80IA disallowance discussed above, amounting to Rs. 108,071 thousands as at March 31, 2010 would not be payable as the Jurisdictional High Court rulings are in favor of the company on this aspect and on this basis, the amount of interest has been disclosed as Contingent Liability.

The Company's claim for deduction under Section 80 IA of the Income Tax Act, 1961 for the Assessment Years 2002-03 to 2008-09 has been disallowed by the Income tax authorities in respect of whom the company had preferred an appeal. The claim of the Company has been upheld by CIT (Appeals) for the assessment year 2002-03 to 2005-06. However, the department has gone on appeal and the matter has been referred to the Income Tax Appellate Tribunal (ITAT) for the years 2002-03 to 2004-05. The department has raised a demand for assessment year 2006-07 for Rs.57,849 thousands. The disputed amount is also included in paragraph 'a' as stated above.

IV. Material regrouping:

1. Capital work in progress

The company had incurred expenditure in connection with the acquisition of VA Tech Wabag GmbH, Vienna amounting to Rs.92 lakhs and had grouped the same under capital advances as at March 31, 2007. Since these expenses were subsequently reimbursed by VA Tech Wabag GmbH, Vienna, the same has been classified as dues from subsidiaries under the head Loans and advances in the Summary statement of Assets and Liabilities as restated.

2. Retention

Upto the year ended March 31, 2008, retention money, which is realizable on the satisfactory completion of the project, was included under Advances recoverable in cash or in kind or for value to be received and hence classified as part of Loans and Advances. However, during the year ended March 31, 2009, the same has been classified under the head Sundry Debtors. In the statement of Assets and Liabilities as restated, such retention money amounting to Rs. 3,329 lakhs, Rs. 2,515 lakhs, Rs. 1,458 lakhs lakhs respectively for the years ended March 31, 2008, 2007, and 2006 has been regrouped and disclosed accordingly.

3. Tax adjustments

Upto the year ended March 31, 2008, the Company has disclosed advance income tax paid under 'Loans and advances' and the corresponding tax provisions as per books under 'Provisions'. During the year ended March 31, 2009, these loans and advances were netted off for corresponding provisions. In the statement of Assets and Liabilities as restated, loans and advances amounting to Rs. 1,684 lakhs, Rs. 1,179 lakhs and Rs. 731 lakhs and provisions amounting to Rs. 839 lakhs, Rs. 842 lakhs,and Rs. 806 lakhs, for the years ended March 31, 2008, 2007 and 2006 were netted off and disclosed accordingly.

4. Inter corporate deposits

As at March 31, 2007, inter corporate deposit amounting to Rs.1,000 lakhs, was incorrectly grouped under 'Investments'. The said deposit has now been reclassified under the head Loans and advances in the statement of Assets and Liabilities as restated

V. Profit and loss account as at January 01, 2005 as restated

(Rs in Lakhs)

Particulars	Amount
Profit and loss account as at January 01, 2005	3,141
Changes in accounting policy	
Provision for gratuity	(10)
Provision for leave encashment	(34)
Other material adjustments	
Provision for doubtful debts/ Bad debts recovered	(4)
Reversal of excess tax provision	267
Provision for works contract tax receivable	(381)
Profit and loss account as at January 01, 2005, as restated	**2,979**

VI. Auditors' Qualifications

There are no Audit qualifications, which require any corrective adjustment in the financial information. However other audit qualifications which do not require any corrective adjustment in the financial information are as follows:

Companies (Auditor's Report) Order, 2003

There are delays, which are not serious, in depositing undisputed statutory dues, with regards to R & D cess for the year ended March 31, 2008, 2007 and 2006

VII. Notes to accounts:

3. Contingent liabilities

(Rs. in Lakhs)

	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
Letters of credit established for purchase/import of material and components	3,750	6,258	3,360	3,413	3,672
Bank guarantees established in favour of customers for advance payment, performance guarantee and earnest money deposit	36,537	30,391	15,305	17,698	11,691
Corporate Guarantees issued by the Company on behalf of its subsidiaries					
- For VA Tech Wabag Singapore (Pte) Ltd	-	44,774	44,774	-	-
- For VA Tech Wabag GmbH, Vienna	23,013	2,067	-	-	-
Income tax demand contested in appeal	578	578	753	844	191
Income tax on non deductibility under Section 80IA (Refer Annexure IX (III) (C) (1))	2,419	2,420	1,793	1,792	1,769
Interest u/s 234 B on the tax liability referred above (Refer Annexure IX (III) (C) (1)	1,081	786	603	420	237
Disputed sales tax on appeal	144	389	72	-	-
R & D Cess	-	-	-	-	-

4. Segment reporting

The Company operates in a single segment "Construction and Maintenance of Water and Waste water treatment plants". Therefore, the Company's business does not fall under different business segments as defined by AS-17 'Segment Reporting" under the Companies (Accounting Standards) Rules, 2006.

5. Acquisition of I-Ven Water Treatment Technologies Limited

The Company entered into an agreement and plan of merger with I-Ven Water Treatment Technologies Limited ('IVEN'), a Public Limited Company incorporated under the Indian Companies Act on 01 April 2006. The said merger was duly approved by the High Court of Madras on 26 June 2006 with effect from 01 April 2006. According to the plan of merger,

1. All the assets and liabilities of IVEN shall be deemed to be transferred to Wabag.

2. Separate existence of IVEN shall cease. Wabag shall be the surviving corporation.

3. All the executives, staff, workmen and other employees of IVEN shall become the executives,

staff, workmen and other employees of Wabag.

The total cost of merger was Rs 428 lakhs which was partly paid through issue of equity of shares and partly through issue of preference shares.

The Company has considered the merger to be an amalgamation in the nature of purchase and has accordingly recognized goodwill of Rs 1,556 lakhs being the excess of the purchase consideration paid over the net liabilities assumed of Rs 1,128. The net liabilities of I-Ven Water Treatment Technologies Limited recognised are as follows:

Particulars	**Amount in lakhs**
ICICI Fixed Deposit	982
Prudential ICICI Liquid Fund	31
ICICI Bank IVEN	5
Assets acquired	**1,018**
Loan from Rabo India Finance Pvt limited	2,000
Other liabilities	4
Liabilities assumed	**2,004**
Net third party liabilities assumed	**986**
Receivables from I-Ven Water Treatment Technologies Limited in the books of the Company eliminated	142
Net liability assumed	**1,128**

ANNEXURE X: UNCONSOLIDATED STATEMENT OF ACCOUNTING RATIOS, AS RESTATED

Particulars	Units	As at 31-Mar-2010	As at 31-Mar-2009	As at 31-Mar-2008	As at 31-Mar-2007	As at 31-Mar-2006
Face value per equity shares as restated	Rs.	5	10	10	10	10
Earnings / (loss) per share	Rs.					
Basic earnings / (loss) per share		50.15	27.81	(1.93)	1.86	15.88
Diluted earnings / (loss) per share		49.31	27.34	(1.90)	1.81	15.88
Return on net worth	%	19.35	13.19	(1.02)	1.05	32.09
Net asset value per equity share	Rs.	259	211	189	177	49
Total debt / equity ratio	%	-	5.83	7.11	3.33	56.06
Weighted average number of equity shares outstanding during the year/period		9,355,637	9,345,535	9,046,271	8,025,939	9,183,600
Add: Effect of number of equity shares on issue of ESOP		158,941	160,524	160,647	201,069	-
Total diluted weighted average number of equity shares outstanding during the year/period		9,514,578	9,506,059	9,206,918	8,227,008	9,183,600

Notes:

1. The ratios have been computed as below**:**

Particulars	Details
Basic earnings per share	Net profit/(loss) as restated attributable to equity share holders/Weighted average number of equity shares outstanding during the year/period
Diluted earnings per share (Rs.)	Net profit/(loss) as restated attributable to equity share holders/Diluted Weighted average number of equity shares outstanding during the year/period
Return on net worth (%)	Net profit/(loss) after tax, as restated/ Net worth excluding preference share capital and revaluation reserve.
Net asset value per equity share (Rs.)	Net worth excluding preference share capital & revaluation reserve /Weighted average number of equity shares outstanding during the year/period
Total debt/ equity ratio	Long term debt plus short term debt/ Share holders' funds

2. Share holders' funds represents Equity Share Capital, Preference Share capital and Reserves and Surplus
3. These ratios are computed on the basis of the restated financial statements of the company, which have been prepared on the basis of Indian Accounting Standards
4. EPS has been computed in accordance with the requirements of AS 20.

ANNEXURE XI: RELATED PARTY DISCLOSURES

(a) As per the requirements of Accounting Standard 18 of the Companies (Accounting Standard) Rules, 2006 on Related Party Disclosures, the name of the related parties with the description of the relationships and transactions between the reporting enterprise and its related parties, as identified and certified by the management are:

Particulars	Company name	Percentage of holding
Subsidiary companies	VA Tech Wabag Singapore (Pte) Ltd (since August 14, 2007)	100%
	VA Tech Wabag GmbH, Austria (since November 06, 2007)	100%
	WABAG Wassertechnik AG, Switzerland (since November 06, 2007)	100%
	VA TECH WABAG Deutschland GmbH, Germany (since November 06, 2007)	100%
	VA TECH WABAG Brno Spol S.R.O, Czech Republic (since November 06, 2007)	100%
	Engenharia Hidraulica de Macau, Limitada, Macao (since November 06, 2007)	100%
	WABAG Water Services (Macao) Limited, Macao (since November 06, 2007)	100%
	WABAG Water Services s.r.l, Romania (since November 06, 2007)	100%
	VA TECH WABAG Tunisia s.a.r.l., Tunisia (since November 06, 2007)	100%
	VA TECH WABAG Algeria s.a.r.l., Algeria (since November 06, 2007)	100%
	VA TECH WABAG (Gulf) Contracting LLC, Dubai (since 06 December 2007)	49%
	VA TECH WABAG (Hong Kong) Limited (since 26 May 2009)	100%
	Beijing VA Tech Wabag Water Treatment Technology Company Limited, China	100%
Associates	Winhoek Goreangab Operating Company Limited, Namibia (since November 06, 2007)	33%
Key Managerial Personnel	Mr. Rajiv Mittal - Managing Director	
	Mr. S Varadarajan	
	Mr. Shiv Narayan Saraf	
	Mr. Amit Sen Gupta	
	Mr. Patrick Andrade (from 01 Apr 2007)	
	Mr.K.N.Gokhale (from 01 Apr 2009)	

(b) The following transactions were carried out with related parties

(Rs. in Lakhs)

Particulars	Subsidiaries				
	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
i) Sales and other income		-	3	38	64
ii) Engineering services received	296	597	-	-	271

Particulars	Subsidiaries				
	Year ended 31-Mar-2010	**Year ended 31-Mar-2009**	**Year ended 31-Mar-2008**	**Year ended 31-Mar-2007**	**For the period from 01-Jan-2005 to 31- Mar-2006**
iii) Expenses paid	334	132	-	25	191
iv) Reimbursement of expenses receivable		-	-	24	-
v) Payment of brand usage fee	45				
vi) Purchase of brand	155				
vii) Investment purchased	125	523	16	-	-

(c) Balance at the end of the year

(Rs. in Lakhs)

Particulars	Subsidiaries				
	As at 31-Mar-2010	**As at 31-Mar-2009**	**As at 31-Mar-2008**	**As at 31-Mar-2007**	**As at 31-Mar-2006**
i) Investments	540	540	16	-	-
ii) Advances/amount recoverable					
- Subsidiaries	966	852	1,830	25	26
- KMP	18	28	-	-	-
iii) Creditors/payables	204	264	29	-	11

(d) Key managerial personnel

The aggregate managerial remuneration payable to the key managerial personnel is:

(Rs. in Lakhs)

	Year ended 31-Mar-2010	**Year ended 31-Mar-2009**	**Year ended 31-Mar-2008**	**Year ended 31-Mar-2007**	**For the period from 01-Jan-2005 to 31- Mar-2006**
(a) Salary and allowances	294	149	137	64	67
(b) Estimated value of benefits in cash or in kind provided	3	6	4	89	24
(c) Contribution to provident and other funds*	22	18	4	4	4

*The amount excludes the Company’s contribution/provision for gratuity for the year, which is determined periodically on actuarial basis for all the employees of the Company

ANNEXURE XII: UNCONSOLIDATED STATEMENT OF TAX SHELTER AS AT MARCH 31, 2010

(Rs. in Lakhs)

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
Net Profit/(Loss) before tax, as restated	7,547	3,134	(75)	319	1,042
Income tax rates applicable	33.99%	33.99%	33.99%	33.66%	34.25%
Tax at Notional rates	**2,565**	**1,065**	**(25)**	**107**	**357**
Adjustments:					
Timing Differences					
Provision for anticipated future loss	(115)	165	1	(72)	-
Provision for liquidated damages	196	584	(56)	77	-
Provision for warranty	(33)	30	24	(110)	-
Provision for leave encashment	22	17	1	11	-
Provision for cost	47	255	-	-	-
Provision for doubtful debts	455	(103)	78	74	-
Provision for gratuity	(8)	3	2	-	-
Depreciation	37	(22)	(5)	3	-
Unrealized foreign exchange fluctuations	-	-	-	-	-
Others	-	(25)	(42)	(115)	-
Permanent Differences					
Goodwill written off	106	106	106	106	-
Reduced tax on short term capital gains	-	-	(17)	-	-
ESOP amortisation	32	32	32	11	-
Profit exempt u/s 80 IA	-	(892)	-	(23)	-
Impact of MAT	-	-	-	-	(373)
Interest under 234 B and 234C	156	-	-	-	-
Others	(4)	4	1	-	-
Net Adjustments	**891**	**154**	**125**	**(38)**	**(373)**
Tax payable for the period/year	**3,456**	**1,219**	**100**	**69**	**(16)**

ANNEXURE XIII: DETAILS OF RATES OF DIVIDEND, AS RESTATED

Particulars	Year ended 31-Mar-2010	Year ended 31-Mar-2009	Year ended 31-Mar-2008	Year ended 31-Mar-2007	For the period from 01-Jan-2005 to 31- Mar-2006
Class of shares					
Face Value (Rs./Share)	5	10	10	10	10
Equity Share Capital (Rs. in Lakhs)	468	415	415	397	408
Face Value (Rs./Share)	-	-	-	10	-
Preference Share Capital (Rs. in Lakhs)	-	-	-	483	-
Dividend (%)	-	-	-	-	230
Dividend (Rs. in Lakhs)	-	-	-	-	939
Dividend tax (Rs. in Lakhs)	-	-	-	-	132

ANNEXURE XIV: UNCONSOLIDATED CAPITALIZATION STATEMENT, AS RESTATED

(Rs. in Lakhs)

Particulars	Pre-Issue	Post-Issue*
Long term debt	-	-
Short term debt	-	-
Total debt	-	-
Share holders' funds		
Equity share capital	468	-
Reserves as restated		
Securities Premium account	12,671	-
Profit and Loss account	10,445	-
Other Reserves and Surplus	670	-
Total Shareholders' funds	24,254	-
Long term debt/ Share holders' funds	-	-
Total debt/ Share holders' funds	-	-

***Notes:**

1. Long term debts represents debt other than short term debt, as defined above.
2. The figures disclosed above are based on the summary statement of assets and liabilities, as restated of the Company as at March 31, 2010.
3. The corresponding post issue figures are not determinable at this stage pending the completion of the book building process and hence have not been furnished.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of our financial condition and results of operations together with our restated consolidated financial statements including the notes thereto and the examination reports thereon, which appear elsewhere in this Red Herring Prospectus. This discussion contains forward-looking statements and reflects our current views with respect to future events and financial performance. Actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors such as those set forth in the section "Risk Factors", which discusses a number of factors and contingencies that could impact our financial condition and results of operations.

Our Company acquired Wabag Austria in November 2007. Accordingly, the financial condition and results of operations of our Company discussed below for the years ended March 31, 2008, 2009 and March 31, 2010 include the financial results of Wabag Austria and its subsidiaries from November 6, 2007.

Unless otherwise indicated, references in this discussion and analysis to our results of operations or financial condition for a specified year are to our financial year ended March 31 of such year. In this section, any reference to "we", "us", "our", unless the context otherwise implies, refers to our Company and its Subsidiaries on a consolidated basis.

Overview

We are a multinational player in the water treatment industry with market presence in India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia through our principal offices in India, Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and Macao. We are headquartered in Chennai and conduct our global operations through our Subsidiaries and branch and representative offices. We share strategic and technical expertise across our Subsidiaries that, we believe, allows research, operational and marketing synergies.

We offer complete life cycle solutions including conceptualization, design, engineering, procurement, supply, installation, construction and O&M services. We provide a range of EPC and O&M solutions for sewage treatment, processed and drinking water treatment, effluents treatment, sludge treatment, desalination and reuse for institutional clients like municipal corporations and companies in the infrastructure sector such as power, steel and oil and gas companies. As on July 31, 2010, our Company has executed 113 projects and is currently executing 81 projects.

We are technology focussed. We have R & D centres located in Chennai, India and at Vienna and Winterthur in Austria and Switzerland respectively. Wabag Austria and Wabag Wassertechnik own 157 patents which include both process and product patents. Wabag Austria has also applied for 51 patents that are pending. As at July 31, 2010, we had a workforce of approximately 1,469 including 757 qualified engineers while our Company had a workforce of 754 including 588 qualified engineers. Bureau Veritas has certified our Indian operations as ISO 9001: 2008. Bureau Veritas has certified Austria, Germany, Switzerland, the Czech Republic, Romania and Macao as ISO 9001; Austria, Germany, Romania and Macao as ISO 14001; Austria, Germany and Romania as OHSAS 18001; and Austria as ÖNORM.M7812.

We benefit from our association with the Wabag brand name. In 2007, our Company acquired Wabag Austria and hence took over the Wabag group. The Wabag group was founded in 1924. We have a project reference list of more than 2,250 projects over the last three decades. For further details please see the section titled "History and Certain Corporate Matters" on page 168. Our association with the Wabag brand name facilitates our entry into newer markets and helps us to pre-qualify for our projects.

For the year ended March 31, 2010, our consolidated income and total restated profit after tax was Rs. 1,23,376 lakhs and Rs. 4,939 lakhs, respectively, compared to our consolidated income and total restated profit after tax of Rs. 1,15,495 lakhs and Rs. 4,222 lakhs, representing an increase of 7% and 17%, respectively.

For the year ended March 31, 2010, our Company's income and total restated profit after tax was Rs. 70,766 lakhs and Rs. 4,692 lakhs, respectively, compared to our Company's income and total profit after tax of Rs. 57,354 lakhs and Rs. 2,599 lakhs, representing an increase of 23% and 81%, respectively.

Significant Developments after March 31, 2010

Subsequent to March 31, 2010, during the first quarter of operations, our Company has experienced decrease in income from operations and increase in employee costs, which has impacted our results of operations.

As disclosed on page 293 of the Red Herring Prospectus, VA Tech Wabag Deutschland GmbH had preferred claim No. 15334/FM/GZ against Regia Autonoma Judeteana de Apa Constanta ("Regia"), later succeeded by S.C. Raja S.A. ("Raja") (collectively, the "Respondent") for a sum of EUR 3,343,325.10 along with fees and penalties in accordance with the yellow book of the International Federation of Consulting Engineers ("FIDIC") before the International Chamber of Commerce, Paris on December 18, 2009. The case was posted for final hearing on September 15, 2009 at Bucharest by a procedural order of the arbitral tribunal dated July 28, 2009, when VA Tech Wabag Deutschland GmbH accepted a reduction in the claim amount to EUR 3,059,380.30 and the costs of the arbitral proceedings. Wabag Austria further reduced the claim amount to EUR 1,669,823 and the costs of the arbitral proceedings on November 11, 2009 pursuant to receipt of some payments from Regia. By an order dated June 25, 2010, the arbitral tribunal has upheld as lawful the invocation of the performance guarantee by Raja for the amount of EUR 1,599,112 and has held each of the parties liable to bear the costs of the arbitration to the extent of 50%. The arbitral tribunal has held Raja liable to pay VA Tech Wabag Deutschland GmbH a sum of EUR 97,711.36 in respect of the execution of performance security by the Respondent and EUR 75,743.02 as default interest. The total liability of VA Tech Wabag Deutschland Gmbh is estimated at Euro 1,599,112 in addition to the cost of the arbitration to the extent of 50%, which amounts to $117,500. Pursuant to the order of the arbitral tribunal, Euro 1,599,112, which was earlier accounted as receivable by VA Tech Wabag Deutschland Gmbh will now be charged to the Profit & Loss Account and Euro 97,711.36 will be recovered from the Respondent.

Further, on August 12, 2010, our Company has issued 1,84,192 Equity Shares pursuant to ESOP Scheme 2006 at an issue price of Rs. 185.44 per Equity Share. For details please see the section titled "Capital Structure" on page 70.

Except as stated above and otherwise stated in this Red Herring Prospectus, to our knowledge, no circumstances have arisen since March 31, 2010 the date of the last financial statements contained in this Red Herring Prospectus, which have materially and adversely affected or are likely to affect our business, results of operations, profitability, the value of our assets or our ability to pay our material liabilities within the next 12 months.

Basis and Method of Preparation of Consolidated Financial Statements

The consolidated financial statements of our Company ("Consolidated Financial Statements") are prepared in accordance with Accounting Standard – 21 on "Consolidated Financial Statements" ("AS– 21"), Accounting Standard – 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" ("AS – 23") and Accounting Standard 27 – Financial Reporting of Interests in Joint Ventures ("AS – 27") prescribed by the Companies (Accounting Standards) Rules, 2006. Consolidated Financial Statements comprise the financial statements of our Company, its subsidiaries, associates and integrated joint ventures. The financial statements of our Company have been prepared by applying the equity method of accounting for investee companies in which we hold between 20% and 50% of the equity share capital. The year end inter-company transactions and accounts are eliminated upon consolidation.

Interests in integrated joint ventures have been accounted for in accordance with the proportionate consolidation method as per AS – 27. The proportionate consolidation method under AS – 27 requires the investing company to include its share of assets and liabilities as well as income and expenses in the joint venture in its financial statements. The year end balances and the common transactions with the integrated joint ventures are eliminated to the extent of our Company's share in integrated joint ventures. Our Company holds 49% equity and controls 100% benefit in a joint venture, VA Tech Wabag (Gulf) Contracting LLC. Accordingly, this joint venture is treated as a subsidiary and our Company has carried out line by line consolidation.

Accounting under Section 80-IA of the I.T. Act, 1961

Our Company has been claiming deduction under section 80-IA of the I.T. Act, 1961 since Fiscal 2002 as a developer of infrastructure projects in India. The Finance Act 2009 amended the provisions of section 80-IA retrospectively with effect from April 1, 2000 to make it inapplicable to works contract with the Government or a statutory authority. Our Company believes that this amendment is in line with the objective of the Government in incentivizing only a developer of infrastructure facility and not a mere works contractor.

Our Company believes that, being a developer of infrastructure carrying out turnkey development contracts starting from the conceptualization to execution assuming significant financial commitment and risks, our Company would be treated as a developer and the amendment would not apply to it. Further, based on the legal opinion from a Senior Counsel, our Company has filed a writ petition in the High Court of Madras challenging the constitutional validity of the retrospective amendment. For further details, please see the section titled "Outstanding Litigation and Material Developments" on page 285.

Accordingly, the amount of tax applicable for the years/period ended prior to April 1, 2009 has been disclosed as contingent liability. The tax amount for these years is as under:

(In Rs. lakhs)

Periods prior to April 1, 2007	1,792
Year ended March 31, 2008	1
Year ended March 31, 2009	627

However, on a conservative basis, the liability on account of possible denial of deductions prospectively from April 1, 2009 amounting to Rs. 3,310 lakhs has been fully provided as current tax of our Company.

Factors Affecting Results of Operations

Set forth below is a discussion of some of the important factors affecting our results of operations:

Our execution capabilities. Maintaining execution and operating costs at a competitive rate is crucial to the profitability of our business. Our business operations may be materially and adversely affected by severe adverse weather conditions, which may require us to evacuate personnel or curtail services and may result in damage to a portion of facilities, resulting in the suspension of operations. In addition, such weather may prevent us from delivering materials to our jobsites in accordance with contract schedules or generally reduce our productivity. Our operations may also be adversely affected by other factors such as labour shortages or labour unrest as well as a shortfall or non-availability of raw materials. We record revenues for those stages of a project that we complete, after we receive certification from the client that such stage has been successfully completed. During periods of curtailed activity due to any reason, we may continue to incur operating expenses, but our revenues from operations may be delayed or reduced. Our Subsidiaries recognise revenue for those stages of a completed project based on cost incurred by adding proportionate element of gross margins as per the latest BOQ of the project and the estimated cost for completion of the project. Our Company and our Subsidiaries follow the percentage of completion method in terms of the applicable accounting standards for revenue recognition.

Customer mix. As of the date of this Red Herring Prospectus, we generate a substantial portion of our income from municipal corporations as well as other Government owned or Government controlled entities. We also derive significant income from industrial clients especially in the steel, power and oil and gas sectors. The Government's focus on and sustained increase in budgetary allocation for the infrastructure sector in India, increased funding by international and multilateral development financial institutions and a robust economy contribute in driving the demand from municipal and industrial clients. Our ability to benefit from the considerable investments proposed in social growth and continued industrial development in the medium and long term and to avoid any downturns in the sectors will be key to our results of operations.

Technology and process innovation: We are technology focussed and our principal expertise is technology and we sub-contract the civil and erection works of our projects. Hence, any inability to innovate or evolve technology in response to changes in the market could our impact our financial condition and our results of operations could be adversely affected.

Our bidding capability. Contracts in the water engineering industry involve pre-qualification of interested companies based on their technical and financial strengths. Pre-qualifications obtained in the past play an important role in allowing companies to bid for new projects. Further, the ability to strategically partner with other players will also determine our success in being awarded projects for which we bid. Our project management capability will also affect our financial condition and operations.

Key cost drivers. The key components of our costs of sales and service include the following four main items of cost:

- Material costs;
- Civil costs;
- Other project expenses; and
- Salaries, wages and bonuses.

Our project execution requires various raw materials including steel and cement, components and services. Our ability to pass on increases in the purchase price of raw materials, components, services and other project expenses may be limited in the case of lumpsum turnkey and item rate contracts or contracts with limited price escalation provisions. Under the terms and conditions of turnkey contracts, we generally agree to provide services for the part of the project contracted to us for a fixed price, subject to contract variations pursuant to changes in the client's project requirements. A majority of our municipal projects in India and a significant number of our municipal projects outside India are performed under turnkey contracts that have price escalation clauses linked to published price indices of the governments of the respective countries. A majority of our projects for industrial customers are performed under turnkey contracts that contain no price escalation clause covering increases in the cost of raw materials. Our actual expense in executing a turnkey or item rate contract may vary substantially from the assumptions underlying our bid for several reasons, including unanticipated increases in material costs, civil costs, other project expenses such as availability of energy and an increase in price of energy, unforeseen construction conditions, including inability of the client to obtain requisite environmental and other approvals, delays caused by local weather conditions and suppliers' or subcontractors' or joint venture contractors' failures to perform their obligations under their respective contracts and agreements. Unanticipated increases in material costs, civil costs and other project expenses not taken into account in our bid and delays in performing parts of the contract can have compounding effects by increasing the costs of performing other parts of the contract. These variations and the risks generally inherent to the construction industry may result in our profits being different from those originally estimated and may result in our experiencing reduced profitability or losses on projects.

Changes in government policies and regulations. We currently have operations and staff located across India, the Middle East, North Africa, Central and Eastern Europe, China and South East Asia. Consequently, we are subject to the jurisdiction of a number of tax authorities and regimes. The revenues recorded and income earned in these various jurisdictions are taxed on differing bases, including net income actually earned, net income deemed earned and revenue-based tax withholding. The final determination of our tax liabilities involves the interpretation of local tax laws in each jurisdiction as well as the significant use of estimates and assumptions regarding the scope of future operations, results achieved and the timing and nature of income earned and expenditures incurred. In India, we have claimed certain tax credits under section 80-IA of the I.T.Act relating to our projects, which decrease our effective tax rates compared to the statutory tax rates. For details in relation to the credits claimed and the amendment to section 80-IA, please see the section titled "Financial Statements" on page 204 and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operation – Accounting under Section 80-IA of the I.T. Act, 1961" on page 262. Our operations are also subject to extensive health, safety and environmental legislation and the requirements under these regulations differ for our operations in different jurisdictions. Further changes in our operating environment, including changes in any of the taxes levied by governments or removal of tax concessions, exemptions or incentives, or orders by tax authorities that we are ineligible for any of them, could adversely affect our financial condition and results of operations.

Investment and performance in new projects. We plan to make significant investments in a number of new projects over the next several years, including projects on a BOOT, DBO and TOT basis and other projects that we may win following competitive bids. If the development of these projects costs substantially less than what we have budgeted, or if we are able to complete these projects ahead of schedule, our financial condition and earnings could improve. Conversely, if we are unable to complete these projects in accordance with our budgets, or if the completion of these projects is delayed or, once completed, these projects do not operate profitably, our financial condition and results of operations could be adversely affected.

Competitive environment. We compete against various engineering and construction companies. Our competition varies depending on the size, nature and complexity of the project and on the geographical region in which the project is to be executed. In selecting contractors for major projects, clients generally limit the tender to contractors they have pre-qualified based on several criteria, including experience, technological capability, capacity, performance, reputation for quality, safety record and financial strength and the size of previous contracts executed in similar projects, although the price competitiveness of the bid is usually the most important selection criterion. Pre-qualification is key to our winning major projects.

Changes in interest and foreign exchange rates. Our business requires a significant amount of working capital and we may need to incur indebtedness in the future to satisfy our working capital needs depending upon the terms of payment of the contract. Our working capital requirements are also affected by the credit that we extend to our customers, in line with industry practice. All of these factors have resulted, or may result, in increases in the amount of our short-term borrowings from time to time. Our borrowings from banks are subject to changes in interest rates depending on market conditions. We also face exchange rate risk owing to our income in currencies other than the Indian Rupee, or our expenditure in currencies other than the Indian Rupee which are subject to fluctuations against the Indian Rupee depending on market conditions. In case of our contracts for overseas projects, our expenditure in currencies other than our contract currency or currencies are subject to fluctuations in the cross currency exchange rates. This also includes fluctuations due to difference in timing between the receipt and payment of income and expenditure in a particular currency. Currently, our contracts for overseas projects are predominantly in US Dollars or Euros for the offshore portion (generally greater than 75%) of the contract while the remaining onshore portion of the contract will be in the local currency. In case of Indian contracts, our income is in Indian Rupees while our expenditure is also significantly in Indian Rupees. For expenditures against Indian contracts in foreign currencies, we sometimes hedge the risk of forex fluctuation through forward contracts.

***Dependence on government policy and regulation towards infrastructure*.** The growth of the infrastructure industry in India and, consequently our business to an extent is dependent on budgetary allocation and increasing spending in the infrastructure sector. Changes in Government policy and support for the infrastructure sector will affect our growth prospects and results of operations. Further, the trend is towards increasing private participation to develop water infrastructure in many countries. If we are unable to successfully bid for and win such contracts, our financial condition and results of operations could be adversely affected.

Critical Accounting Policies

Our Company's consolidated financial statements are prepared on an accrual basis, in accordance with Indian GAAP as prescribed by the Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Companies Act. The preparation of our Company's financial statements in conformity with Indian GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, our Company evaluates and re-evaluates its estimates, makes technical and other assumptions which are based on available information, industry standards, economic conditions and various other assumptions. The results of these evaluations and re-evaluations form the basis for our Company's judgments about the carrying values of its assets and liabilities and the reported amounts of its revenues and expenses. Actual results may differ from these estimates and these estimates could differ under different assumptions. The difference between the actual results and the estimates are recognised in the period in which they are determined. For details in relation to critical accounting policies that are relevant to our Company's business and operations and changes in accounting policies in the past three years, please see the section titled "Financial Statements" on page 204.

Results of Operations

The following table sets forth select financial data from the profit and loss account of our consolidated financial statements, for the Fiscals 2010, 2009 and 2008, the components of which are also expressed as percentages of the total income for such periods.

	Year ended March 31,					
	2010		2009		2008	
	Amount in Rs. lakhs	% of Total Income	Amount in Rs. lakhs	% of Total Income	Amount in Rs. lakhs	% of Total Income
INCOME						
Income from Operations	1,22,374	99.19%	1,13,328	98.12%	61,089	98.02%
Other Income	1,002	0.81%	2,167	1.88%	1,231	1.98%
Total income	**1,23,376**	**100.00%**	**1,15,495**	100.00%	**62,320**	100.00%
EXPENDITURE						
Cost of sales and services	84,632	68.60%	83,332	72.15%	49,149	78.87%
Employee costs	16,744	13.57%	15,554	13.47%	6,180	9.92%
General, selling and administrative expenses	9,870	8.00%	8,298	7.18%	3,999	6.42%
Interest and finance charges	2,990	2.42%	3,537	3.06%	1,440	2.31%
Depreciation and amortization	1,389	1.13%	844	0.73%	528	0.85%
Total expenditure	**1,15,625**	**93.72%**	**1,11,565**	96.60%	**61,296**	98.36%
PROFIT BEFORE TAX AND PRIOR PERIOD EXPENDITURE*	**7,751**	**6.28%**	**3,930**	3.40%	**1,024**	1.64%
Amortisation of goodwill	(311)	(0.25%)	-	-	-	-
Amortisation of deferred employee compensation	-	-	(126)	(0.11%)	-	-
Gratuity expenses	-	-	(15)	(0.01%)	-	-
Profit before tax and extraordinary items	7,440	6.03%	**3,789**	3.28%	**1,024**	1.64%
PROVISION FOR TAX						
Current tax	3,584	2.90%	1,108	0.96%	306	0.49%
Deferred tax	(549)	(0.44%)	(754)	(0.65%)	(115)	(0.18%)
Fringe benefit tax	-	-	47	0.04%	34	0.05%
MAT credit entitlement	-	-	-	-	(122)	(0.20%)
PROFIT BEFORE EXTRAORDINARY ITEMS	**4,405**	**3.57%**	**3,388**	2.93%	**921**	1.48%
Extraordinary items (net of tax)	-	-	-	-	-	-
PROFIT AFTER EXTRAORDINARY ITEMS BEFORE MINORITY INTEREST	-	-	**3,388**	2.93%	**921**	1.48%
Share of profit/ (loss) from Associate	69	0.06%	106	0.09%	(6)	(0.01%)
Minority interest	-	-	(7)	(0.01%)	(32)	(0.05%)
Net profit before adjustments	**4,474**	**3.63%**	**3,487**	**3.02%**	**883**	**1.42%**
Adjustments, Net of Tax: (Refer Annexure IX (III)) a) Changes in accounting policies	**0**	**-**	**28**	**0.02%**	**33**	**0.05%**
b) Other material adjustments	**465**	**0.38%**	**707**	**0.61%**	**(373)**	**(0.60%)**
Net profit as restated	**4,939**	**4.00%**	**4222**	**3.66%**	**543**	**0.87%**

Prior Period Expenditure

We accounted for prior period item of Rs. 141 lakhs in Fiscal 2009, consisting of Rs. 126 lakhs in respect of deferred employee compensation and Rs. 15 lakhs in respect of gratuity expense. Goodwill of Rs. 1,556 lakhs was written off by our Company and the impact was spread over a period of five years. Out of the total goodwill of Rs. 1,556 lakhs to be written off, an incremental impact of Rs. 311 lakhs was taken in Fiscal 2010 upon the change in the first year of write-off from Fiscal 2008 to Fiscal 2007, in order that the amortization would be completed by Fiscal 2011.

Our total income consists of income from operations and other income.

Income from Operations

Our income from operations consists of income from contract revenue on EPC contracts and O&M operations. The contract revenue on EPC contracts are turnkey in nature with design, engineering, procurement, construction, erection and commissioning as part of the scope of work. Our operating income from EPC contracts is recognised in accordance with the percentage of completion method in terms of the applicable accounting standards. In case of the income from O&M operations, we recognise the revenue on an annualised basis. Our revenue from EPC operations as a percentage of total income was 93%, 89% and 83% our revenue from O&M operations as a percentage of our total income was 7%, 11% and 17%, in Fiscals 2008, 2009 and 2010 respectively.

Other Income

Our other income primarily includes interest/ dividend on other investments, recovery of amounts receivable which were written off in the previous year for one of our projects, profit on sale of investments, net exchange gain/loss difference, management fee and miscellaneous income.

Expenditure

Our total expenditure primarily consists of costs in relation to sales and services, employees' remuneration and benefits, selling, general and administrative expenses, interest and finance charges and depreciation and amortization.

Costs of Sales and Services

Costs are primarily in relation to EPC and O&M, subcontracting expenses and other construction cost, transportation, hire, site related operating expenses, including power and fuel expenses, repairs and maintenance, warranty expenses and liquidated damages. Sub-contract charges include charges paid to sub-contractors with whom we have contracted a part of our project responsibilities, including equipment, materials and labor associated with the sub-contracted portion of the project.

Employees remuneration and benefits

Expenses in relation to employees' remuneration and benefits include salaries and wages, bonus, provisions for gratuity, contribution to provident fund, employee stock options and welfare expenses.

Selling, general and administrative expenses

General administrative expenses primarily include stationary expenses, postage expenses, communication expenses, business promotion expenses, rent expenses, rates and taxes, professional charges, director's fees, auditor's remuneration, sales commission, warranty expenses, conversion and translation difference, loss on sale of assets, miscellaneous expenses, computer maintenance and development expenses, bank charges, donations, provision for doubtful debts and bad debts written off.

We have a policy for provisioning of receivable (our "Receivables Policy") whereunder we create a provision for individual receivables when objective evidence is received that a specific counterparty will default. In addition to this, receivables that do not have objective evidence of default are reviewed for provision in groups based on the period they have remained past due. The percentage of provision is based on recent historic default rates for each identified group.

Interest and finance charges

Interest and finance charges include interest expenses (primarily on working capital loans), guarantee commission, letter of credit charges and other bank charges. The interest expenditure is primarily for bank borrowings and finance charges in the nature of cost of performance and advance bank guarantees provided to the customer and processing fees of banks for providing credit lines.

Depreciation and Amortization

Depreciation and amortization expenses primarily consist of depreciation/amortisation on the fixed assets of our Company which primarily includes plant and machinery, office equipments, computers, furniture and fixtures, vehicles and software. Amortization expenses primarily include amortization of goodwill.

Provision for Tax

Income taxes are accounted for in accordance with Accounting Standard – 22 on "Accounting for Taxes on Income" ("AS-22"), prescribed under the Companies (Accounting Standards) Rules, 2006. Our Company provides for current tax as well as deferred tax and fringe benefit tax, as applicable.

Provision for current taxes is made at the current tax rates after taking into consideration the benefits available to our Company under the provisions of the I. T. Act.

Deferred tax arises from the timing differences between book profits and taxable profits that originate in one period and are capable of reversal in one or more subsequent periods and is measured using the tax rates and laws applicable as of the date of the financial statements. Our Company provides for deferred tax liability on such timing differences subject to prudent considerations in respect of deferred tax assets.

Minority Interest

Minority interest is that part of the results of operations and of the assets of a subsidiary which is attributable to 'interests' which are not owned by our Company, either directly or indirectly through our Subsidiaries.

Results of Operations on a consolidated basis

Our Company acquired Wabag Austria in November 2007. The results of Wabag Austria and its subsidiaries have been consolidated with the results of our Company only from the date of the completion of the acquisition of Wabag Austria on November 6, 2007.

The consolidated results of operations for Fiscal 2008 include results of operations of Wabag Austria and its subsidiaries from November 6, 2007 to March 31, 2008 and the results of operations of our Company for Fiscal 2008. The consolidated results of operations for Fiscal 2009 include the results of operations for Wabag Austria and its subsidiaries and our Company for Fiscal 2009. As such, a meaningful comparison of Fiscal 2008 and Fiscal 2009 is not possible.

Fiscal 2010 compared to Fiscal 2009

Income. Our total income increased by 7% to Rs. 1,23,376 lakhs in Fiscal 2010 from Rs. 1,15,495 lakhs in Fiscal 2009 due to higher revenue from EPC and O&M contracts to Rs.1,22,374 lakhs in Fiscal 2010 from Rs.1,13,328 lakhs in Fiscal 2009. Out of Rs. 1,23,376 lakhs of our total income in Fiscal 2010, Rs. 1,22,374 lakhs was attributable to income from operations, whilst Rs. 1,002 lakhs was attributable to other income. The increase in income is primarily due to an increase in our Company's order book in Fiscals 2009 and 2008, enabling higher volume of income from operations during Fiscal 2010. The higher income, primarily from operations, of our Company is from projects executed for Kerala Water Authority, an Indian steel plant, Damodar Valley Corporation and Delhi Jal Board.

Income from Operations. Our income from operations increased by 8% to Rs. 1,22,374 lakhs in Fiscal 2010 from Rs. 1,13,328 lakhs in Fiscal 2009 primarily due to an increase in the revenue from EPC and O&M contracts and execution of larger contracts. The increase in income from operations is mainly due to large order booking in Fiscals 2009 and 2008 enabling higher volume during Fiscal 2010. The higher income, primarily from operations, of our Company is from projects executed for Kerala Water Authority, an Indian steel plant, Damodar Valley Corporation and Delhi Jal Board.

Other Income. Our other income reduced by 54% to Rs. 1,002 lakhs in Fiscal 2010 from Rs. 2,167 lakhs in Fiscal 2009 primarily due to a decrease of Rs. 754 lakhs in income from interest on fixed deposits, and decrease of Rs. 856 lakhs in exchange gains partly offset by Rs. 321 lakhs bad debts recovered in Fiscal 2010 and by Rs.124 lakhs increase in other incomes. Lower income from interest on deposits is due to lower interest rates prevailing in the market during the year both in India and overseas. Due to the strengthening of local currencies against the Euro and USD during the year, there was a net foreign exchange loss incurred by our Company. Consistent efforts by our Company led to the collection of the debts written off. Increase in other income is also due to additional income from the sale of excess leftover material.

Expenditure. Along with the increase in our total income, our total expenditure also increased by 4% to Rs. 1,15,625 lakhs in Fiscal 2010 from Rs. 1,11,565 lakhs in Fiscal 2009. This was mainly on account of costs of sales and services, employee costs, contract charges, selling, general and administrative expenses, direct expenses, administrative expenses and depreciation. Our Company further improved its efficiency in its procurement and project management and controlled other project costs well to improve the contribution margin as a percentage of the total income in Fiscal 2010 over Fiscal 2009.

Costs of Sales and Services. Our costs of sales and services increased by 2% to Rs. 84,632 lakhs in Fiscal 2010 from Rs.83,332 lakhs in Fiscal 2009 primarily due to the increase in expenses towards material costs corresponding to an increase in our turnover. Costs of sales and services as a percentage of total income decreased to 68.60% in Fiscal 2010 from 72.15% in Fiscal 2009 due to a decrease in price of key raw materials like steel and cement. Further, in Fiscal 2010, our Company executed larger municipal projects and as well as sourced the materials and services more efficiently. This accompanied by improved project management resulted in lower direct costs in execution of projects like the Delhi Jal Board in Keshopur, Kondli and Dwaraka. The cost of sales and service in the O&M business in India also decreased significantly in Fiscal 2010 with better operation and control of the projects executed.

Employee costs. Expenses in relation to employees' remuneration and benefits increased by 7.7% to Rs. 16,744 lakhs in Fiscal 2010 from Rs. 15,554 lakhs in Fiscal 2009 primarily due to increase in the number of employees and the increments awarded to the employees of our Company. The employee cost as a percentage of total income is almost at same levels at 13.57% in Fiscal 2010 against 13.47% in Fiscal 2009.

Selling, general and administrative expenses. Commensurate with the increase in our income from operations, our selling, general and administrative expenses increased by 18.94% to Rs. 9,870 lakhs in Fiscal 2010 from Rs.8,298 lakhs in Fiscal 2009 primarily due to an increase in Bad debts and provision for bad debts to Rs.1,932 lakhs in Fiscal 2010 from Rs. 1,077 lakhs in Fiscal 2009, an increase in foreign exchange loss to Rs. 494 lakhs in Fiscal 2010 from nil in Fiscal 2009, an increase in Insurance expenses to Rs.489 lakhs in Fiscal 2010 from Rs. 286 lakhs in Fiscal 2009, an increase in Rent to Rs.1,337 lakhs in Fiscal 2010 from Rs.1,230 lakhs in Fiscal 2009, an increase in commission expenses to Rs. 393 lakhs in Fiscal 2010 from Rs. 159 lakhs in Fiscal 2009 off set by decrease in Professional charges which decreased to Rs. 1,049 lakhs in Fiscal 2010 from Rs.1,239 lakhs in Fiscal 2009 and decrease in miscellaneous expenses which decreased to Rs. 302 lakhs in Fiscal 2010 from Rs. 665 lakhs in Fiscal 2009. The increase in bad and doubtful debt expenditure in Fiscal 2010 is based on the policy of creation of provision based on age of the receivable in accordance with the Receivables Policy of our Company (introduced in Fiscal 2009). This also includes the expenditure of Rs. 477 lakhs incurred on the project being undertaken for one of our clients in the Czech Republic which had to be written off upon the insolvency of the client.

Interest and finance charges. Interest and finance charges, including bank charges for performance bonds issued to customers, letters of credit to vendors and processing fees paid to banks for grant of additional credit lines, decreased by 15.47% to Rs. 2,990 lakhs in Fiscal 2010 from Rs. 3,537 lakhs in Fiscal 2009. The reduction in bank charges was due to a decrease in bank charges on account of better negotiations with banks and the retirement of performance bonds on the completion of projects, while the reduction of interest charges was due to effective cash management policy implemented which reduced the borrowing from banks in India. The interest and finance charges incurred in Fiscal 2010 include finance charges of Rs. 198 lakhs incurred on bank guarantees provided during the acquisition of Wabag Austria, which are no longer outstanding.

Depreciation and Amortisation. Depreciation and amortisation expenses increased by 64.57% to Rs.1,389 lakhs in Fiscal 2010 from Rs.844 lakhs in Fiscal 2009 primarily due to purchase of ERP software, computers and vehicles for use in India and in overseas subsidiaries. The depreciation and amortization expenses also include expenses of Rs. 118 lakhs incurred on full amortisation of a pilot plant at Macau, which was installed to demonstrate the performance of a technological solution.

Provision for Tax. Provision for current tax increased by 223% to Rs. 3,584 lakhs in Fiscal 2010 from Rs.1,108 lakhs in Fiscal 2009 primarily due to higher taxable profits during Fiscal 2010 and due to decision of our Company to conservatively provide for full tax without availing the benefit of tax holiday under Sec 80 IA of Income Tax Act in Fiscal 2010 as mentioned in other parts of the management discussion. The provision for tax also includes a one-time expense of Rs. 156 lakhs as provision for interest under sections 234B and 234C of the Income Tax Act, towards shortages in advance tax installments paid previously. The increase in the tax payable by the Company was due to the amendment to the I.T. Act. For details in relation to the same, please see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Accounting under Section 80 – IA of the I.T.Act, 1961". Provision for deferred tax asset decreased by 27% to Rs. 549 lakhs in Fiscal 2010 from Rs. 754 lakhs in Fiscal 2009 due to reduction of inadmissible expenses in warranty expenses in Fiscal 2010 as compared to Fiscal 2009. Fringe benefit tax provision for Fiscal 2010 is nil against Rs.47 lakhs in Fiscal 2009 as no provision was made in Fiscal 2010 due to change of law and resultant abolishing of fringe benefit tax

Minority Interest. No Minority interest arises in Fiscal 2010 from the subsidiary in Macau as the minority holding has been bought by the Austrian parent company. In Fiscal 2009 there is a minority interest of Rs. 7 lakhs.

Net Profit/ (Loss) after tax and minority interest. As a result of the foregoing, our net profit after tax and minority interest increased by 28.31% to Rs. 4,474 lakhs in Fiscal 2010 from Rs. 3,487 lakhs in Fiscal 2009.

Fiscal 2009 compared to Fiscal 2008

Income. Our total income increased by 85.00% to Rs. 1,15,495 lakhs in Fiscal 2009 from Rs. 62,320 lakhs in Fiscal 2008 due to higher revenue from EPC and O&M contracts to Rs. 1,13,328 lakhs in Fiscal 2009 from Rs. 61,089 lakhs in Fiscal 2008. Of Rs. 1,15,495 lakhs of our total income in Fiscal 2009, Rs. 1,13,328 lakhs was attributable to income from operations, whilst Rs. 2,167 lakhs was attributable to other income. The increase in income is mainly due to a significant increase from the operations of our Company and the significantly larger order booking in Fiscals 2007 and 2008 enabling higher volume of income from operations during Fiscal 2009. The higher income, primarily from operations, of our Company is from projects executed for Kerala Water Authority, an Indian steel plant, Damodar Valley Corporation and Delhi Jal Board.

Income from Operations. Our income from operations increased by 85.50% to Rs. 1,13,328 lakhs in Fiscal 2009 from Rs. 61,089 lakhs in Fiscal 2008 primarily due to an increase in the revenue from EPC and O&M contracts. Our contract income increased by 85.50% to Rs. 1,13,328 lakhs in Fiscal 2009 from Rs. 61,089 lakhs in Fiscal 2008 primarily due to execution of larger contracts. The increase in income from operations is mainly due to a significant increase in income from the operations of our Company and the significantly larger order booking in Fiscals 2007 and 2008 enabling higher volume of income from operations during Fiscal 2009. The higher income, primarily from operations, of our Company is from projects executed for Kerala Water Authority, an Indian steel plant, Damodar Valley Corporation and Delhi Jal Board.

Other Income. Our other income increased by 76% to Rs. 2,167 lakhs in Fiscal 2009 from Rs. 1,231 lakhs in Fiscal 2008 primarily due to an increase of Rs. 452 lakhs in income from interest on fixed deposits, and an increase of Rs. 514 lakhs in exchange gains. Further, our Company had higher interest income due to higher surplus cash in Fiscal 2009. There was also an increase in our exchange gains with respect to one of the projects executed by Wabag Austria due to the strengthening of the Euro against the Iranian Riyal.

Expenditure. Commensurate with the increase in income, our total expenditure increased by 82% to Rs. 1,11,565 lakhs in Fiscal 2009 from Rs. 61,296 lakhs in Fiscal 2008. This was mainly on account of costs of sales and services, employee costs, contract charges, selling, general and administrative expenses, direct expenses, administrative expenses, interests and finance charges and depreciation.

Costs of Sales and Services. Our costs of sales and services increased by 69.50% to Rs. 83,332 lakhs in Fiscal 2009 from Rs. 49,149 lakhs in Fiscal 2008 primarily due to the increase in expenses towards material costs corresponding to an increase in our turnover. Costs of sales and services as a percentage of total income decreased to 72.15% in Fiscal 2009 from 78.87% in Fiscal 2008. In Fiscal 2009, our Company's operations in municipal projects significantly increased and sourcing of materials and services became more efficient and improved project management resulted in lower costs due to execution of larger projects like the Delhi Jal Board in Keshopur, Kondli and Dwaraka. The cost of sales and service in the O&M business in India also decreased significantly in Fiscal 2009 due to the lower cost of sales and service at 37% in an overseas project as compared to average cost of sales and service in O&M business in India in the past.

Employee costs. Expenses in relation to employees' remuneration and benefits increased by 151.62% to Rs. 15,554 lakhs in Fiscal 2009 from Rs. 6,180 lakhs in Fiscal 2008 primarily due to the inclusion of 12 months' salaries of Wabag Austria and its subsidiaries, in Fiscal 2009 as against employee cost incurred for Fiscal 2008. The employee cost as a percentage of total income increased from 9.92% in Fiscal 2008 to 13.42% in Fiscal 2009 primarily on account of the recruitment of certain experienced personnel by our Company. Further, additional personnel costs were incurred in Fiscal 2009 due to the incorporation of a company in Romania for O&M business in Fiscal 2009.

Selling, general and administrative expenses. Commensurate with the increase in our income from operations, our selling, general and administrative expenses increased by 107.50% to Rs. 8,298 lakhs in Fiscal 2009 from Rs. 3,999 lakhs in Fiscal 2008 primarily due to an increase in writing off of receivables remaining uncollected including provision thereon to Rs. 1,077 lakhs in Fiscal 2009 from Rs. 36 lakhs in Fiscal 2008, an increase in rent expenses to Rs. 1,230 lakhs in Fiscal 2009 from Rs. 428 lakhs in Fiscal 2008, an increase in expenses attributable to travelling and conveyance to Rs. 1,477 lakhs in Fiscal 2009 from Rs. 602 lakhs in Fiscal 2008 and an increase in communication expenses to Rs. 505 lakhs in Fiscal 2009 from Rs. 194 lakhs in Fiscal 2008. The increase in writing off of receivables was as a result of the introduction of the Receivables Policy in Fiscal 2009 in our Company.

Interest and finance charges. Interest and finance charges, including bank charges for performance bonds issued to customers, letters of credit to vendors and processing fees paid to banks for grant of additional credit lines, increased by 145.62% to Rs. 3,537 lakhs in Fiscal 2009 from Rs. 1,440 lakhs in Fiscal 2008 primarily due to an increase in bank charges on project related bonds in respect of new projects undertaken by us to Rs. 2,819 lakhs in Fiscal 2009 from Rs. 995 lakhs in Fiscal 2008 and an increase in interest on working capital borrowings to Rs. 719 lakhs in Fiscal 2009 from Rs. 445 lakhs in Fiscal 2008. The charges on bonds vary between years based on new order intakes in respective Fiscals. The interest and finance charges have primarily increased due to the inclusion of 12 months of the operations of Wabag Austria and its subsidiaries in the consolidated financial statements of our Company for Fiscal 2009 as against the five months of operations of Wabag Austria and its subsidiaries included for Fiscal 2008. Due to our inability to pool surplus of one entity against the deficit of other due to regulatory constraints, we undertook borrowings from banks. Also, bank interest rates were higher in Fiscal 2009, at an average rate of 16.63%, as compared to Fiscal 2008, at an average rate of 15.5%.

Depreciation and Amortisation. Depreciation and amortisation expenses increased by 60% to Rs. 844 lakhs in Fiscal 2009 from Rs. 528 lakhs in Fiscal 2008 primarily due to purchase of ERP software, computers and vehicles for use by our Company and due to the inclusion of 12 months of operations of Wabag Austria and its subsidiaries in the consolidated financial statements of our Company as against the five months of operations of Wabag Austria and its subsidiaries included for Fiscal 2008.

Provision for Tax. Provision for current tax increased by 262.10% to Rs. 1,108 lakhs in Fiscal 2009 from Rs. 306 lakhs in Fiscal 2008 primarily due to higher taxable profits during Fiscal 2009. Provision for deferred tax asset increased by 555.70% to Rs. 754 lakhs in Fiscal 2009 from Rs. 115 lakhs in Fiscal 2008 due to an increase in the number of public sector projects undertaken by us resulting in higher provision for liquidated damages towards delay in completing the projects and an increase in the number of completed projects resulting in higher provision for warranty towards service costs and post completion costs of the projects. Provision for fringe benefit tax increased by 38.20% to Rs. 47 lakhs in Fiscal 2009 from Rs. 34 lakhs in Fiscal 2008 primarily due to higher employee related costs. There was no provision for MAT credit entitlement in Fiscal 2009 compared to Rs. 122 lakhs in Fiscal 2008 primarily since our Company was liable to pay regular tax in Fiscal 2009 instead of MAT.

Minority Interest. Minority interest decreased by 78.10% from Rs. 32 lakhs in Fiscal 2008 to Rs. 7 lakhs in 2009, primarily due to lower net profits earned by the subsidiary in Macau in Fiscal 2009.

Net Profit/ (Loss) after tax and minority interest. As a result of the foregoing, our net profit after tax and minority interest increased by 295.00% to Rs. 3,487 lakhs in Fiscal 2009 from Rs. 883 lakhs in Fiscal 2008.

Unconsolidated Financial Statements

The following table sets forth select financial data from the profit and loss account of our audited unconsolidated financial statements, for the Fiscals 2010, 2009 and 2008, the components of which are also expressed as percentages of total income for such periods.

	Year ended March 31,					
	2010		2009		2008	
	Amount in Rs. lakhs	% of Total Income	Amount in Rs. lakhs	% of Total Income	Amount in Rs. lakhs	% of Total Income
INCOME						
Income from Operations	70,097	99.05%	56,885	99.18%	33,275	96.86%
Other Income	669	0.95%	469	0.82%	1,078	3.14%
Total income	**70,766**	100.00%	**57,354**	100.00%	**34,353**	100.00%
EXPENDITURE						
Cost of sales and services	53,631	75.79%	47,274	82.42%	29,343	85.42%
Employee costs	3,668	5.18%	2,910	5.07%	1,972	5.74%
Selling, general and administrative expenses	4,657	6.58%	3,343	5.83%	1,686	4.91%
Interest and finance charges	861	1.22%	1,054	1.84%	693	2.02%
Depreciation and amortization	794	1.12%	545	0.95%	475	1.38%
Total expenditure	**63,611**	89.89%	**55,126**	96.12%	**34,169**	99.46%
PROFIT BEFORE TAX AND PRIOR PERIOD EXPENDITURE*	**7,155**	10.11%	**2,228**	3.88%	**184**	0.54%
Amortisation of goodwill	(311)	(0.44%)	-	-	-	-
Amortisation of deferred employee compensation	-	-	(126)	(0.22%)	-	-
Gratuity expense	-	-	(15)	(0.03%)	-	-
Royalty expense	(40)	(0.06%)				
Profit before tax and extraordinary items	**6,804**	9.61%	**2,087**	3.64%	**184**	0.54%
PROVISION FOR TAX						
Current tax expense	3,310	4.68%	972	1.69%	89	0.26%
Deferred tax expense/(income)	(602)	-0.85%	(840)	(1.46%)	-	-
Fringe benefit tax	-	-	47	0.08%	34	0.10%
MAT credit entitlement	-	-	-	-	(122)	(0.36%)
PROFIT BEFORE EXTRAORDINARY ITEMS	4,096	5.79%	**1,908**	3.33%	**183**	0.53%
Extraordinary items (net of tax)	-	-	-	-	-	-
PROFIT AFTER EXTRAORDINARY ITEMS BEFORE ADJUSTMENTS	**4,096**	5.79%	**1,908**	3.33%	**183**	0.53%
Adjustments, Net of Tax **a. Changes in accounting policies**	**0**	**0**	**28**	**0.05%**	**33**	**0.10%**
b. Other material adjustments	**596**	0.84%	**663**	1.16%	**(391)**	(1.14%)
Net profit as restated	**4,692**	6.63%	**2,599**	4.53%	**(175)**	(0.51%)

**For details in relation to the prior period expenditure, please see the section titled "Financial Statements" on page 204.*

Fiscal 2010 compared to Fiscal 2009

Income. Our Company's total income increased by 23.38% to Rs. 70,766 lakhs in Fiscal 2010 from Rs. 57,354 lakhs in Fiscal 2009 primarily due to an increase in the revenue from EPC contracts to Rs. 70,097 lakhs in Fiscal 2010 from Rs. 56,885 lakhs in Fiscal 2009. Of Rs. 70,766 lakhs of our total income, Rs. 70,097 lakhs was attributable to income from operations, whilst Rs.669 lakhs was attributable to other income.

Income from Operations. Our Company's income from operations increased by 23.23% to Rs. 70,097 lakhs in Fiscal 2010 from Rs. 56,885 lakhs in Fiscal 2009 primarily due to an increase in the revenue from EPC contracts. Our Company had a higher order intake during Fiscal 2009 resulting in higher value of orders at the start of Fiscal 2010 leading to significantly higher revenue. Our company executed more large size projects in Fiscal 2010 such as projects executed for Kerala Water Authority, an Indian steel plant, Damodar Valley Corporation and Delhi Jal Board etc.

Other Income. Our Company's other income increased by 42.64% to Rs. 669 lakhs in Fiscal 2010 from Rs. 469 lakhs in Fiscal 2009 primarily due to recovery of bad debts for Rs. 321 lakhs in Fiscal 2010. Further, our Company's interest income decreased from Rs. 341 lakhs in Fiscal 2009 to Rs.192 lakhs in Fiscal 2010 due to market condition on interest rates.

Expenditure. Commensurate with the increase in our Company's income from operations, our Company's total expenditure increased by 15.39% to Rs. 63,611 lakhs in Fiscal 2010. This was mainly on account of increase in costs of sales and services, employee costs, contract charges, selling, general and administrative expenses, direct expenses, administrative expenses, and depreciation.

Costs of Sales and Services. Our Company's costs of sales and services increased by 13.45% to Rs. 53,631 lakhs in Fiscal 2010 from Rs. 47,274 lakhs in Fiscal 2009 primarily due to the increase in expenses towards civil construction which corresponded with the increase in our turnover, to Rs. 70,097 lakhs in Fiscal 2010 from Rs. 56,885 lakhs in Fiscal 2009. Since significant part of work executed during the Fiscal 2010 was construction, the cost of materials declined from Rs. 35,053 lakhs in Fiscal 2009 to Rs.11,648 lakhs in Fiscal 2010. Cost of sales and services as a percentage of total income has significantly decreased from 82.42% in Fiscal 2009 to 75.79% in Fiscal 2010 due to a decrease in the prices of key raw materials such steel and cement and other materials purchased from vendors for utilisation in our projects. The increased volume of operations in municipal projects combined with better efficiencies enabled by improved sourcing of materials and services and improved project management that has resulted in lowering of the costs. The cost of sales and services in the O&M business in our Company also decreased significantly in Fiscal 2010 due to lower cost of operation achieved through improved efficiency of operation and due to the increase in the volume of operations from one of our Company's projects in the Middle East in Fiscal 2010 which generally has a higher contribution margin of 65% resulting in lowering of overall cost.

Employee costs. Expenses in relation to employees' remuneration and benefits increased by 26.05% to Rs. 3,668 lakhs in Fiscal 2010 from Rs.2,910 lakhs in Fiscal 2009 primarily due to an increase in salaries and wages and contribution to provident fund. Our Company has increased its staff across various functions to meet the requirements of higher order intake. As at March 31, 2010 our Company had 737 employees as opposed to 668 employees as on March 31, 2009.

Selling, general and administrative expenses. Our Company's selling, general and administrative expenses increased by 39.31% to Rs. 4,657 lakhs in Fiscal 2010 from Rs. 3,343 lakhs in Fiscal 2009 consequent upon increase in the volume of its operations primarily due to increase in provision for bad debts to Rs.1,321 lakhs Fiscal 2010 from Rs. 278 lakhs in Fiscal 2009 (based on the Receivable Policy of our Company) , an increase in commission expenses to Rs. 391 lakhs in Fiscal 2010 from Rs.149 lakhs in Fiscal 2009, an increase in professional charges to Rs.350 lakhs in 2010 from Rs. 298 lakhs in Fiscal 2009, foreign exchange loss of Rs.316 lakhs in Fiscal 2010 from Nil in Fiscal 2009, increase in traveling expenses to Rs. 916 lakhs in Fiscal 2010 from Rs. 738 lakhs in Fiscal 2009, increase in rent to Rs. 258 lakhs in Fiscal 2010 from Rs.205 lakhs in Fiscal 2009, increase in insurance to Rs.228 lakhs in Fiscal 2010 from Rs.128 lakhs in Fiscal 2009, increase in power and fuel to Rs.157 lakhs in Fiscal 2010 from Rs.102 lakhs in Fiscal 2009. Our Company hired more office space during the year to accommodate increase in staff and also renewed its lease of the Registered Office with increased rental expenditure. In view of the foregoing, the selling, general and administrative expenses as a percentage of total income increased from 5.83% in Fiscal 2009 to 6.58% in Fiscal 2010.

Interest and finance charges. Interest and finance charges decreased by 18.31% to Rs.861 lakhs in Fiscal 2001 from Rs. 1,054 lakhs in Fiscal 2009. The decrease in finance charges was due to a decrease in bank charges on performance bonds and processing fees on new bank lines on account of better negotiations with banks, while the decrease in interest cost was due to the implementation of an effective cash management policy and repayment of secured loans in India, and the lowering of interest rates in Fiscal 2010.

Depreciation and Amortisation. Depreciation and amortisation expenses increased by 45.70% to Rs. 794 lakhs in Fiscal 2010 from Rs. 545 lakhs in Fiscal 2009 primarily due to the purchase of ERP software, computers and vehicles for use by our Company and also due to amortization of royalty on brand usage paid to Wabag Austria.

Provision for Tax. Provision for current tax increased by 240.53% to Rs. 3,310 lakhs in Fiscal 2010 from Rs. 972 lakhs in Fiscal 2009 primarily due to higher taxable profits in Fiscal 2010 and due to decision of our Company to conservatively provide for full tax without availing the benefit of Sec 80 IA of the Income Tax Act in Fiscal 2010. Provision for deferred tax asset was Rs. 602 lakhs in Fiscal 2010 as against Rs.840 Lakhs deferred tax in Fiscal 2009 due to reduction of inadmissible expense in Fiscal 2010. Fringe benefit tax provision for Fiscal 2010 is nil against Rs. 47 lakhs in Fiscal 2009 as no provision was made in Fiscal 2010 due to change of law and resultant abolishing of fringe benefit tax

Net Profit/ (Loss) after tax.

Our Company's net profit after tax increased by 114.68% to Rs. 4,096 lakhs in Fiscal 2010 from Rs. 1,908 lakhs in Fiscal 2009.

Fiscal 2009 compared to Fiscal 2008

Income. Our Company's total income increased by 67% to Rs. 57,354 lakhs in Fiscal 2009 from Rs. 34,353 lakhs in Fiscal 2008 due to an increase in the revenue from EPC and O&M contracts to Rs. 56,885 lakhs in Fiscal 2009 from Rs. 33,275 lakhs in Fiscal 2008. Of Rs. 57,354 lakhs of our total income, Rs. 56,885 lakhs was attributable to income from operations, whilst Rs. 469 lakhs was attributable to other income.

Income from Operations. Our Company's income from operations increased by 71% to Rs. 56,885 lakhs in Fiscal 2009 from Rs. 33,275 lakhs in Fiscal 2008 primarily due to an increase in the revenue from EPC and O&M contracts. Our Company had a higher order intake during Fiscal 2008 resulting in higher value of orders at the start of Fiscal 2009 leading to significantly higher revenue for our Company in Fiscal 2009. The higher income is also attributable to the increase in the number of larger sized projects in Fiscal 2009 compared to Fiscal 2008 such as projects executed for Kerala Water Authority, an Indian steel plant, Damodar Valley Corporation and Delhi Jal Board.

Other Income. Our Company's other income decreased by 56.50% to Rs. 469 lakhs in Fiscal 2009 from Rs. 1,078 lakhs in Fiscal 2008 primarily due to a decrease in management fees on account of fees being charged to Wabag Singapore in Fiscal 2008 towards work undertaken by our Company in relation to the acquisition of Wabag Austria in Fiscal 2008, to nil in Fiscal 2009 from Rs.630 lakhs in Fiscal 2008 and a decrease in income from investments due to shifting of investments from mutual funds. Further, there was an exchange gain of Rs. 120 lakhs in Fiscal 2009 as compared to nil in Fiscal 2008. Our Company's income from interest was reduced in Fiscal 2009 due to a decrease in the amount of our Company's bank deposit as a result of investment by our Company in Subsidiaries and due to market conditions. Our Company charged a management fee of Rs. 630 lakhs from Wabag Singapore towards work undertaken by our senior management, engagement of international consultants and business integration undertaken after the acquisition of Wabag Singapore.

Expenditure. Commensurate with the increase in our Company's income from operations, our Company's total expenditure increased by 61.00% to Rs. 55,126 lakhs in Fiscal 2009. This was mainly on account of increase in costs of sales and services, employee costs, contract charges, selling, general and administrative expenses, direct expenses, administrative expenses, interests and finance charges and depreciation.

Costs of Sales and Services. Our Company's costs of sales and services increased by 61.10% to Rs. 47,274 lakhs in Fiscal 2009 from Rs. 29,343 lakhs in Fiscal 2008 primarily due to the increase in expenses towards material costs which corresponded with the increase in our turnover to Rs. 35,053 lakhs in Fiscal 2009 from Rs. 15,214 lakhs in Fiscal 2008 corresponding to the increase in the turnover. Cost of sales and services as a percentage of total income has decreased from 85.42% in Fiscal 2008 to 82.42% in Fiscal 2009 primarily due to easing of prices of key raw materials such steel and cement which had risen sharply in Fiscal 2008. The increased volume of operations in Municipal Projects combined with better efficiencies enabled by improved sourcing of materials and services and improved project management that has resulted in lowering of the costs. The cost of sales and services in the O&M business in our Company also decreased significantly in Fiscal 2009 due to lower cost of operation in larger international projects. Moreover, the volume of operations increased from 6% in Fiscal 2008 to 15% in Fiscal 2009 from our Company's international business in Middle East, which had a lower cost of sales and services resulting in lowering of overall cost in Fiscal 2009.

Employee costs. Expenses in relation to employees' remuneration and benefits increased by 48% to Rs. 2,910 lakhs in Fiscal 2009 from Rs. 1,972 lakhs in Fiscal 2008 primarily due to an increase in salaries and wages and contribution to provident fund. Our Company has increased its staff across various functions such as engineering and finance to meet the requirements of higher order intake. However, the employee costs as a percentage of total income has decreased from 5.74% in Fiscal 2008 to 5.07% in Fiscal 2009 primarily due to the execution of larger sized contracts in Fiscal 2009.

Selling, general and administrative expenses. Our Company's selling, general and administrative expenses increased by 98.3% to Rs. 3,343 lakhs in Fiscal 2009 from Rs. 1,686 lakhs in Fiscal 2008 consequent upon increase in the volume of its operations primarily due to write off of bad debts, amounting to Rs. 1,084 lakhs in Fiscal 2009, an increase in traveling expenses to Rs. 738 lakhs in Fiscal 2009 from Rs. 493 lakhs in Fiscal 2008, an increase in rent to Rs. 205 lakhs in Fiscal 2009 from Rs. 152 lakhs in Fiscal 2008, an increase in miscellaneous expenses attributable to office maintenance costs to Rs. 379 lakhs in Fiscal 2009 from Rs. 244 lakhs in Fiscal 2008. Increase in rent and maintenance cost is on account of increased office space. The selling, general and administrative expenses as a percentage of total income increased from 4.91% in Fiscal 2008 to 5.83% in Fiscal 2009 as a result of the introduction of our Receivables Policy in Fiscal 2009.

Interest and finance charges. Interest and finance charges increased by 52% to Rs. 1,054 lakhs in Fiscal 2009 from Rs. 693 lakhs in Fiscal 2008 due to an increase in the bank interest rates in Fiscal 2009, at an average rate of 16.63%, as compared to Fiscal 2008, at an average rate of 15.5% based on market conditions. The increase in bank charges was due to an increase in the number of performance and advance bonds towards processing fee on additional working capital requirements to meet higher order intake and towards processing fee on additional working capital limits.

Depreciation and Amortisation. Depreciation and amortisation expenses increased by 14.70% to Rs. 545 lakhs in Fiscal 2009 from Rs. 475 lakhs in Fiscal 2008 primarily due to the purchase of ERP software, computers and vehicles for use by our Company.

Provision for Tax. Provision for current tax increased by 992.10% to Rs. 972 lakhs in Fiscal 2009 from Rs. 89 lakhs in Fiscal 2008 primarily due to higher taxable profits in Fiscal 2009 and adjustment of MAT credit in Fiscal 2008. Provision for deferred tax asset was Rs. 840 lakhs in Fiscal 2009 as against nil deferred tax in Fiscal 2008 due to higher provisions for outstanding receivables based on our Receivables Policy, provision for liquidated damages towards delay in completing the projects and provision for warranty towards service costs and post completion costs of the projects. An increase of deferred tax asset to Rs. 1,132 lakhs in Fiscal 2009 from Rs. 400 lakhs in Fiscal 2008 led to a reduction in tax incidence. Provision for fringe benefit tax increased by 38.00% to Rs. 47 lakhs in Fiscal 2009 from Rs. 34 lakhs in Fiscal 2008 primarily due to higher employee related costs. There was no MAT credit entitlement in Fiscal 2009 as no MAT was paid in Fiscal 2009.

Net Profit/ (Loss) after tax.

Our Company's net profit after tax increased by 943.00% to Rs. 1,908 lakhs in Fiscal 2009 from Rs. 183 lakhs in Fiscal 2008.

Financial Condition, Liquidity and Capital Resources

Liquidity

We broadly define liquidity as our ability to generate sufficient funds from both internal and external sources to meet our obligations and commitments. Our primary liquidity requirements have been to finance our working capital requirements for our operations, capital expenditures and investments. We have financed our capital requirements primarily through funds generated from operations, an increase of share capital and borrowings.

Cash Flows

The table below summarizes our cash flow for the periods indicated:

(In Rs. lakhs)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008
Net cash generated from / (used in) operating activities	(5,581)	(5,766)	8,360
Net cash generated from / (used in) investing activities	3,499	982	3,765
Net cash generated from / (used in) financing activities	(535)	(856)	6,399
Net cash increase / (decrease) at the end of the period	(2,617)	(5,640)	18,524

Cash Flows from Operating Activities

Our net cash used in operating activities in Fiscal 2010 was Rs. 5,581 lakhs which primarily consisted of operating profit of Rs.9,494 lakhs, net of increase in working capital Rs. 13,028 lakhs and direct taxes Rs. 2,047 lakhs.

Our net cash used in operating activities in Fiscal 2009 was Rs. 5,766 lakhs which primarily consisted of operating profit of Rs. 5,375 lakhs net of an increase in working capital Rs.9,623 lakhs and direct taxes Rs.1,518 lakhs.

Our net cash generated in operating activities in Fiscal 2008 was Rs 8,360 lakhs which primarily consisted of net of operating profit Rs. 999 lakhs, decrease in working capital of Rs. 7,974 lakhs and direct taxes Rs.613 lakhs.

Cash Flows from Investment Activities

Our net cash generated from investing activities in Fiscal 2010 was Rs. 3,499 lakhs which primarily consisted of the cash equivalent of margin money of Rs. 4,620 lakhs towards performance bonds for projects executed, purchase of fixed assets for Rs. 1,598 lakhs, interest received amounting to Rs. 405 lakhs, proceeds from the sale of fixed assets of Rs. 58 lakhs, purchase of investments Rs. 1,301 lakhs and proceeds from the sale of investments Rs. 1,315 lakhs.

Our net cash generated from investing activities in Fiscal 2009 was Rs. 982 lakhs, which primarily consisted of the purchase of fixed assets for Rs. 1,437 lakhs, cash equivalent of margin money of Rs. 1,249 lakhs towards performance bonds for projects, interest received amounting to Rs.1,151 lakhs and proceeds from the sale of fixed assets of Rs. 19 lakhs.

Our net cash generated from investing activities in Fiscal 2008 was Rs. 3,765 lakhs, which primarily consisted of purchase of fixed assets of Rs. 2,408 lakhs, investment in subsidiaries of Rs.14,577 lakhs, proceeds from sale of fixed assets of Rs. 4 lakhs, receipt of intercorporate deposits of Rs. 1,000 lakhs, increase in payments towards performance bonds for the Iranian projects of Rs. 10,248 lakhs, sale of investments of Rs. 105 lakhs and interest received amounting to Rs. 735 lakhs.

Cash Flows from Financing Activities

Our net cash used in financing activities for Fiscal 2010 was Rs. 535 lakhs which primarily consisted of proceeds from issue of share capital at a premium of Rs. 48 lakhs, payment of interest of Rs.419 lakhs, payment of working capital loans of Rs. 1,000 lakhs, reduction in short term borrowings of Rs. 869 lakhs and repayment of secured loans Rs. 33 lakhs.

Our net cash used in financing activities for Fiscal 2009 was Rs. 856 lakhs which primarily consisted of proceeds from issue of share capital at a premium of Rs. 38 lakhs, payment of interest of Rs. 716 lakhs, proceeds from working capital loans of Rs. 1,000 lakhs, reduction in short term borrowings of Rs. 1,200 lakhs and proceeds from secured loans of Rs. 22 lakhs.

Our net cash generated in financing activities for Fiscal 2008 was Rs. 6,399 lakhs which primarily consisted of proceeds from issue of share capital at a premium of Rs. 4,113 lakhs, net decrease in working capital loans by Rs. 440 lakhs, payment of secured loans of Rs. 26 lakhs, redemption of preference shares of Rs. 1,071 lakhs, payment of interest of Rs. 375 lakhs and short term borrowings of Rs. 4,198 lakhs.

Indebtedness

For details in relation to our indebtedness, please see the section titled "Financial Indebtedness" on page 280.

Our Contingent Liabilities

For details in relation to our contingent liabilities and the contingent liabilities of our Company, please see the section titled "Financial Statements" on page 204.

Capital Expenditure

Our planned consolidated capital expenditure has been allocated to our EPC and O&M projects identified for construction of our new corporate office building on the land owned by our Company and investment in information technology infrastructure, office equipment, furniture and fittings and vehicles. In addition we may also invest in our Subsidiaries and affiliates including those engaged in infrastructure project development and other existing businesses and new ventures. Our capital needs will require substantial funding, which we expect will be generated from internal accruals and borrowings and proceeds from the Issue.

Quantitative and Qualitative Disclosure about Market Risk

Market risk is the risk of loss related to adverse changes in market prices, including interest rate and foreign exchange rates of financial instruments. We are exposed to various types of market risks, in the normal course of business. For instance, we are exposed to market interest rates and exchange rate movements on foreign currency denominated earnings and operating expenses. The following discussion and analysis, which constitute "forward-looking statements" that involve risk and uncertainties, summarise our exposure to different market risks.

Credit Risk

We currently generate a substantial portion of our operating revenues from customers in the public sector such as municipal corporations. There may be delays associated with the collection of receivables from our clients, including Government owned, controlled or funded entities.

Commodities Risk

We are exposed to fluctuations in the prices of raw materials and components used in our projects which include commodities such as steel and cement. The costs of components and various small parts sourced from external manufacturers may also fluctuate based on their availability from suppliers. In the normal course of business, we purchase these raw materials and components either on a purchase order basis or pursuant to supply agreements.

Foreign Exchange Rate Risk

We face exchange rate risk owing to our income in currencies other than the Indian Rupee, which is subject to fluctuations against the Indian Rupee depending on market conditions. Additionally, our Company executes projects in South East Asia, the Middle East and neighbouring countries. For such projects, we are exposed to foreign currency exchange rate risk between the time we incur the foreign currency expense and the time we invoice our customers. Where the payment for imported bought out materials for our projects is in a different currency than the currency in which we receive our income from operations, we are exposed to foreign exchange rate risk. We hedge our currency risks to a large extent of our net exposure through forward contracts and this minimizes our net gain or loss positions.

Translation Risk

The translation of the Subsidiaries' financials into Indian rupees during the process of consolidation is done at the average rate of conversion for the corresponding Fiscal. The conversion for the balance sheet items is done at year end rates for the Fiscal. For details of applicable exchange rates, please see the section titled "Exchange Rates" on page 12. The impact of such translation in the balance sheet between two Fiscals may be significant where the difference in the translation rates between two Fiscals is significant, on account of volatility of exchange rates. For instance, there was a decrease in the total equity of Wabag Austria and its subsidiaries from Fiscal 2009 to Fiscal 2010 as translated in Indian rupees, even though, expressed in Euros, there was a marginal increase in the total equity, due to the variation in the translation rate from Rs. 68.91 in Fiscal 2009 to Rs. 60.59 for Fiscal 2010.

Interest Rate Risk

Our net profit is affected by changes in interest rates due to the impact such changes have on interest income and interest expense from short-term deposits and other interest-bearing financial assets and liabilities. In addition, an increase in the interest rates for our existing and future borrowings may adversely affect our ability to service long-term debt and to finance development of new projects, all of which in turn may adversely affect our results of operations, financial conditions, planned capital expenditures and cash flows.

Related Party Transactions

Except as disclosed in the section "Related Party Transactions" on page 202, we have not entered into any related party transactions.

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.

Information required as per Clause IX. E. 5 of Schedule VIII of the SEBI Regulations

1. **Unusual or Infrequent Events or Transactions**

   Except as described in this Red Herring Prospectus, there have been no other events or transactions that, to our knowledge, may be described as "unusual" or "infrequent".

2. **Significant Economic Changes that Materially Affected or are likely to Affect Income From Continuing Operations**

   Other than as mentioned under the paragraph "Factors Affecting Results of Performance" in the section "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 261, to our knowledge, there are no other significant economic changes that materially affect or are likely to affect income from continuing operations.

3. **Known Trends or Uncertainties**

   Except as described in "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Red Herring Prospectus, to our knowledge, there are no known trends or uncertainties that are expected to have a material adverse impact on our revenues or income from continuing operations.

4. **Future Changes in Relationship between Costs and Revenues, in case of Events such as Future Increase in Labour or Material Costs or Prices that will cause a Material Change are known**

Other than as described elsewhere in this Red Herring Prospectus, particularly in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 261, to our knowledge, there are no known factors that might affect the future relationship between costs and revenues.

5. **The extent to which material increases in net sales or revenue are due to increased sales volume, introduction of new products or services or increased sales prices**

Changes in revenues during the last three Fiscals are as explained in the sections titled "Management's Discussion and Analysis of Financial Condition and Results of Operations – Unconsolidated Financial Statements - Fiscal 2010 Compared to Fiscal 2009" and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Unconsolidated Financial Statements - Fiscal 2009 Compared to Fiscal 2008" on pages 272 and 274, respectively.

6. **Total turnover of each major industry segment in which the issuer company operated**

We operate in a single segment being construction and maintenance of water and wastewater treatment plants. However, we do not have any authentic industry data available with us which gives the total turnover of the industry.

7. **Status of any publicly announced new products or business segment**

Other than as described in this Red Herring Prospectus, we do not have any new products or business segment.

8. **The Extent to which Business is seasonal**

The impact of seasonality during the last three Fiscals is as explained in the "Management's Discussion and Analysis of Financial Condition and Results of Operations – Unconsolidated Financial Statements - Fiscal 2010 Compared to Fiscal 2009" and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Unconsolidated Financial Statements - Fiscal 2009 Compared to Fiscal 2008" on pages 272 and 274 respectively.

9. **Any Significant Dependence on a Single or few Suppliers or Customers**

Customer and supplier concentrations for our businesses have been disclosed under the sections titled "Our Business" and "Risk Factors" on pages 139 and 14 respectively.

10. **Competitive conditions**

Competitive conditions are as described under the sections titled "Our Industry" and "Risk Factors" on pages 109 and 14 respectively.

FINANCIAL INDEBTEDNESS

Secured Loans

Fund based

S. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (In Rs. lakhs)	Amount drawndown as on July 31, 2010 (In Rs. lakhs)	Interest [1] [2][3][4][5][6] (In % p.a.)	Tenure (years)	Repayment [7][8]	Security[9]
1.	State Bank of India, ICICI Bank, YES Bank Limited, HDFC Bank, IDBI Bank and Punjab National Bank	Working Capital Consortium Agreement dated January 30, 2010	Aggregate = 4,050.00	Aggregate = 0.00		One	Repayment of facilities on demand	For details of security see Note 1 below.
			State Bank of India = 1,500.00	0.00	SBAR + 1.75%. Presently, 13.50%.			
			ICICI Bank = 100.00	0.00	For the cash credit facility, IBAR + cash credit risk premium – 1.91%. Presently, 14.34%. For the line of credit for short term loans, the rate of interest shall be specified at the time of disbursement of each drawal on the basis of the repayment schedule for that drawal with applicable interest tax.			
			YES Bank Limited = 1,000.00	0.00	For the cash credit facility, floating interest at the rate of YBL PLR – 3.0% with immediate reset. Presently, 13.50%.			
			HDFC Bank = 500.00	0.00	At market rate. Presently, 13.50%.			
			IDBI Bank = 750.00	0.00	BPLR plus 50 bps. Presently, 13.25%.			

S. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (In Rs. lakhs)	Amount drawndown as on July 31, 2010 (In Rs. lakhs)	Interest [1] [2][3][4][5][6] (In % p.a.)	Tenure (years)	Repayment [7][8]	Security[9]
			Punjab National Bank = 200.00	0.00	Cash credit = BPLR - 1.75%. Working capital demand loan = MIBOR + 200 bps with daily compounding/put and call option. Presently, 14.00%.			

Non-fund based

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (In Rs. lakhs)	Amount drawndown as on July 31, 2010 (In Rs. lakhs)	Commission [1] [2][3][4][5][6] (In % p.a.)	Tenure (years)	Repayment	Security[10]
1.	State Bank of India, ICICI Bank, YES Bank Limited, HDFC Bank, IDBI Bank and Punjab National Bank	Working Capital Consortium Agreement dated January 30, 2010	Aggregate = 61,800.00	Aggregate = 32,242.39		One	Payable on demand	For details of security see Note 1 below.
		Bank guarantee, letter of credit,	State Bank of India = 25,000.00	10,847.22	Charges at 50% concession on normal rates, with a minimum rate of 1.00%			
		Bank guarantee, letter of credit	ICICI Bank = 16,000.00	13,753.74	0.75% for financial guarantees and 0.55% for performance guarantees. 0.55% for sight letters of credit and 0.75% for usance letters of credit.			
		Bank guarantee, standby letter of credit, letter of credit	YES Bank Limited = 3,500.00	1,809.43	0.80%			

Sr. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned (In Rs. lakhs)	Amount drawndown as on July 31, 2010 (In Rs. lakhs)	Commission [1] [2][3][4][5][6] (In % p.a.)	Tenure (years)	Repayment	Security[10]
		Bank guarantees, import letters of credit and domestic letters of credit	HDFC Bank = 5,000.00	1,681.90	Commission for bank guarantees and letters of credit as per prevailing rates. Presently, 0.65% for import letters of credit, 0.75% for domestic letters of credit and for bank guarantees, 0.45% with a tenor up to one year and 0.55% for a tenor beyond one year			
		Bank guarantee, letter of credit	IDBI Bank = 10,000.00	2,022.93	1.00% plus service tax payable upfront			
		Bank guarantee	Punjab National Bank = 2,300.00	2,127.17	1.00% to be recovered on an annual basis.			

[1] Our Company shall be liable to pay penal interest over and above the rate of interest charged at the rate of 2.0% p.a. in respect of irregularities in the cash credit account, over the irregular portion up to a period of 60 days and in the case of continued irregularity beyond 60 days, over the entire outstanding amount, at the rate of 1.0% p.a. for non-submission or delayed submission of renewal data for delay beyond three months from date when renewal was due, 1.0% p.a. for non-submission or delayed submission of stock statements for the month the stock statement is not submitted within the stipulated period and 1.0% p.a. for non-compliance with covenants, to State Bank of India. The maximum penal interest chargeable shall not, however, exceed 3.0% p.a. over and above the applicable rate of interest.

[2] Our Company shall be liable to pay penal interest over and above the rate of interest charged at the rate of 1.00% p.a. for non-submission or delayed submission of financial statements, 2.00% p.a. for non-submission or delayed submission of stock statements, 1.00% p.a. for not obtaining/renewing insurance cover for the fund for the uninsured period on the fund based on outstandings, 1.00% p.a. on fund-based outstandings for expired credit limits over the applicable period, 2.00% p.a. for excess drawings for the period overdrawn and 2.00% p.a. for excess over limit, to ICICI Bank. The penal interest in the case of expired credit limits, excess drawings and excess over limits the specified penal interest is applicable for the first 45 days on overdrawn position and on persistent default thereafter, at ICICI Bank Advance Rate + 8.00% p.a.

[3] Our Company shall be liable to pay penal interest at the rate of2.00% p.a. over and above the applicable rate of interest in case of default to YES Bank Limited.

[4] Our Company shall be liable to pay penal interest at the rate of18.00% p.a. over and above the applicable rate of interest for all overdues/delays of any monies payable to HDFC Bank in respect of the cash credit/working capital demand loan. Penalty of 2.00% applicable for each day of delay in submission of stock and debtors statements.

[5] Our Company shall be liable to pay penal interest at the rate of2.00% p.a. over and above the applicable rate of interest in case of default to IDBI Bank Limited.

[6] Our Company may be liable to pay penal interest at the rate of2.00% p.a. over and above the applicable rate of interest in case of default to Punjab National Bank.

[7] Repayment of line of credit facility given by ICICI Bank is as bullet payment of each tranche drawn down on maturity date or installments agreed upon.

[8]Each advance taken from working capital demand facility loan granted by YES Bank Limited to be repaid in full on last business day of term for which drawn down.

[9] Collateral security for facilities granted by State Bank of India is by way of second charge on the fixed assets of our Company.

[10] Additional security over goods covered for letter of credit facility granted by State Bank of India in respect of the letter of credit facility and counter guarantee for bank guarantee facility.

Note 1:

(c) A first ranking charge in favour of the banks jointly and to each of them severally over the stock of raw materials, semi-finished and finished goods, stores and spares not relating to the plant and machinery (consumable stores and spares), bills receivable, book debts and all other movables of our Company both present and future (excluding such movables as are permitted by the banks from time to time) but including documents of title to goods and other assets, such as outstanding moneys receivables including receivables by way of cash assistance and/or cash, including under the cash incentive scheme or any other scheme, claims including claims by way of refund of customs/excise duties under the duty drawback credit scheme or any other scheme, bills, invoices, documents, contracts, engagements, securities, investments and rights, both present and future, of our Company being and lying in our Company's premises or godowns of or rented and whether lying loose or in cases or otherwise used in the business of our Company at the said site or in transit now belonging to or that may at any time, during the continuance of the said facilities and this security, belong to our Company or that may be held by any party to the order or disposition of our Company; and

(d) A first charge in favour of the banks ranking after the charges created and/or to be created in favour of term lenders of our Company on our Company's immovable and movable properties (other than current assets), both present and future in a form and manner acceptable to the banks.

Unsecured loans

S. No.	Name of the Lenders	Nature of Borrowing	Amount Sanctioned	Amount drawndown as on July 31, 2010 (In Rs. lakhs)	Interest	Tenure	Repayment
1.	IDBI Bank	Treasury limit for booking forward contracts/ options/ derivative deals	Loan equivalent risk = Rs. 300.00 lakhs	0.00	As may be notified from time to time.*	Facilities valid until November 30, 2010	Repayment of facilities on demand/ settlement date

***** *Our Company shall be liable to pay penal interest at the rate of 4.00% over and above the Benchmark Prime Lending Rate, the minimum rate being 16.75%.*

Corporate Actions

Certain corporate actions for which our Company requires the prior consent of the lenders include:

a) effect any change in capital structure;

b) formulate any scheme of amalgamation or reconstruction;

c) implement any scheme of expansion/diversification/modification other than incurring routine capital expenditure;

d) make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with any other concern except giving normal trade credits or placing on security deposits in the normal course of business or make advances to employees, provided that our Company may make such investments by way of deposits or advances that are required statutorily to be made as per the existing laws of the country or the rules or regulations or guidelines issued from time to time by the authorities concerned;

e) enter into borrowing arrangement either secured/unsecured with any other bank, financial institution, company or otherwise or accept deposits apart from the arrangement indicated in the funds flow statements submitted to the banks from time to time and approved by the banks

f) undertake any guarantee obligation on behalf of any other company;

g) declare dividend for any year out of the profits relating to that year or previous years, ensuring first that provisions are made and no repayment obligations remain unmet at the time of making request for the bank's approval for declaration of dividend;

h) create any charge, lien or encumbrance over its undertaking or any part thereof in favour of any financial institution, bank, company, firm or persons;

i) sell, assign, mortgage, or dispose of any of the fixed assets charged to the bank;

j) enter into any contractual obligation of long-term nature or affecting the company financially to a significant extent;

k) change the practice with respect to remuneration of directors by means of ordinary remuneration or commission and scale of sitting fees;

l) undertake any trading activity other than sale of products arising out of its own manufacturing operations;

m) permit any transfer of the controlling interest or make any drastic change in the management set up;

n) Repay monies brought in by the promoters/directors/principal shareholders and their friends and relatives by way of deposits/loans/advances. Further, the rate of interest on such deposits/loans/advances should be lower than that charged by bank on term loan and payment subject to regular payment of installments under term loan granted/deferred payment guarantees executed by the bank or other repayment obligations due from the company to the bank. All unsecured loans/deposits raised by the company for financing a project are always subordinate to the loans of the banks/financial institutions and should be permitted to be repaid only with prior approval of all the banks and financial institutions concerned;

o) Make any corporate investments or investment by way of share capital or debentures or lend or advance funds to or place deposits with any other concern except give normal trade credits or place on security deposits in the normal course of business or make advances to employees, provided that the borrower may make such investments by way of deposits or advances that are required statutorily to be made as per the existing laws of the country or the rules or regulations or guidelines issued from time to time by the authorities concerned;

p) Our Company is required to maintain a current asset cover no less than 1.33 times at any point of time, unless otherwise agreed to with the lenders;

q) Certain lenders reserve the right to withdraw the facilities in the event of a material change in the ownership or shareholding pattern or management of the firm; and

r) Our Company is required to maintain a total outside liabilities by tangible net worth less than 3.00 and a current ratio greater than 1.00.

SECTION VI – LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated below there are no outstanding litigation, suits, criminal or civil prosecutions, proceedings or tax liabilities against our Company, our Subsidiaries, Directors, our Promoters 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 our Company and its Subsidiaries, defaults in creation of full security as per terms of issue/other liabilities, proceedings initiated for economic/civil/any other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part 1 of Schedule XIII of the Companies Act) other than unclaimed liabilities of our Company and our Subsidiaries and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Subsidiaries, our Promoters, Promoter Group and Directors.

Except as stated below, our Company, our Subsidiaries, our Directors and Companies in which our Directors are associated as directors, our Promoters and Promoter Group have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI and have not been detained as wilful defaulters by the RBI or any government authority and there have been no violation of securities laws in the past or pending against them.

For details of the contingent liabilities of our Company and our Subsidiaries, please see the section titled "Financial Statements" on page 204.

As of March 31, 2010, our Company owes micro, small and medium enterprises a sum of Rs. 6,86,981.

Litigation against our Company

Civil Suits

1. Ekambaram Naicker (the "Plaintiff") has filed a suit (O.S. No. 686 of 2007) dated August 25, 2007 against our Company and the Assistant Divisional Engineer, Highways (the "Assistant Engineer") before the court of the district munsif at Alandur (the "District Court") seeking a permanent injunction restraining our Company and the Assistant Engineer from interfering with his peaceful possession of the property admeasuring two cents and superstructure thereon comprised in survey number 388/5A in Kancheepuram district, Tambaram taluk, S. Kolathur village (the "Suit Property") and costs of the suit. The Plaintiff has alleged that he and his elder brother are the owners of the Suit Property and that our Company has instigated the Assistant Engineer to demolish the superstructure in the Suit Property. An Advocate Commissioner was appointed in the matter and submitted a report on inspection of the Suit Property on September 14, 2007. Our Company has objections to the inspection report submitted by the Advocate Commissioner. Our Company has filed a written statement dated December 10, 2008 disputing the Plaintiff's claim and contending that the Plaintiff has lost its title to the Suit Property and that this has been recorded in the revenue records in accordance with survey operations. Our Company has also contended that the suit is not maintainable on the ground of non-joinder of the Plaintiff's elder brother as a party to the suit and that the suit for injunction without claiming relief of declaration of title is not maintainable. The Suit Property is adjacent to the property where our Company is proposing to construct a new corporate office. For further details, please see the sections titled "Objects of the Issue" and "History and Certain Corporate Matters" on pages 88 and 168 respectively. The matter is currently pending before the District Court.

Statutory Proceedings

1. A notice (Ref. Comp-II/HR/KNL/35069/4866) dated December 22, 2009 was issued to our Company under section 7A(2) of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 (the "E.P.F. Act") by the Assistant P.F. Commissioner, Karnal (the "Assistant Commissioner"). The Assistant Commissioner has alleged that the contractor employed by our Company at the site of our project at Panipat has not

complied with the provisions of the E.P.F. Act and that as the principal employer, our Company has the duty to deposit the statutory dues in respect of the workers engaged by our contractors. Our Company has been directed to submit the copies of bills raised by the contractors employed by us at the site. The proceedings are currently pending.

For further details in relation to statutory proceedings initiated against Rajiv Mittal as the representative of our Company, please see the section titled "Outstanding Litigation and Material Developments – Litigation involving Directors – Rajiv Mittal – Statutory Proceedings" on page 295.

Tax related litigation

Income Tax

1. Notices were issued to our Company on February 17, 2006 and on March 24, 2006 under section 148 and under section 143(2) of the I.T. Act respectively, by the Income Tax Department, Chennai in respect of the return filed by our Company on October 31, 2002 for the assessment year 2002-2003 admitting nil total income. The Assistant Commissioner of Income Tax (Company Circle III(4)), Chennai ("Assistant Commissioner of Income Tax"), by an order dated December 26, 2006, held that our Company was not entitled to claim a deduction to the extent of Rs. 2,76,47,265 in the total income of our Company assessed at Rs. 3,83,26,871 as our Company was not the developer of the project as required under section 80-IA, but a contractor under the Government which was the developer and because its income from the contract could not be said to be profits and gains derived from the development of infrastructure facilities. The Assistant Commissioner of Income Tax also held in his order dated December 26, 2006 that section 80-IA permitted claims for deductions only in the case of developers engaged in new infrastructure facilities, whereas our Company had been undertaking work in existing facilities and furthermore had been subcontracting the work, which was contrary to section 80-IA. Research and development cess to the extent of Rs. 7,30,812, leave encashment payable to the extent of Rs. 3,57,368 and technical fee paid to Wabag Austria, to the tune of Rs. 1,15,36,306 were also disallowed. Our Company was held liable to tax to the amount of Rs. 1,71,34,833 inclusive of interest and the refund issued. Our Company has filed an appeal dated January 23, 2007 before the Commissioner of Income Tax (Appeals) - III, Chennai ("CIT (Appeals)") against the orders of the Assistant Commissioner of Income Tax. The CIT (Appeals), by an order dated May 23, 2007 has granted the claim of deduction to the extent of Rs. 2,76,47,265. The claim in respect of technical fee paid to Wabag Austria, was disallowed. The Income Tax Department has preferred an appeal against the order of the Commissioner of Income Tax (Appeals) dated January 23, 2007 to the Income Tax Appellate Tribunal dated July 11, 2007. Our Company has challenged the disallowance of expenditure in respect of the technical fee paid to Wabag Austria in the proceedings and by an order dated July 9, 2010, the Income Tax Appellate Tribunal has allowed the appeal of our Company in respect of, and struck down, the disallowance of expenditure relating to the technical fee paid to Wabag Austria. By an order dated March 27, 2009, the Income Tax Appellate Tribunal has remitted the matter to the CIT (Appeals) to be considered afresh and for clear findings to be given on the nature of contracts executed by our Company. The matter is pending before the CIT (Appeals).

2. A notice was issued to our Company on October 11, 2004 by the Income Tax Department, Chennai under section 143(2) of the I.T. Act in respect of the return filed by our Company on November 27, 2003 for the assessment year 2003-2004 admitting a total income of Rs. 77,43,354 and the claim of deduction under section 80-IA. The Assistant Commissioner of Income Tax (Company Circle III(4)), Chennai ("Assistant Commissioner of Income Tax"), by an order dated March 15, 2006, held that our Company was not entitled to claim a deduction to the extent of Rs. 4,31,82,621 in the total income of our Company assessed at Rs. 5,21,26,350 as our Company was not the "developer" of the project as required under section 80-IA, but a contractor under the Government which was the developer and because its income from the contract could not be said to be profits and gains derived from the development of infrastructure facilities. The Assistant Commissioner of Income Tax held that section 80-IA permitted claims for deductions only in the case of developers engaged in new infrastructure facilities, whereas our Company had been undertaking work in existing facilities and furthermore had been subcontracting the work, which was contrary to section 80-IA. A donation of Rs. 7,350, gift expenses of Rs. 1,40,941 and provision for R&D cess of Rs.10,52,084 were also disallowed. Our Company was held liable to tax to the amount of Rs. 1,90,96,550 inclusive of interest

and the refund issued. Our Company has filed an appeal dated April 20, 2006 before the Commissioner of Income Tax (Appeals) - VIII, Chennai ("CIT (Appeals)"), against the orders of the Assistant Commissioner of Income Tax, with additional submissions permitted to be filed on February 19, 2007. The appeal has been heard and disposed of in our favour by an order dated February 22, 2007 in terms of a similar order for the assessment year 2002-2003, granting the claim of deduction to the extent of Rs. 4,31,82,621 in respect of deductions. The claim in respect of gift expenses was disallowed, while the claim in respect of donation was ordered to be verified by the Assistant Commissioner of Income Tax and allowed if borne out by the evidence submitted. The Income Tax Department filed an appeal dated May 3, 2007 against this order to the Income Tax Appellate Tribunal. By an order dated March 27, 2009, the Income Tax Appellate Tribunal remitted the matter to the CIT (Appeals) to be considered afresh and for clear findings to be given on the nature of contracts executed by our Company. The matter is pending before the CIT (Appeals).

3. A notice was issued to our Company on July 8, 2005 by the Income Tax Department, Chennai, under section 143(2) of the I.T. Act, in respect of the return filed by our Company on October 31, 2004 for the assessment year 2004-2005 admitting a total income of Rs. 35,42,624 and the claim of deduction under section 80-IA. The Assistant Commissioner of Income Tax (Company Circle III(4)), Chennai ("Assistant Commissioner of Income Tax"), by an order dated December 26, 2006, held that our Company was not entitled to claim a deduction to the extent of Rs. 19,38,73,152 in the total income of our Company assessed at Rs. 18,11,07,983 as our Company was not the "developer" of the project as required under section 80-IA, but a contractor under the Government which was the developer and because its income from the contract could not be said to be profits and gains derived from the development of infrastructure facilities. The Assistant Commissioner of Income Tax held that section 80-IA permitted claims for deductions only in the case of developers engaged in new infrastructure facilities, whereas our Company had been undertaking work in existing facilities and furthermore had been subcontracting the work, which was contrary to section 80-IA. Expenses in relation to research and development cess and foreign travel amounting to Rs. 15,90,401 and Rs. 20,60,775 respectively were also disallowed as business expenditure for non payment within the due date, in the case of research and development cess and non specification of the purpose for the travel. Our Company was held liable to tax to the amount of Rs. 6,72,51,699 inclusive of interest and the refund issued. Our Company has filed an appeal before the Commissioner of Income Tax (Appeals) III, Chennai ("CIT (Appeals)"), against the orders of the Assistant Commissioner of Income Tax on January 23, 2007. The CIT (Appeals) has passed an order dated May 23, 2007 in our favour in terms of a similar order for the assessment year 2002-2003, granting the claim of deduction to the extent of Rs. 19,30,05,792 in respect of deductions, disallowing only the portion relating to an existing infrastructure facility and disallowing the expenses in relation to foreign travel. The Income Tax Department filed an appeal dated July 11, 2007 against this order to the Income Tax Appellate Tribunal. By an order dated March 27, 2009, the Income Tax Appellate Tribunal remitted the matter to the CIT (Appeals) to be considered afresh and for clear findings to be given on the nature of contracts executed by our Company. The matter is pending before the CIT (Appeals).

4. Notices were issued to our Company on June 5, 2006 and on August 17, 2007 under section 143(2) and section 142(1) of the I.T. Act, respectively, by the Income Tax Department, Chennai, in respect of the return filed by our Company on October 29, 2005 for the assessment year 2005-2006 admitting nil total income. A refund of Rs. 71,62,245 had been issued to our Company. The Assistant Commissioner of Income Tax (Company Circle III(4)), Chennai ("Assistant Commissioner of Income Tax"), by an order dated December 26, 2007, held that our Company was not entitled to claim a deduction to the extent of Rs. 24,05,13,601 in the total income of our Company assessed at Rs. 24,05,13,601 as our Company was not the "developer" of the project as required under section 80-IA, but a contractor under the Government which was the developer and because its income from the contract could not be said to be profits and gains derived from the development of infrastructure facilities. The Assistant Commissioner of Income Tax held that section 80-IA permitted claims for deductions only in the case of developers engaged in new infrastructure facilities, whereas our Company had been undertaking work in existing facilities and furthermore had been subcontracting the work, which was contrary to section 80-IA. Our Company was assessed as being liable to pay tax to the extent of Rs. 9,45,91,472 inclusive of interest and the refund issued. Our Company has filed an appeal dated January 31, 2008 before the Commissioner of Income Tax (Appeals VIII) ("CIT (Appeals)"), Chennai In its order on November 24, 2008, the CIT (Appeals) upheld the claim of our Company for deductions under section 80-IA of the I.T. Act to the extent of Rs.

24,05,13,601, having reference to similar orders for the assessment year 2002-2003 and 2003-2004 where there were similar issues. The Income Tax Department has filed an appeal dated July 11, 2007 before the Income Tax Appellate Tribunal against the order of the CIT (Appeals). By an order dated July 24, 2009, the Income Tax Appellate Tribunal remitted the matter to the CIT (Appeals) to be considered afresh and for clear findings to be given on the nature of contracts executed by our Company. The matter is pending before the CIT (Appeals).

5. Notices were issued to our Company on June 10, 2007 and on August 17, 2007 under section 143(2) and section 142(1) of the I.T. Act, respectively, by the Income Tax Department, Chennai, in respect of the return filed by our Company on November 20, 2006 for the assessment year 2006-2007 admitting an income of Rs.1,92,24,966. The Deputy Commissioner of Income Tax (Company Circle III(4)), Chennai (the "Deputy Commissioner of Income Tax") by an order dated December 26, 2008, held that our Company was not entitled to claim a deduction to the extent of Rs.14,28,54,064 in the total income of our Company assessed at Rs.17,17,02,474 as our Company was not the developer of the project as required under section 80-IA, but a contractor under the Government which was the developer and because its income from the contract could not be said to be profits and gains derived from the development of infrastructure facilities. The Deputy Commissioner of Income Tax also held that section 80-IA permitted claims for deductions only in the case of developers engaged in new infrastructure facilities, whereas our Company had been undertaking work in existing facilities and furthermore had been subcontracting the work, which was contrary to section 80-IA. Restructuring expenses of Rs.96,23,444 were also disallowed. Our Company was assessed as being liable to pay tax to the extent of Rs. 5,78,49,670 inclusive of interest and the refund issued. A notice of demand dated December 26, 2008 was issued to our Company by the Deputy Commissioner of Income Tax. By the said notice of demand, our Company was directed to pay a sum of Rs. 5,78,49,670. Our Company has filed an appeal dated January 28, 2009 before the Commissioner of Income Tax (Appeals III) ("CIT (Appeals)"), Chennai, challenging the disallowance of expenses in respect of foreign exchange loss, traveling expenses and audit fees, as well as the claim for deduction under section 80-IA of the I.T. Act. The matter is currently pending hearing before the CIT (Appeals).

Sales Tax

1. An order (Case No. 01(F) of 2008/2009) was passed by the by the Deputy Commissioner, Sales Tax on June 24, 2009 assessing the central sales tax payable by our Company for the assessment year 2006-2007 at Rs.53,66,830. A notice of demand was issued to our Company on June 29, 2009 under the West Bengal Value Added Tax Act, 2003 by the Joint Commissioner, Commercial Taxes. By the said notice, our Company has been directed to pay a sum of Rs. 53,66,830 as tax. Our Company has filed an appeal dated October 28, 2009 before the Joint Commissioner of Sales Tax, Midnapore Circle against the said order and notice of demand. The matter is currently pending.

2. An assessment order dated June 24, 2009 was passed by the Deputy Commissioner, Sales Tax, Midnapore assessing our Company's turnover of sales for the assessment year 2006-2007 as Rs. 11,69,21,987 and the tax payable in respect thereof as Rs. 1,46,15,248. The contract transfer price was determined and assessed as Rs. 8,64,72,684 for the assessment year 2006-2007 and the tax payable in respect thereof was assessed as Rs. 94,30,927. The turnover of purchases of our Company was assessed at Rs. 1,20,000 and the tax payable in respect thereof was assessed at Rs. 15,000. A notice of demand was issued to our Company on June 29, 2009 under the West Bengal Value Added Tax Act, 2003. By the said notice, our Company was directed to pay a sum of Rs. 1,86,31,663 as tax and penalty. Our Company has filed an appeal dated October 29, 2009 before the Joint Commissioner of Sales Tax, Midnapore against the said order. The matter is currently pending.

3. An order dated August 27, 2008 was passed by the Joint Commissioner of Commercial Taxes, Haldia assessing the turnover of sale price of our Company under the West Bengal Value Added Tax Act, 2003 for the assessment year 2005-2006 as Rs. 9,80,00,000 and the tax payable in respect thereof as Rs. 1,22,50,000 and imposing a penalty of Rs.10,000. The turnover of purchases of our Company was assessed at Rs. 500,000 and the tax payable in relation to the same was assessed at Rs. 20,000. Our contractual transfer price was assessed at Rs. 800,00,000 and the tax payable in relation to the same was assessed at Rs. 74,50,000. A notice of demand was issued to our Company under the West Bengal Value Added Tax

Rules, 2005 by the Assistant Commissioner, Sales Tax on November 6, 2008. By the said notice, our Company has been directed to pay a sum of Rs. 1,32,09,476 as tax and penalty. Our Company has filed an appeal dated April 16, 2009 before the Senior Joint Commissioner, Sales Tax against the said order disputing the tax payable. The matter is currently pending.

4. An order dated August 27, 2008 was passed by the Joint Commissioner of Commercial Taxes, Haldia assessing the turnover of sale price of our Company under the Central Sales Tax Rules, 1958 for the assessment year 2005-2006 as Rs. 1,700 lakhs and the tax payable in respect thereof as Rs. 212,50,000 and imposing a penalty of Rs. 5,000. A notice of demand was issued to our Company under the Central Sales Tax Act, 1956 read with the West Bengal Value Added Tax Act, 2003 by the Joint Commissioner of Commercial Taxes on November 6, 2008. By the said notice, our Company has been directed to pay a sum of Rs. 212,55,000 as tax and penalty. Our Company has filed an appeal dated April 16, 2009 before the Senior Joint Commissioner, Sales Tax against the said order disputing the tax payable. The matter is currently pending.

5. The Intelligence Squad No. II, Thiruvananthapuram (the "Intelligence Officer"), upon inspection of vehicles carrying goods for sale, found the documents accompanying the goods to be defective and issued notices to Andritz Separation (India) Private Limited and our Company. The Intelligence Officer ascertained from the Commercial Tax Officer, Works Contract that our Company had not filed the annual return for the year 2006-2007 and that our Company had not filed monthly or quarterly returns for the assessment year 2007-2008. Notices were issued to our Company and Andritz Separation (India) Private Limited and our Company directing that a security deposit amounting to Rs. 30,88,440 be paid. An assessment order dated October 1, 2007 was passed by the Intelligence Office Squad No.II against our Company in respect of goods detained by the Intelligence Officer, assessing the penalty payable by our Company as Rs. 41,61,767 which was payable by our Company as a penalty. Our Company filed an appeal (AVAT no. 261 of 2007) dated October 20, 2007 against the assessment order and a petition dated October 19, 2007 seeking interim relief of a stay on the collection of the disputed tax penalty pending disposal of the appeal. By an order dated October 24, 2007, the Deputy Commissioner (Appeals) allowed the petition for stay subject to the condition that our Company should pay 50% of the amount and subject to bank guarantee for the balance, within two weeks from the date of receipt of the order. Our Company filed a writ petition (no. 32420 of 2007) dated October 29, 2007 before the Kerala High Court challenging the order of the Deputy Commissioner (Appeals) and seeking interim relief that the Deputy Commissioner (Appeals) consider the appeal without any pre-deposit or security, and a release of amounts due to our Company pending disposal of the appeal. By an order dated November 7, 2007, a single judge of the Kerala High Court dismissed the writ petition while granting a time period of three weeks to our Company to comply with the order of the Deputy Commissioner (Appeals) dated October 24, 2007. Our Company filed a writ appeal (WA. No. 2754 of 2007) dated November 20, 2007 before the Kerala High Court against the order passed by the single judge of the Kerala High Court dated November 7, 2007, upholding the order of the Deputy Commissioner (Appeals). By an order dated November 21, 2007, the writ appeal has been dismissed. The Deputy Commissioner (Appeals), by an order dated February 24, 2010 has set aside the penalty imposed by the Intelligence Officer and remanded the matter to the Intelligence Officer for fresh consideration. The matter is currently pending.

6. An assessment order dated December 17, 2005 was passed by the Commercial Taxes Officer assessing our Company's total turnover for the assessment year 2003-2004 as Rs. 1,40,62,790 and the tax payable by our Company as Rs. 1,39,222 after allowing adjustments for amounts deposited. Our Company filed an appeal (no. 214/RST/A/2005-06) dated February 1, 2006 under the Rajasthan Sales Tax Act, 1994 before the Deputy Commissioner Commercial Taxes (Appeals), for setting aside the levy of tax, exemption fee and interest. By an order dated March 5, 2008, the Deputy Commissioner (Appeals) First, Commercial Tax partially allowed the appeal (no. 214/RST/A/2005-06) and held that exemption fees would be chargeable at 1.5% on contract works for the contract for establishing a sewerage treatment plant and not 2.25% as was levied. The matter was forwarded to the tax assessment officer for adjustment of interest and deposited amount. The matter is currently pending.

7. An assessment order dated March 6, 2007 was passed by the Commercial Taxes Officer, Works Contract and Leasing Tax Zone-I, Jaipur (the "Commercial Taxes Officer") assessing our Company's total turnover

for the assessment year 2004-2005 as Rs. 5,42,76,328 and the tax payable by our Company as Rs. 13,06,702. Our Company has filed an appeal and an application dated January 23, 2008 under the Rajasthan VAT Act, 2003 before the Deputy Commissioner (Appeals), disputing the amount assessed as tax payable by our Company on the ground that the rate of applicable exemption charge should be 1.5% and not 2.25% as charged and seeking a stay on the recovery proceedings in respect of the tax payable pending the disposal of the appeal. The Commercial Taxes Officer, by an order dated May 6, 2008, held that the exemption charge would be payable at the rate of 2.25% and not 1.5%. Our Company has filed an appeal dated June 12, 2008 and an application dated June 12, 2008 under the Rajasthan VAT Act, 2003 before the Deputy Commissioner (Appeals) disputing the amount of tax payable and seeking a stay on the recovery of Rs. 3,98,930. The Deputy Commissioner (Appeals), by an order dated March 25, 2010, remanded the matter to the assessing officer for investigation. Our Company has filed an appeal dated June 2, 2010 against the order dated March 25, 2010 before the Rajasthan Tax Board. The matter is currently pending.

8. An assessment order dated February 4, 2008 was passed by the Commercial Taxes Officer,Works Contract and Leasing Tax Zone-I, Jaipur (the "Commercial Taxes Officer") assessing our Company's total turnover for the assessment year 2005-2006 as Rs. 6,62,12,376 and the tax payable by our Company (inclusive of penalty and after adjustment for deposits) as Rs. 16,12,744. Our Company has filed an appeal dated March 18, 2008 under the Rajasthan VAT Act, 2003 before the Deputy Commissioner (Appeals) disputing the amount assessed as tax payable by our Company and an application dated March 18, 2008 seeking a stay on the recovery proceedings in respect of the tax payable pending the disposal of the appeal. The Deputy Commisser (Appeals), by an order dated December 23, 2009, held that the appeal was invalid as the exemption certificate had not been disputed. Our Company has filed an appeal dated April 28, 2010 against the order dated December 23, 2009 before the Rajasthan Tax Board. The Rajasthan Tax Board, by an order dated May 11, 2010, stayed the demand of tax in respect of the assessment year 2005-2006 subject to the submission of VAT Form 64 to the assessing officer, at his satisfaction. Our Company has not submitted the said VAT Form 64. The matter is currently pending.

9. An assessment order dated October 23, 2009 was passed by the Commercial Taxes Officer,Works Contract and Leasing Tax Zone-II, Jaipur (the "Commercial Taxes Officer") assessing our Company's turnover for the assessment year 2006-2007 on which tax was payable as Rs. 86,57,863 and the tax payable by our Company (inclusive of penalty) as Rs. 8,75,988. A notice of demand was issued to our Company under the Rajasthan VAT Act, 2003 Act by the Commercial Tax Officer. By the said notice, our Company was directed to pay a sum of Rs. 8,75,988 as tax after adjustment of amounts deposited. Our Company has filed an appeal dated January 22, 2010 under the Rajasthan VAT Act, 2003 before the Deputy Commissioner (Appeals) disputing the amount assessed as tax payable by our Company. The matter is currently pending.

10. An assessment order dated August 28, 2007 was passed by the Deputy Commissioner, Commercial Taxes, Jamshedpur assessing our Company's gross sales for the assessment year 2004-2005 as Rs. 9,24,26,968.70, and the tax payable by our Company under the adopted Bihar Finance Act, 1981 as Rs. 29,23,682.60 inclusive of surcharge. Our Company was also directed to pay a sum of Rs. 3,846 as penalty. The certified copy of the said assessment order was issued to our Company on April 16, 2010 pursuant to an application filed by our Company on July 17, 2009. The matter is currently pending.

11. An assessment order dated August 28, 2007 was passed by the Deputy Commissioner of Commercial Taxes, Jamshedpur assessing the taxable interstate sales for the assessment year 2004-2005 as Rs. 4,87,72,184 and the tax payable by our Company under the Central Sales Tax Act, 1956 as Rs. 48,77,218.40. A notice of demand was issued to our Company under the adopted Bihar Finance Act, 1981 on August 28, 2007. The certified copy of the assessment order was issued to our Company on April 16, 2010 pursuant to an application filed by our Company on July 17, 2009. The matter is currently pending.

12. An assessment order dated July 30, 2010 has been passed by the Deputy Commissioner of Commercial Taxes, (Audit-12), Bangalore rejecting our Company's claim for refund for the assessment year 2007-2008 and allowing instead a refund of Rs. 1,00,663. The net tax payable by our Company under the Karnataka Value Added Tax Act, 2003 was assessed at Rs. 13,14,299 and the penalty payable in respect thereof was assessed at Rs. 58,761. An additional demand of Rs. 9,28,312 was also raised against our Company, after

accounting for Rs. 14,73,723 as tax deducted at source. Further, a demand of Rs. 740 was raised against our Company under the Karnataka Tax on Entry of Goods into Local Areas for Consumption, use or Sale Therein Act, 1979 for causing the entry of lubricants worth Rs. 37,024 into the local area. The matter is currently pending.

13. An assessment order dated July 30, 2010 has been passed by the Deputy Commissioner of Commercial Taxes, (Audit-12), Bangalore rejecting our Company's claim for refund for the assessment year 2008-2009 and allowing instead a refund of Rs. 3,15,399. The net tax payable by our Company under the Karnataka Value Added Tax Act, 2003 was assessed at Rs. 7,30,499 and the penalty in respect thereof was assessed at R. 73,050. An additional demand of Rs. 8,03,549 was also raised against our Company after accounting for Rs. 11,18,948 as tax deducted at source. Further, a demand of Rs. 477 was raised against our Company under the Karnataka Tax on Entry of Goods into Local Areas for Consumption, use or Sale Therein Act, 1979 for causing the entry of lubricants worth Rs. 23,852 into the local area. The matter is currently pending.

14. An assessment order dated March 31, 2010 has been passed by the Commercial Tax Officer, Works Contract and Leasing Tax, Division II, Jaipur assessing the exemption fees at Rs. 21,19,922 (at the rate of 2.25%) and the penalty payable by our Company for late production of the VAT audit report as Rs. 94,819, for the assessment year 2007-2008. Our Company was held entitled to a refund of Rs. 6,51,489 after accounting for Rs. 28,66,230 as tax deducted at source. The matter is currently pending.

Labour-related proceedings

1. A notice dated August 19, 2010 has been issued to our Company under the Industrial Disputes Act, 1947 by the labour court at Chennai – 104, requiring our Company to appear before the labour court on September 13, 2010 in relation to a petition filed by 19 workmen seeking benefits by way of resinstatement, etc.

Litigation by our Company

Civil Proceedings

1. Our Company has filed a writ petition (no. 1574 of 2010) dated January 28, 2010 before the Madras High Court against the Union of India challenging section 36(d) of the Finance Act (No.2), 2009 which retrospectively amends the explanation to section 80-IA (13) of the Income Tax Act, 1961, on the grounds that the said amendment is violative of Articles 14, 19(1)(g), 245 and 265 and Entry 82 of List I of Schedule VII and the basic structure of the Constitution. Our Company has also filed an affidavit dated January 28, 2010 and a stay petition dated January 28, 2010 for interim stay of section 36(d) of the Finance Act (No.2), 2009 pending disposal of the writ petition (no. 1574 of 2010). The matter is currently pending before the Madras High Court.

2. Our Company has filed a transfer petition (no. 238 of 2010) dated February 26, 2010 before the Supreme Court under Article 139A(2) of the Constitution of India seeking the transfer of the writ petition (no. 1574 of 2010) dated January 28, 2010 challenging section 36(d) of the Finance Act (No.2), 2009 filed by our Company before the Madras High Court, to the Bombay High Court. The Supreme Court, by an order dated March 22, 2010, dismissed the transfer petition. Subsequently, our Company filed an application dated May 3, 2010 before the Supreme Court for recalling the order dated March 22, 2010. The application is currently pending.

3. Our Company has filed a writ petition (no. 15416 of 2010) dated June 30, 2010 before the Andhra Pradesh High Court against the Government of Andhra Pradesh and others seeking a writ of mandamus declaring the cess imposed on our Company under the Building and Other Construction Works' (Welfare Cess) Act, 1966, in relation to the work being undertaken by our Company at the Vishakhapatnam Steel Plant, as illegal, arbitrary and unconstitutional. Our Company has also filed an affidavit dated June 30, 2010 seeking, *inter alia*, an interim stay on the deduction/recovery/witholdment of any amounts towards cess under the Building and Other Construction Works' (Welfare Cess) Act, 1966. By an order dated July 5, 2010, the

Andhra Pradesh High Court has directed the Deputy General Manager (Contracts), Rashtriya Ispat Nigam Limited to retain the amounts payable towards cess with itself and not credit the same to the Government of Andhra Pradesh or the Welfare Board. The matter is currently pending.

Arbitration Proceedings

1. Our Company has filed a claim dated June 1, 2009 against the Chennai Metropolitan Water Supply and Sewerage Board ("CMWSSB") before an arbitral tribunal consisting of three members at Chennai. Our Company has claimed a sum of Rs. 4,19,29,886 along with additional interest at the rate of 18% per annum from the date of the claim statement until the date of payment. Our Company has alleged that additional construction has been undertaken by our Company with respect to the sewage treatment plant at Perungudi as a result of communication of incorrect specifications or misrepresentation by CMWSSB, as a result of which the quotation submitted by our Company fell short of the expenses actually incurred in undertaking the additional construction. Our Company has contended that the difference in specifications and the additional work required to be undertaken by our Company were notified to CMWSSB by our Company by a letter dated December 29, 2003, which was rejected by CMWSSB. CMWSSB has filed a counter statement dated October 16, 2009. Our Company has filed a reply dated December 24, 2009 to the counter statement and a proof affidavit dated March 7, 2010. The matter is currently pending before the arbitral tribunal.

Litigation involving our Subsidiaries

Wabag Austria

Litigation against Wabag Austria

Civil Suits

1. Mahara Contractors and Construction Investment Company, Benghazi, Libya has filed notification of a claim on June 23, 2009 against Wabag Austria in the Alhizam Alakhdar primary court at Benghazi for payment due to a predicated premature dismissal of the contract for a total amount of EUR 528,000 including mobilisation value of EUR 128,000, financial and moral losses amounting to EUR 300,000 and EUR 100,000 for managing the works during the absence of Wabag Austria as well as legal charges and lawyers' fees. The matter has been transferred to the Court of First Instance in Tripoli by the Benghazi court on September 6, 2009 since Wabag Austria is registered in Tripoli. The proceedings are currently pending.

2. GVA-Gesellschaft für Verfahren der Abwassertechnik mbH & Co KG ("GVA") has filed a claim on January 5, 2010 against Wabag Austria before the Commercial Court, Vienna, for payment for delivery of supplies to Wabag Austria under the terms of a contract between GVA and Wabag Austria. GVA has claimed a total sum of EUR 15,592. Wabag Austria has opposed this claim on February 2, 2010 on the ground that GVA did not execute its obligations under the contract with the requisite workmanship. The matter is currently pending.

3. The Directorate of Social Security Organisation – Ankara initiated proceedings against Wabag Austria and others on April 15, 2009 before the Adana 1st labour court claiming a sum of TRY 345,000 as refund of amounts paid as compensation in respect of a labour accident at the Adana waste water operation plants. The matter is currently pending.

Threatened Proceedings

1. Siemens AG I IS MT PEP PM ("Siemens AG") made a written claim by a letter dated August 28, 2009 against Wabag Austria in relation to the Tehran Sewerage Project Southern WWTP. Siemens AG has claimed a sum of EUR 419,760 as extra costs for time delay, alleging that it was not liable for any delay in the project. Wabag Austria rejected the claim by a written reply dated September 18, 2009. Subsequently, Siemens modified its claim by a letter dated December 11, 2009, wherein it claimed a sum of over EUR

961,010. Wabag Austria rejected the revised claim by a written reply dated December 23, 2009. Wabag Austria and Siemens AG held a meeting on May 18, 2010, pursuant to which Wabag Austria and Siemens AG have agreed to provide each other the evidence in respect of each of their claims. Consequently, Siemens has revised its claim to EUR 1,039,600 and Wabag Austria has revised its claim to EUR 604,260.38.

2. Miejskie Przedsiębiorstwo Wodociągów i Kanalizacji Sp. z o.o. (the "Claimant") has made a written claim by letters dated April 23, 2010 and June 18, 2010 against Wabag Austria and ABT Sp. zoo Czestochowa ("ABT") as a consortium (the "Consortium") in relation to the Rzeszów project. The Claimant has claimed a sum of PLN 2,341,302.49 as a penalty for delay, alleging that the consortium has not fulfilled its duty of removing defects as notified by it to the Consortium in the appropriate period. ABT has proposed to undertake negotiations with the Claimant.

Administrative Proceedings

1. The tax authority for capital taxes has initiated proceedings against Wabag Austria in relation to capital contribution by VA Technologie AG and whether the same is taxable as company tax. The amount involved in the matter is EUR 385,000. In terms of the share purchase agreement dated September 19, 2007 between Siemens and Wabag Singapore, the liability in respect of this matter vests in Siemens. The matter is pending for submission of the letter of reply/summary of facts.

2. Wabag Austria has filed an appeal No. Zl. 2006/13/0042-6 dated February 28, 2006 against the order of the Unabhängiger Finanzsenat (the independent financial tribunal), Außenstelle Wien dated January 20, 2006, claiming a sum of ATS 43,600,000 as an allowance of depreciation concerning the company value before the Verwaltungsgerichtshof (the Supreme Administrative Court), Vienna. The matter is currently pending.

Litigation by Wabag Austria

Arbitration Proceedings

1. Wabag Austria, in consortium with TEKSER, has initiated arbitration proceedings bearing case No. 16863 GZ dated February 23, 2010 against Kayseri Su Ve Kanalizasyon Idaresi Genel Müdürlügü ("KASKI") at the Arbitration Court in Istanbul by making a request for arbitration with the Secretariat of the Court of the International Chamber of Commerce in Istanbul, claiming a sum of EUR 1,313,778 for the construction of Kayseri Waste Water Treatment Plant in Kayseri. The claim is in respect of the amount paid as risk coverage fees for trade credit insurance to Euler Hermes Kreditversicherungs-AG, the German state export insurance agency, against the potential insolvency of and consequent non-payment by KASKI. Wabag Austria has contended that as a result of KASKI's acceptance of payment of coverage fees as a commercial loan by Wabag Austria, the payment of such fees is a fulfilment of a third party's liability. The terms of reference, incorporating summaries received from both parties, have been signed on June 23, 2010. The matter is currently pending.

2. Wabag Austria, in consortium with SARAVAN-TOSSAR, has requested adjudication on August 12, 2009 at the Iran Chamber of Commerce against Teheran Sewerage Company, Iran claiming an amount of EUR 4,566 million comprising of a claim of EUR 1,566 million for Wabag Austria and EUR 3,000 million for SARAVAN-TOSSAR in relation to a dispute concerning the extension of time and early repayments for the Tehran Sewerage Project in Tehran. The Iran Chamber of Commerce has named Dr. Michael Ghanbari as the adjudicator on May 1, 2010. The proceedings are pending.

VA Tech Wabag Deutschland GmbH, Germany

Litigation against VA Tech Wabag Deutschland GmbH, Germany

Civil Suits

1. Neuland Wohnungsgesellschaft GmbH has filed claim No. 1 0 3725/04 (481) against VA Tech Wabag Deutschland GmbH, Germany, claiming compensation in respect of a claim for damages to the extent of EUR 1,362,737.50 concerning the project "Badeland Wolfsburg" in the Landgericht Braunschweig where the matter is pending. Krüger Wabag GmbH has accepted in the share purchase and transfer agreement executed by it on August 19, 2004 to release VA Tech Wabag Deutschland GmbH, Germany from any and all liability or claim relating to this project.

Arbitration Proceedings

1. Société TPFE, formerly TPF-Chapeaux, has filed claim No. 15744/EC on July 23, 2008 against VA Tech Wabag Deutschland GmbH, Germany before the International Chamber of Commerce at Paris for a sum of EUR one million for compensation resulting from the consortial relationship in the project Mexenna, wherein it was contended that VA Tech Wabag Deutschland GmbH, Germany had abused its role as the consortium leader, which resulted in loss to the Société TPFE. VA Tech Wabag Deutschland GmbH, Germany has preferred a counter claim for compensation of EUR 2.5 million. The arbitration proceedings have taken place before the International Chamber of Commerce at Paris and the final pleadings to be made by the parties and final judgment are pending.

Litigation by VA Tech Wabag Deutschland GmbH, Germany

Civil Suits

1. VA Tech Wabag Deutschland GmbH ("Wabag Deutschland") has obtained a provisional injunction against the Ministry of Finance, Central Finance and Contracts Unit, Romania (the "Ministry"), in claim No. 25 C 770/08k-30 for a sum of EUR 732,195.53 before the court of the Republik Österreich, Bezirksgericht Innere Stadt Wien on October 29, 2008. Wabag Deutschland and the Ministry had entered into a contract in respect of the Danutoni project, which had been terminated by Wabag Deutschland. Wabag Deutschland alleged that the Ministry had attempted to draw a bank guarantee given by Wabag Deutschland after termination of the contract and that the Ministry had failed to return the performance security given by Wabag Deutschland at the time of entering into the contract. The court of Republik Österreich, on April 9, 2009, has rejected the opposition of the Ministry to the decision of the first court. Three arbitrators have been appointed and the matter is currently pending until the final pronouncement in the arbitration proceedings number ICC No. 16685/GZ against the Ministry of Finance, Central Finance and Contracts Unit, Romania. For details in relation to this litigation, please see the section titled "Outstanding Litigation – Litigation involving our Subsidiaries - VA Tech Wabag Deutschland GmbH, Germany" on page 293.

Arbitration Proceedings

1. VA Tech Wabag Deutschland GmbH has preferred claim No. 15334/FM/GZ against Regia Autonoma Judeteana de Apa Constanta ("Regia"), later succeeded by S.C. Raja S.A. ("Raja") (collectively, the "Respondent") for a sum of EUR 3,343,325.10 along with fees and penalties in accordance with the yellow book of the International Federation of Consulting Engineers ("FIDIC") before the International Chamber of Commerce, Paris on December 18, 2009. The case was posted for final hearing on September 15, 2009 at Bucharest by a procedural order of the arbitral tribunal dated July 28, 2009, when VA Tech Wabag Deutschland GmbH accepted a reduction in the claim amount to EUR 3,059,380.30 and the costs of the arbitral proceedings. Wabag Austria further reduced the claim amount to EUR 1,669,823 and the costs of the arbitral proceedings on November 11, 2009 pursuant to receipt of some payments from Regia. By an order dated June 25, 2010, the artbitral tribunal has held Raja liable to pay VA Tech Wabag Deutschland GmbH a sum of EUR 97,711.36 in respect of the execution of performance security by the Respondent and EUR 75,743.02 as default interest. The tribunal has also upheld as lawful the execution of performance security by Raja for the amount of EUR 1,599,112 and has held each of the parties liable to bear the costs of the arbitration to the extent of 50%.

2. VA Tech Wabag Deutschland GmbH has preferred a claim (FIDIC No. FY-DB-B-AA-1P) against the Ministry of Finance, Central Finance and Contracts Unit, Romania for a sum of EUR 917,037 before the dispute adjudication board of the FIDIC on November 26, 2008. Martin Moorhead has been appointed to

adjudicate the dispute and the matter is pending before him. By an email dated July 7, 2009, it was alleged on behalf of VA Tech Wabag Deutschland GmbH, Germany that the dispute adjudication agreement required to be executed by the parties in terms of the conditions of the contract under dispute (Contract No. ISPA/2000/RO/16/P/PE/009-02) had not been executed, nor had the Ministry of Finance, Central Finance and Contracts Unit, Romania (the "Employer" under the contract) responded to any requests for adjudication. VA Tech Wabag Deutschland GmbH (the "Contractor" under the contract) alleged that the dispute adjudication board was hence in place and the Contractor had the right to directly resort to arbitration. The parties were informed by a letter dated July 7, 2009 that under the conditions of the contract under dispute (Contract No. ISPA/2000/RO/16/P/PE/009-02), the dispute adjudication board was in a position to give any decision on any dispute that either party may refer to the dispute adjudication board. By a letter dated August 20, 2009, confirmation was been sought from the parties as to whether they wish to continue with the proceedings. In November 2009, the dispute was forwarded to the arbitral tribunal. The arbitration proceedings (ICC No. 16685/GZ) commenced on February 11, 2010 with the final nomination of three arbitrators by the parties. VA Tech Wabag Deutchland GmbH has filed its statement of claim on May 17, 2010. The Employer has filed its response to the statement of claim by the Contractor on August 19, 2010. The arbitration proceedings are currently pending.

Litigation against VA Tech Wabag Algeria s.a.r.l., Algeria

Threatened Proceedings

1. Société Mipol Sud ("Mipol") has made a written claim dated June 28, 2008 against VA Tech Wabag Algeria s.a.r.l., Algeria in relation to costs for additional services rendered in relation to the Oran project. Mipol has claimed that they have appointed sub-contractors to carry out additional services like welds, etc. Mipol has also claimed idle charges for their personnel and machine downtimes for reasons not attributable to Mipol. Mipol has claimed a sum of DZD 19,071,074.25 with costs of DZD 200,000.

Labour-related Proceedings

1. Maarouf Zouaoui has made a claim against VA Tech Wabag Algeria s.a.r.l., Algeria before the court in Oran for a sum of DZD 400,000 with costs of DZD 50,000 in relation to compensation for salary and social costs in terms of the labour laws in Algeria. The proceedings are currently pending.

2. Abaoub Deradji has made a claim against VA Tech Wabag Algeria s.a.r.l., Algeria before the court in Batna for a sum of DZD 20,000 with costs of DZD 20,000 in relation to payment for overtime. The proceedings are currently pending.

There is no pending litigation filed by or against the following subsidiaries of our Company:

a. Wabag Singapore;
b. Beijing VA Tech Wabag Water Treatment Technology Co., Ltd.;
c. VA Tech Wabag (Gulf) Contracting LLC, Dubai;
d. Engenharia Hidraulica de Macau, Limitada, Macao;
e. VA Tech Wabag Brno Spol S.R.O, Czech Republic;
f. VA Tech Wabag (Hong Kong) Limited;
g. VA Tech Wabag Tunisia s.a.r.l., Tunisia;
h. Wabag Wassertechnik AG, Switzerland;
i. Wabag Water Services (Macao) Limited, Macao; and
j. Wabag Water Services s.r.l, Romania.

Litigation involving Directors

Rajiv Mittal

Statutory Proceedings

1. A show cause notice (No.26(/16)/2009-KNL) dated November 27, 2009 was issued to Rajiv Mittal as representative of our Company and Ramji Dass Darshan Kumar Limited (“Ramji Dass”) under the M.W. Act by the Labour Enforcement Officer, Karnal (the “LEO”). The LEO has alleged that there are certain irregularities in the payment of wages under the M.W. Act and directed our Company to rectify the same and show cause within 10 days as to why legal action should not be taken against our Company for the contravention, as irregularities were also observed in the past. Ramji Dass and our Company replied to the said notice by letters dated December 8, 2009 and December 16, 2009, respectively, stating that the requirements were complied with. A fine of Rs. 1,000 has been paid in the court of the Chief Judicial Magistrate, Panipat, pursuant to this notice. The matter is currently pending.

2. A show cause notice (No.26(/17)/2009-KNL) dated November 27, 2009 was issued to Rajiv Mittal as representative of our Company and Lloyds Insulation under the M.W. Act by the Labour Enforcement Officer, Karnal (the “LEO”). The LEO has alleged that there are certain irregularities in the payment of wages under the M.W. Act and directed our Company to rectify the same and show cause within 10 days as to why legal action should not be taken against our Company for the contravention, as irregularities were also observed in the past. Lloyd’s Insulation and our Company replied to the said notice by letters dated December 9, 2009 and December 11, 2009, respectively, stating that the requirements were complied with. A fine of Rs. 1,000 has been paid in the court of the Chief Judicial Magistrate, Panipat, pursuant to this notice. The matter is currently pending.

3. A show cause notice (No.26(/18)/2009-KNL) dated November 27, 2009 was issued to Rajiv Mittal as representative of our Company and Project Construction Engineering Company (“Project Construction”) under the M.W. Act by the Labour Enforcement Officer, Karnal (the “LEO”). The LEO has alleged that there are certain irregularities in the payment of wages under the M.W. Act and directed our Company to rectify the same and show cause within 10 days as to why legal action should not be taken against our Company for the contravention, as irregularities were also observed in the past. Project Construction and our Company replied to the said notice by letters dated December 15, 2009 stating that the requirements were complied with. A fine of Rs. 1,000 has been paid in the court of the Chief Judicial Magistrate, Panipat, pursuant to this notice. The matter is currently pending.

4. A show cause notice (No.26(/19)/2009-KNL) dated November 27, 2009 was issued to Rajiv Mittal as representative of our Company and Energetic Engineering and Company (“Energetic Engineering”) under the M.W. Act by the Labour Enforcement Officer, Karnal (the “LEO”). The LEO has alleged that there are certain irregularities in the payment of wages under the M.W. Act and directed our Company to rectify the same and show cause within 10 days as to why legal action should not be taken against our Company for the contravention, as irregularities were also observed in the past. Energetic Engineering and our Company replied to the said notice by letters dated December 14, 2009, stating that the requirements were complied with. A fine of Rs. 1,000 has been paid in the court of the Chief Judicial Magistrate, Panipat, pursuant to this notice. The matter is currently pending.

5. A notice (No. 39(44)/2007-KNL dated November 20, 2007 was issued to Rajiv Mittal under the Equal Remuneration Act, 1976 and Rules (the “ER Act”) by the Labour Enforcement Officer, Karnal (the “LEO”). The LEO had alleged that there were certain irregularities observed during the inspection report. The LEO directed our Company to rectify the irregularities and report compliance within a fortnight of receipt of the notice, failing which legal action would be taken against our Company under section 10 of the Equal Remuneration Act. The proceedings are currently pending.

Sumit Chandwani

There is no pending litigation filed against or in respect of Sumit Chandwani.

Dr. Guenter Heisler

There is no pending litigation filed against or in respect of Dr. Guenter Heisler.

Jaithirth Rao

Litigation by Jaithirth Rao

Civil Proceedings

1. Proceedings (Original suit no. 797/2008) have been filed by Jaithirth Rao on September 26, 2008 in the Court of the Civil Judge, Junior Division against Narasimaiah, Jagadish and Lokambik, seeking a permanent injunction to restrain the defendants from interfering with his peaceful possession and enjoyment of the property located at survey number 86, Mudukuhosahalli Village, Nandi Hobli, Chikkaballapur. A temporary injunction has been granted on September 30, 2008. The matter has been posted for affixture and is currently pending before the Court of the Civil Judge, Junior Division.

2. Proceedings (Regular Appeal No. 121/2008) have been filed by Jaithirth Rao against Poojappa, Muniyappa and Gangappa on March 28, 2007 before the Court of the Civil Judge, Senior Division, Chikkaballapur in appeal against the decree of declaration and possession of the property bearing survey number 82, Mudukuhosahalli Village, Nandi Hobli, Chikkaballapur, passed by the Civil Judge, Junior Division dated February 15, 2007 in O.S. No. 124/2005. An application dated July 30, 2009 has been made for clubbing this appeal with Regular Appeal No. 61/2007. The matter has been posted for the respondents' arguments and is pending before the court.

3. Proceedings (Ordinary Suit no. 25/2010) have been filed by Jaithirth Rao against Muninarasimhamurthy and others (the "Defendants") on January 29, 2010 before the Court of the Civil Judge Senior Division at Chickballapur seeking a declaration that he is the absolute owner and in possession of the property bearing survey numbers 89, 99 and 103, in all admeasuring four acres, situated at Madukuhosahalli village, Nandi Hobli, Chikkaballapur taluk and district (the "Suit Property"), for setting aside the decree of the Civil Judge Junior Division and Judicial Magistrate First Class in O.S. No. 582/09 and a permanent injunction restraining the Defendants from interfering with the peaceful possession and enjoyment of the disputed property. By an order dated August 27, 2010, the interim applications have been allowed and the Defendants have been restrained from interfering with the peaceful possession of the Suit Property and the operation of a compromise decree obtained in respect of the Suit Property has been stayed. The matter is pending before the court.

4. Proceedings (Ordinary Suit no. 359/2010) have been filed by Jaithirth Rao against Muniyappa and others (the "Defendants") on August 4, 2010 before the court of the Civil Judge Junior Division at Chickballapur seeking a permanent injunction restraining interference by the Defendants with his peaceful possession of certain properties bearing survey numbers 100, 101, 102, 104, 105, 106, 107, 108 and 109 situated at Madukuhosahalli village, Nandi Hobli, Chickballapur taluk. The matter is currently pending.

Litigation against Jaithirth Rao

Civil Proceedings

1. Proceedings (Regular Appeal No. 61/2007) have been filed by Muniyappa and Gangappa against Poojappa and Jaithirth Rao in March, 2007 before the Court of the Civil Judge, Senior Division, Chikkaballapur in appeal against the decree of declaration and possession of the property bearing survey number 82, Mudukuhosahalli Village, Nandi Hobli, Chikkaballapur, passed by the Court of the Civil Judge, Junior Division, Chikkaballapur dated February 15, 2007 in O.S. No. 124/2005. The matter has been posted for the respondents' arguments and is pending before the court.

2. Proceedings (Regular Appeal No. 43/2005-06) have been filed by Poojappa against Muniyappa, Gangappa, the Deputy Tahsildar, the Tahsildar and Jaithirth Rao on May 19, 2005 before the Assistant Commissioner under the Karnataka Land Revenue Act, 1964, Chikkaballapur for setting aside the mutation of katha in respect of the property located at survey number 82, Mudukuhosahalli Village, Nandi Hobli, Chikkaballapur Taluk granted in favour of Jaithirth Rao Muniyappa and Gangappa. The matter has been posted for orders and is pending.

3. Proceedings (Regular Appeal No. 29/2009-2010) have been filed by Jaithirth Rao against the Assistant Commissioner under the Karnataka Land Revenue Act, 1964, Chikkaballapur (the "Assistant Commissioner") and another seeking a stay of the order passed by the Assistant Commissioner in PTCL No. 52/2005-06 in respect of the property located at survey numbers 80/1 and 80/2 Mudukuhosahalli Village, Nandi Hobli, Chikkaballapur Taluk, admeasuring four acres and 30 guntas. By an order passed on October 7, 2009, the Deputy Commissioner under the Karnataka Land Revenue Act, 1964, Chikkaballapur, the order passed by the Assistant Commissioner has been stayed. The matter has been posted for orders of the court.

4. Proceedings (PTCL Case No. 7/2005-06) have been filed by Kumar against Jaithirth Rao on January 6, 2006 before the Assistant Commissioner under the Karnataka Land Revenue Act, 1964, Chikkaballapur seeking to declare the sale deed executed in favour of Jaithirth Rao in respect of the properties bearing survey numbers 80/1 and 80/2, Mudukuhosahalli Village, Nandi Hobli, Chikkaballapur Taluk as null and void. The case has been posted for orders and is pending before the court.

5. Proceedings (O.S. No. 572/2009) have been filed by Chennamma and others against H.P. Chandru, Jaithirth Rao and others on November 25, 2009 before the Civil Judge Junior Division at Chickaballapur seeking a partition of the property bearing survey number 63, admeasuring one acre and 19 guntas and survey number 13 admeasuring 27 guntas situated at Modakuhosahalli village, Nandi Hobli, Chickaballapur taluk, Chickaballapur district. The matter is pending before the court.

<u>Criminal Proceedings</u>

1. A case (No. 31/SWM/2003) has been filed against Jaithirth Rao and others as directors of Cadbury India Limited on March 26, 2003 before the Metropolitan Magistrate, 22nd Court, Mumbai under the Standards of Weights and Measures Act, Act, 1985 (the "SWM Act") in respect of incorrect labelling of a package of Bournvita amounting to a breach of section 33(1) of the SWM Act read with Rule 9(1)(a) and Rule 10(1) of the Standards of Weights and Measures (Packaged Commodities) Rules, 1977. A criminal application (No. 4200 of 2007) has been filed seeking the quashing of the complaint and the proceedings have been stayed by an order of the Bombay High Court by an interim order dated March 12, 2008. The matter is currently pending before the court.

<u>Regulatory Proceedings</u>

1. A show cause notice dated September 18, 2004 has been issued by the Director General of Foreign Trade, New Delhi to the directors of Cadbury India Limited for recovery of amount of customs duty benefits availed under the Export Promotion Capital Goods Scheme. The Joint Director General of Foreign Trade passed an order dated January 12, 2006 for recovery of the customs duty benefits. Cadbury India Limited and its directors filed an appeal dated June 23, 2006 before the Additional Director General of Foreign Trade, New Delhi. The Additional Director General of Foreign Trade has passed an order dated December 4, 2009 setting aside the original order and remanding the case back to the Joint Director General of Foreign Trade for fresh consideration.

Bhagwan Dass Narang

<u>Civil Proceedings</u>

1. A petition (no. 104 (ND) of 2009) has been filed under sections 397 and 398 of the Companies Act by certain minority shareholders representing 14% of the equity share capital of Amar Ujala Publications Limited ("AUPL") before the Company Law Board, New Delhi, on October 27, 2009. The said petition has been filed against AUPL, Bhagwan Dass Narang and others. Bhagwan Dass Narang is a non-executive director on the board of directors of AUPL. The matter is currently pending.

Regulatory Proceedings

1. Proceedings were initiated by SEBI against Karvy Stock Broking Limited, of which Bhagwan Dass Narang is a director. An enquiry was undertaken by SEBI and a final order was passed on June 22, 2007 directing the company to refrain from opening new demat accounts until December 31, 2007 and to suspend the company's stock broking activities for a period of three months. The company appealed against this order with the Securities Appellate Tribunal ("SAT"). By orders dated July 4, 2007 and August 8, 2007, SAT initially stayed the operations of SEBI's final order with respect to the suspension of stock broking activities and restraint from opening new demat accounts. By an order dated June 30, 2008, SAT set aside the final order on the company and Karvy Computershare Private Limited and directed SEBI to hold fresh proceedings and pass separate orders. Currently, separate proceedings as directed by SAT have not been initiated by SEBI. The company has filed an application before SEBI dated July 31, 2008 seeking a consent order. The proceedings are currently pending before SEBI.

2. An inspection of DSE Financial Services Limited ("DSEFSL") was carried out by SEBI during the period between February 8 and February 23, 2007 (the "Inspection Period") for the period between June 2004 to February 23, 2007 and an inspection report dated July 6, 2007 was issued by SEBI to DSEFSL. Certain irregularities were noticed in relation to the broking and depositary participant activities undertaken by DSEFSL, including, *inter alia*, failure to implement the system of imposing, recovering and waiving of penalties, failure to resolve investors' complaints, delay in opening accounts and lack of due care and diligence in execution of clients' instructions. DSEFSL filed its reply to the report with SEBI and a show cause notice was issued by SEBI to DSEFSL on December 15, 2009 in relation to the irregularities noticed during the inspection carried out by SEBI in the Inspection Period. An application for consent order dated February 2, 2010 has been filed by DSEFSL before SEBI.

Details of past penalties imposed on our Company or any of our Directors

Except as stated below, none of our Directors have any penalties imposed against them in the past.

1. An order dated January 5, 2010 has been passed by the Authority under the Minimum Wages Act, 1948, Hyderabad (the "Authority") in respect of a claim application made by the Labour Enforcement Officer (Central) ("LEO") that our Company and Navyug Engineering Limited, the sub-contractor employed by our Company at the project Hindustan Petrochemical Limited in Vishakapatnam had paid wages at a rate lower than the minimum rate of wages fixed under the Minimum Wages Act, 1948. Since the difference in wages paid to the workers had been ascertained and the payment sheets were produced before the Authority, the case was treated as closed. Our Company and Navyug Engineering Limited were advised against repeating such mistake.

2. A fine of Rs.4,200 has been imposed on our Company by the Civil Judge (Junior Division) and Judicial Magistrate, Devanahalli on January 19, 2009 pursuant to a notice dated August 26, 2008 issued to Rajiv Mittal as the representative of our Company, in respect of failure by our Company to display an abstract of the Contract Labour (Regulation and Abolition Act), 1971 (the "CLRA Act"), our license under the CLRA Act and notices regarding the rates of wages, hours of work, wage period, date of payment, names and addresses of the inspectors and the date of payment of unpaid wages at the place of work at our project at BIAL, Devanahalli.

3. A notice (No. 209/2009-/C7 L-III Vfn) dated January 8, 2010 has been issued to our Company represented by Rajiv Mittal by the Deputy Chief Labour Commissioner (the "DCLC") for presentation of relevant

records and registers in respect of an inspection report dated October 27, 2009 issued to our Company by the DCLC. In the said inspection report, the DCLC had alleged failure by our Company to display our license under the Contract Labour (Regulation and Abolition Act), 1971 and notices regarding the rates of wages, hours of work, wage period, date of payment, names and addresses of the inspectors and the date of payment of unpaid wages at the place of work at our project at BIAL, Devanahalli. Our Company had replied to the inspection report on November 19, 2009, informing the DCLC that the licenses under the Contract Labour (Regulation and Abolition Act), 1971 had been displayed by our Company. Our Company has replied to the notice dated January 8, 2010 on January 20, 2010 stating that the license and notices required to be displayed at our work site have been displayed and that our Company is prepared to produce all records as and when called for and requesting that no further action be initiated against us.

Litigation involving Promoters

Except as disclosed in the section titled "Outstanding Litigation and Material Developments – Litigation involving Directors – Rajiv Mittal – Statutory Proceedings" on page 295, there is no pending litigation filed by or against our Promoters.

Litigation involving Promoter Group

There is no pending litigation filed by or against the Promoter Group.

Details of past penalties imposed on our Promoters or individuals and the Group Entities

Except as mentioned in the section titled "Outstanding Litigation and Material Developments – Details of past penalties imposed on our Company or any of our Directors" on page 299, there have been no instances in the past of any penalties that have been imposed on our Promoters by any statutory authorities.

GOVERNMENT APPROVALS

Our Company has received the necessary consents, licenses, permissions and approvals from the Government and various governmental agencies required for its present business and except as mentioned below, no further approvals are required for carrying on our Company's present business.

In view of the approvals listed below, our Company can undertake this Issue and its current business activities and no further major approvals from any governmental or regulatory authority or any other entity are required to undertake the Issue or continue its business activities.

The main objects clause of our Memorandum and objects incidental to the main objects enable our Company to undertake its existing activities.

Approvals for the Issue

1. Our Board of Directors has, pursuant to a resolution dated September 7, 2009 authorised the Issue, subject to the approval by the shareholders of our Company under section 81(1A) of the Companies Act.

2. Our shareholders have, pursuant to resolutions dated September 14, 2009 and August 2, 2010 under section 81(1A) of the Companies Act, authorised the Issue.

3. India Advantage Fund I, Dynamic India Fund I, Rainbow Fund Trust, GLG Emerging Markets Fund and Passport India Investments(Mauritius) Limited have consented to the transfer of shares pursuant to the Offer for Sale in terms of the board resolutions passed by them as set out below:

Name of Selling Shareholder	Date of Board Resolution
India Advantage Fund I	March 5, 2010
Dynamic India Fund I	March 10, 2010
Rainbow Fund Trust	March 5, 2010
GLG Emerging Markets Fund	March 9, 2010
Passport India Investments (Mauritius) Limited	March 5, 2010

4. In-principle approval from the NSE dated May 21, 2010.

5. In-principle approval from the BSE dated May 27, 2010.

6. Letter from the RBI dated September 15, 2010 addressed to our Company, conveying its no objection to the transfer of up to 27,03,383 Equity Shares held by the Selling Shareholders by way of an offer for sale pursuant to this Issue to resident and eligible non-resident buyers who may include FIIs, NRIs, FVCIs, QIBs and multilateral and bilateral development financial institutions, in terms of the A.P. (DIR Series) Circular No. 16 dated October 4, 2004 read with A.P. (DIR Series) Circular No. 63 dated April 22, 2009, except pricing. 26,53,383 Equity Shares are being offered by the Selling Shareholders as part of the Offer for Sale in the Issue.

Incorporation Details

1. Certificate of incorporation dated February 17, 1995 issued by the RoC for Balcke Durr Cooling Towers Limited.

2. Certificate of commencement of Business dated March 8, 1995 issued by the RoC for Balcke Durr Cooling Towers Limited.

3. Fresh certificate of incorporation dated September 12, 1996 issued by the RoC pursuant to change of name to Balcke Durr and Wabag Technologies Limited.

4. Fresh certificate of incoporation dated April 4, 2000 issued by the RoC pursuant to change of name to VA Tech Wabag Limited.

Approvals from the Reserve Bank of India

1. Letter No. MA.EC.SEC/2704/124(B-115)/95-96 dated June 5, 1996, granting approval to Balcke Durr Cooling Towers Limited for issue of 2,29,500 equity shares of Rs. 10 each on repatriation basis to BDAG Balcke Durr Aktiengesellschaft (foreign collaborator) under section 19(1)(d) of the Foreign Exchange Regulation Act, 1973. The foreign equity participation allowed is 51% and is subject to conditions indicated in the approval granted by the DIPP (Letter No. FC-II.575[95]/506(95) dated August 1, 1995) and other conditions such as the foreign collaborator should not transfer the shares without the approval of the Reserve Bank of India. This permission is only valid so long as our Company does not undertake real estate business and agricultural/plantation activities for commercial purpose with a view to make profits or derive income therefrom.

2. Letter No. MA.EC.SEC/1430/124(B-115)/96-97 dated December 24, 1996, granting approval to Balcke Durr and Wabag Technologies Limited for issue of 2,80,500 equity shares of Rs. 10 each on repatriation basis to BDAG Balcke Durr Aktiengesellschaft (foreign collaborator) under section 19(1)(d) of the Foreign Exchange Regulation Act, 1973. The foreign equity participation allowed is 51% and is subject to conditions indicated in the approval granted by DIPP (Letter No. FC-II.575[95]/506(95) dated August 1, 1995 as amended by letter dated October 15, 1996) and other conditions such as the foreign collaborator should not transfer the shares without the approval of the Reserve Bank of India. This permission is only valid so long as our Company does not undertake real estate business and agricultural/plantation activities for commercial purpose with a view to make profits or derive income therefrom.

3. Letter No. MA:EC:FID/2176/124(B.115)/97-98 dated February 20, 1998 granting in-principle approval to Balcke Durr and Wabag Technologies Limited for issue of 5,10,000 equity shares of Rs.10 each on repatriation basis to BDAG Balcke Durr Aktiengesellschaft (foreign collaborator) under section 19(1)(d) of the Foreign Exchange Regulation Act, 1973. The foreign equity participation allowed is 51% and is subject to conditions such as limitation as to issue of fully paid up equity shares alone on receipt of consideration as agreed to by the Government, as evidenced by documentary evidence in the form of bank inward remittance certificate on security paper. Specific approval of the Government is necessary before transfer of shares.

4. Letter No. EC.CO.FID(I)/5883/10.I.07.02.200/(444)2000-01 dated March 27, 2001 granting in-principle approval to VA Tech Wabag Limited for the transfer of 10,61,593 equity shares of Rs. 10 each from VA Tech Wabag Limited (resident) to Wabag Austria (a non-resident) under Regulation 10A of Notification No. FEMA/20/2000-RB dated May 3, 2000, subject to conditions indicated in the approval granted by DIPP (Letter No. FC-II.575[95]/506(95) dated August 1, 1995 as amended by letter dated February 7, 2001) and other conditions such as the shares should not be transferred in any manner in favour of resident Indians except in terms of the extant regulations issued by the Reserve Bank of India under the Foreign Exchange Management Act, 1999.

5. Final approval for the transfer of 10,61,593 equity shares of Rs. 10 each from VA Tech Wabag Limited (resident) to Wabag Austria (a non-resident) was granted vide a letter bearing number CO.FID(I)/6459/10.I.07.02.200/(444)2000-01 dated April 17, 2001, requiring the transfer of shares in VA Tech Wabag Limited to Wabag Austria by Babcock Borsig Limited for a total consideration of Rs. 6.50 crores, subject to conditions indicated in the approval granted by DIPP (Letter No. FC-II.575[95]/506(95) dated August 1, 1995 as amended by letter dated February 7, 2001) and conditions such as the shares should not be transferred in any manner in favour of resident Indians except in terms of the extant regulations issued by the Reserve Bank of India under the Foreign Exchange Management Act, 1999.

6. Letter No.CHE.FED.FID/1237/25.22.053/2007-08 dated October 16, 2007, acknowledging receipt of Form FC-GPR filed by our Company dated April 5, 2007 in respect of investment by GLG Emerging Markets Fund (foreign investor) in our Company on repatriation basis by subscription of 3,97,078 equity shares of Rs. 10 each having total face value of Rs. 39,70,780.

Approvals from the DIPP

1. Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 approving the application by Balcke Durr Cooling Towers Limited for the induction of foreign equity participation (through BDAG Balcke Durr Aktiengesellschaft) to the extent of 51% (Rs. 22,95,000) of the paid up capital of Rs. 45,00,000, valid for a period of two years from the date of issue. The foreign collaborator would assist Balcke Durr Cooling Towers Limited to design, supply, erect and commission wet and dry cooling towers and related systems and support the joint venture company with all necessary technological and mechanical expertise to make it self-sufficient in executing projects in and around India. The issue and valuation of equity shares was to be subject to approval of the shareholders and relevant SEBI/RBI guidelines. The joint venture company was not permitted to manufacture items reserved for the small scale sector without the prior approval of the Government.

2. Amendment dated October 15, 1996 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995, to reflect change in name of our Company from Balcke Durr Cooling Towers Limited to Balcke-Durr and Wabag Technologies Limited and to permit foreign equity participation to the extent of 51% of the enhanced paid up capital of our Company of Rs. 1,00,00,000, amounting to Rs. 51,00,000.

3. Amendment dated February 2, 1998 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 (as amended on October 15, 1996), to reflect foreign equity participation to the extent of 51% of the enhanced paid up capital of our Company of Rs. 2,00,00,000, amounting to Rs. 1,02,00,000.

4. Amendment dated July 19, 1999 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 (as amended on October 15, 1996 and February 2, 1998), to reflect change in scope of assistance by foreign collaborator, to encompass cooling system supply and erection and water and wastewater treatment systems supply and erection

5. Amendment dated February 7, 2001 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 (as amended on October 15, 1996, February 2, 1998 and July 19, 1999), to reflect change in name of our Company from Balcke Durr and Wabag Technologies Limited to VA Tech Wabag Limited.

6. Amendment dated February 28, 2001 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 (as amended on October 15, 1996, February 2, 1998, July 19, 1999 and February 7, 2001), to reflect the following changes in the foreign collaboration and shareholding in VA Tech Wabag Limited and the Government's approval for the same: (a) Increase in foreign equity participation from 51% to 100% amounting to Rs. 2,00,00,000 by way of acquisition of 100% shareholding by Wabag Austria in the proportion of 51% of the shareholding from BDAG Balcke Durr Aktiengesellschaft, the foreign collaborator, and 49% of the shareholding from Babcock Borsig Limited, the resident shareholder; and (b) Change in name of foreign collaborator from BDAG Balcke Durr Aktiengesellschaft to Wabag Austria. The issue, transfer and valuation of shares were to be as per SEBI/RBI guidelines.

7. Amendment dated April 19, 2001 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 (as amended on October 15, 1996, February 2, 1998, July 19, 1999, February 7, 2001 and February 28, 2001), to reflect the following changes in the foreign collaboration and shareholding in VA Tech Wabag Limited and the Government's approval for the same: (a) Increase in foreign equity participation from 51% to 100% amounting to Rs. 2,08,16,000 by way of acquisition of 100% shareholding by Wabag Austria in the proportion of 51% of the shareholding from BDAG Balcke Durr Aktiengesellschaft, the foreign collaborator, and 49% of the shareholding from Babcock Borsig Limited, the resident shareholder; and (b) Issue of additional equity shares amounting to Rs. 2,00,00,000 on preferential basis to Wabag Austria. The issue, transfer and valuation of shares were to be as per SEBI/RBI guidelines.

8. Amendment dated October 22, 2001 to Letter No. FC.II.:575(95)/506(95) dated August 1, 1995 (as amended on October 15, 1996, February 2, 1998, July 19, 1999, February 7, 2001, February 28, 2001 and April 19, 1999), to reflect the following changes in the foreign collaboration and shareholding in VA Tech Wabag Limited and the Government's approval for the same: Foreign equity participation to be 100%

amounting to Rs. 4,08,16,000 in the paid up capital of our Company on issue of twenty lakh shares on rights basis. The issue, transfer and valuation of shares were to be as per SEBI/RBI guidelines.

Approvals in relation to the Projects of our Company

Our Company is required to obtain certain approvals from the concerned Central / State Government departments and other authorities for setting up its projects and operating the same. Our Company applies for approvals, licenses and registrations at the appropriate stage of development of each project and the same shall be granted to our Company by these authorities subject to our Company's compliance with the requirements of local laws.

A. Labour-related Approvals/Licenses

S. No.	Nature and Description of the License	Date of the License	Date of Expiry
1.	Labour license No. 2/06 issued by the Labour Inspector, for engaging 50 persons as contract labour for the Veeranam project.	November 30, 2006	December 31, 2010
2.	Labour license No. 404/04 for engaging 24 persons as contract labour for the project at Perungudi	July 19, 2004	December 31, 2010
3.	Labour license (No.3/2004), issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, Tamil Nadu, for engaging 20 persons (later increased to 100 persons) as contract labour at Kodungaiyur	June 10, 2004	December 31, 2010
4.	Labour license No. C.L./ACT/ALC/17/2008 issued by the Assistant Labour Commissioner, Jaipur for engaging 50 persons as contract labour in the water treatment plant at Jaipur.	March 14, 2008	December 31, 2010
5.	Labour license (No. BKP/CON/LIC/105/07/DLC) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, West Bengal, for engaging 30 persons as contract labour in the water treatment plant at Palta.	June 19, 2007	December 31, 2010
6.	Labour license (No. ALCB-3/CLA/C-51/2007-08) issued by the Assistant Labour Commissioner, Bangalore Division III for engaging 100 persons as contract labour for operation and maintenance of 28 MLD water treatment plant at K&C Valley	March 15, 2007	March 14, 2011
7.	Labour license (No. ALCB-1/CLA/C-89/07-08) issued by the Assistant Labour Commissioner, Bangalore Division I, for engaging 50 persons as contract labour for the maintenance of 20 MLD sewage treatment plant at Nagsandra	June 7, 2007	June 6, 2011
8.	Labour license (No.ALC-2/CLA/C-78/07-08) issued by the Assistant Labour Commissioner, Bangalore Division II, for engaging 75 persons as contract labour for the maintenance of sewage treatment plant at Mailasandra	June 2, 2007	June 1, 2011
9.	Labour license (No. ALCB(3)/CLA/C-62/07-08) issued by the Assistant Labour Commissioner, Bangalore Division III, for engaging 50 persons as contract labour for the maintenance of 50 MLD sewage treatment plant at Kadbesinahalli	June 14, 2007	June 13, 2011
10.	Labour license (No. 7605) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, Maharashtra, for engaging 40 persons as contract labour at Erandwane	May 7, 2008	December 31, 2010
11.	Labour license (No. 1/2006) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, Tamil Nadu, for engaging 100 persons as contract labour for operation and maintenance of equipment of 300 MLD water treatment plant at Puzhal (Redhills).	January 3, 2006	December 31, 2010
12.	Labour license (No. DGP/L-178/2008) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, West Bengal, for engaging 55 persons as contract labour for operation and maintenance at Durgapur	May 29, 2008	December 31, 2010
13.	Labour license (No. 82/2008-C1), issued by the Deputy Chief Labour Commissioner, Bangalore (Central), for engaging 50 persons as contract labour for annual maintenance contract for sewage at Bangalore International Airport Limited	May 19, 2008	May 18, 2011
14.	Labour license No. JANGI/08/L/CL/2009 issued by the Licensing Officer, West Bengal for engaging 50 persons as contract labour for the project at Sagardeghi	February 23, 2009	December 31, 2010
15.	Labour license No. BKP/CON/LIC/101/2009/DLC issued by the Licensing	July 13,	December

S. No.	Nature and Description of the License	Date of the License	Date of Expiry
	Officer, West Bengal for engaging 25 persons as contract labour for the project at Baranagar	2009	31, 2010
16.	Labour license (No. CL-ALP-9/2007) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, Kerala, for engaging 250 persons as contract labour for the assisted water supply project at Cherthala	March 28, 2007	March 27, 2011
17.	Labour license (No. ISM(L) ALP-3/2008) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, Kerala, for engaging 150 persons as contract labour for the project at Cherthala	August 8, 2008	August 7, 2011
18.	Labour license No. CLR-7-02-07 (CE (1) 957/07 issued by the District Labour Officer, Kollam, for engaging 150 persons as contract labour for the project with Kerala Water Authority at Meenad	March 14, 2007	March 12, 2011
19.	Labour license (No. BSP-46(162)/2009-ALC) issued by the Licensing Officer and Assistant Labour Commissioner (Central), Bilaspur, for engaging 150 persons as contract labour for the project at Sipat	September 1, 2009	August 31, 2010
20.	Labour license (No. 46/57/2007-L) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, Guwahati, for engaging 250 persons as contract labour for construction of de-mineralisation water treatment plant and condension polishing unit at Dhaligaon	May 29, 2007	May 28, 2011
21.	Labour license No. C.L. Act/ALC/L. No. 06/2008 issued by the Licensing Officer, Jaipur, for engaging 50 persons as contract labour for the project at Delawas	February 2, 2008	December 31, 2010
22.	Labour license No. C.L. Act/ALC/L. No. 77/2008 issued by the Licensing Officer, Jaipur for engaging 50 persons as contract labour for the project at Khor	October 11, 2008	December 31, 2010
23.	Labour license (No. CLA/C/DLC/W/08/191) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, New Delhi, for engaging 100 persons as contract labour for civil construction works at Keshopur	November 17, 2008	November 6, 2010
24.	Labour license No. CLA/C/DLC(E)/01/2009 for engaging 200 persons as contract labour for the project at Kondli	January 5, 2009	June 30, 2011
25.	Labour license No. CLA/C/DLC(E)/02/2009/ issued by the Licensing Officer, Delhi for engaging 100 persons as contract labour for the commonwealth project with Delhi Jal Board	January 5, 2009	October 30, 2010
26.	Labour license No. 346/2009 issued by the Licensing Officer, Gandhidham for engaging 100 persons as contract labour for the project in Mundra	August 24, 2009	June 21, 2011
27.	Labour license No. KT-177/2009-ALC(C) issued by the Licensing Officer and Assistant Labour Commissioner, Kota for engaging 30 persons as contract labour for the project in Kota	December 31, 2009	December 30, 2010
28.	Labour license (No. L-111/2007/LCC) issued by the Licensing Officer, Contract Labour (Regulation and Abolition) Act, West Bengal, for engaging 35 persons as contract labour in the water treatment plant at Watgunj	October 9, 2007	December 31, 2010
29.	Labour license (No. L-3/2010) issued by the Licensing Officer, Bhatinda, for engaging 40 persons as contract labour for the project at Bhatinda	February 17, 2010	December 31, 2010
30.	Labour license (No. 790) issued by the License Officer, Kodarma, for engaging 50 persons as contract labour for the project at Kodarma	February 24, 2010	February 23, 2011
31.	Labour license (No. CLA/LIC/58/2010/YNR) issued by the Deputy Labour Commissioner and Licensing Officer, Ambala, for engaging 30 persons as contract labour for the project at Yamuna Nagar	March 10, 2010	December 31, 2010
32.	Labour license (No. 21/CLA-2/DG/2010) issued by the Assistant Labour Commissioner, Chattisgarh for engaging 45 persons as contract labour for the project at Bhilai	June 4, 2010	December 31, 2010
33.	Labour license (No. CL/L-34/2010) issued by the Assistant Labour Commissioner, Thiruvananthapuram for engaging 50 persons as contract labour for construction and erection of machineries for the project at Kochuveli	May 14, 2010	May 13, 2011
34.	Labour license (No. 232/CL/BNK/ALC) issued by the Licensing Officer, West Bengal, for engaging 50 persons as contract labour for the project at Bankura	February 11, 2009	December 31, 2010

B. Tax-related Approvals/Licenses/Registrations

1. Permanent Account Number issued by the Income Tax Department to our Company is AABCV0225G.

2. Tax deduction Account Number issued by the Income Tax Department is CHEV023890, after reformatting of the original TAN allotted to our Company, which was V-02389-C.

VAT

1. Certificate of registration under the Andhra Pradesh Value Added Tax Act, 2005 with TIN 28410147750 valid from April 1, 2005 until cancelled, from the Commercial Taxes Department, Government of Andhra Pradesh.

2. Certificate of registration under the Assam Value Added Tax Act, 2003 as a dealer in respect of works contract with TIN 18050063992 dated April 18, 2006 valid until cancelled, from the Superintendent of Taxes, Government of Assam.

3. Certificate of registration with TIN 07292009425 dated April 1, 2005 valid until cancelled, from the Sales Tax Department, Government of National Capital Territory of Delhi.

4. Certificate of registration under the Haryana Value Added Tax Act, 2003 as a dealer in respect of works contract with TIN 06111322732 valid from March 15, 2004 until cancelled, from the Assessing Authority, Government of Haryana.

5. Provisional certificate of registration under the Karnataka Value Added Tax Act, 2003 with TIN 29940143055 valid from April 1, 2003 until cancelled, from the Commercial Taxes Department, Government of Karnataka.

6. Certificate of registration under the Kerala Value Added Tax Act, 2003 as a dealer in respect of works contract with TIN 32011378694 valid from October 26, 2006 until cancelled, from the Commercial Tax Officer, Government of Kerala.

7. Certificate of registration Maharashtra Value Added Tax Act, 2002 as a dealer in respect of works contract under the with TIN 27500001322 V valid from April 1, 2006 until cancelled, from the Sales Tax Department, Government of Maharashtra.

8. Certificate of registration under the Orissa Value Added Tax Act, 2004 as a dealer in respect of works contract with TIN 21711117048 valid from July 12, 2006 until cancelled, from the Sales Tax Department, Government of Orissa.

9. Certificate of registration under the Tamil Nadu Value Added Tax Act, 2006 as a dealer with TIN 33900701537 valid from January 1, 2007 until cancelled, from the Commercial Taxes Department, Government of Tamil Nadu.

10. Certificate of registration under the West Bengal Value Added Tax Act, 2003 as a dealer in respect of works contract with TIN 19852023008 valid from November 24, 2005 until cancelled, from the Sales Tax Department, Government of West Bengal.

11. Certificate of registration under the Madhya Pradesh Value Added Tax Act, 2002 with TIN 23934503455, valid from January 21, 2008 until cancelled, from the Commercial Tax Officer, Madhya Pradesh.

Central Sales Tax

1. Certificate of registration as non-resident dealer in respect of works contract, bearing registration number Sec/07/2961/2001-02 under the Central Sales Tax Act, 1956, valid from October 16, 2001 until cancelled, from the Commercial Taxes Department Andhra Pradesh.

2. Certificate of registration as a dealer in respect of works contract, bearing registration number GWA/CST/2570 under the Central Sales Tax Act, 1956, valid from April 18, 2006 until cancelled, from the Superintendent of Taxes, Assam.

3. Certificate of registration as a dealer in respect of works contract, bearing registration number 07292009425 under the Central Sales Tax Act, 1956, valid from October 29, 2008 until cancelled, from the Value Added Tax Officer, New Delhi.

4. Certificate of registration as a dealer in respect of works contract, bearing registration number 06111322732 under the Central Sales Tax Act, 1956, valid from March 15, 2004 until cancelled, from the Assessing Authority, Government of Haryana.

5. Certificate of registration as a non-resident dealer in respect of works contract, bearing registration number 017/1453/2k-2001 valid from April 26, 2000 until cancelled, from the Commercial Taxes Department, Government of Karnataka.

6. Certificate of registration as a dealer in respect of works contract, bearing registration number 0113CO78694 valid from October 26, 2006 until cancelled, from the Commercial Tax Officer, Government of Kerala.

7. Certificate of registration as a dealer in respect of works contract, bearing registration number 27500001322 C valid from April 1, 2006 until cancelled, from the Sales Tax Department, Government of Maharashtra.

8. Certificate of registration as a dealer in respect of works contract, bearing registration number 21711117048 valid from July 12, 2006 until cancelled, from the Sales Tax Department, Government of Orissa.

9. Certificate of registration as a dealer, bearing registration number 637754 valid from March 16, 1996 until cancelled, from the Commercial Taxes Department, Government of Tamil Nadu.

10. Certificate of registration as a dealer in respect of works contract, bearing registration number 1934/TM valid from July 29, 1998 until cancelled, from the Commercial Taxes Department, Government of West Bengal.

11. Certificate of registration as a dealer in respect of works contract, bearing registration number 08771608389 valid from January 1, 2004 until cancelled, from the Notified Authority, Government of Rajasthan.

12. Certificate of registration as a reseller and for job works, supply of component and water treatment plant, bearing registration number 24600101876 dated May 22, 1998 and valid until cancelled, from the Assistant Commissioner of Sales Tax, Jamnagar.

13. Certificate of registration as a dealer in respect of works contract, bearing registration number JU-206219 valid from September 9, 2004 until cancelled, from the Deputy Commissioner of Commercial Tax, Jamshedpur.

14. Certificate of registration bearing registration number 221215044386 valid from January 31, 2007 until cancelled, from the Commercial Tax Officer, Chattisgarh.

Sales Tax

1. Certificate of registration bearing registration number 08771608389 under the Rajasthan Sales Tax Act, 1994, valid from December 31, 2003 until cancelled, from the Assistant Commissioner/ACTO, Government of Rajasthan.

2. Certificate of registration under the Gujarat Sales Tax Act, 1969 as a reseller in respect of works contract, bearing registration number 24100101876, valid from July 8, 2002 until cancelled, from the Sales Tax Department, Government of Gujarat.

3. Certificate of registration under the Jharkhand Finance Act, 2001 bearing registration number JU24679(R) with effect from August 27, 2004 and valid until cancelled as a works contractor, from the Deputy Commissioner of Commercial Taxes, Jamshedpur.

Service Tax

1. Certificate of registration bearing registration number AABCV0225GST001 (Service Tax Code) under the Finance Act, 1994 dated August 8, 2008 for payment of service tax on services of engineering consultancy, transport of goods by road, erection, commissioning and installation, construction services in respect of commercial or industrial buildings and civil structures, maintenance or repair service and works contract services.

C. Premises-specific Registrations

1. Registration No. Aundh/II/362 under the Mumbai Shops and Establishments Act, 1948, dated February 22, 2006.

2. Registration No. N24Pgs/Rajarhat/ P-II/1143 under the West Bengal Shops and Commercial Establishments Act, 1963, dated September 23, 2009.

Approvals for the new office premises

1. Letter No. R1/10101/2008 dated December 24, 2008 from the Member-Secretary, Chennai Metropolitan Development Authority ("CMDA") permitting commercial use of the site in Survey Nos. 379/7A2, 380/2A2, 3A1, 15, 388/1, 2, 3A, 5A, 6 and 7 of Kulathur village.

2. Letter dated June 18, 2009 from the President, Kovilampakkam First Grade Panchayat Union to the Commissioner, St. Thomas Mount Panchayat Union granting no objection certificate for construction of multistoried building at Plot No. 989, comprised in Survey Nos. 379/7A2, 390/2A2, 380/3A1, 380/15,388/1, 388/2, 388/3A, 355/5A, 388/6, 388/7 in Kovilampakkam Panchayat Union, St. Thomas Mount Panchayat block.

3. Letter dated June 22, 2009 granting no objection certificate from the Commissioner, St. Thomas Mount Panchayat Union for construction of multistoried building at Plot No. 989, comprised in Survey Nos. 379/7A2, 390/2A2, 380/3A1, 380/15,388/1, 388/2, 388/3A, 355/5A, 388/6, 388/7 in Kovilampakkam Panchayat Union.

4. Letter R.C. No. 1559/B/09 dated May 6, 2009 from the Tamil Nadu Fire and Rescue Service Department granting no objection certificate to our Company for construction of building as per the proposal submitted subject to fulfillment of life and fire safety requirements as set out in the letter.

5. Approval No. AIR HQ/S 17726/4/ATS (PC-DLXXXIX)/ Dy.No.282/F/2010/D(Air-II) dated April 20, 2010 – NOC from the Ministry of Defence for construction of multistoried corporate office building at Survey Nos. 379/7A-2, 380/2A2, 380/3A1, 380/15, 388/1, 388/2, 388/3A, 388/5A,388/6, 388/7, Plot no. 989, old door no. 153, new door no. 17, MMRD Road, S. Kulathur village, Tambaram taluk, Kanchipuram district.

6. Approval Ref. No. AAI/SR/NOC/RHQ, Case No. 367/09(MM) dated July 7, 2009 granting NOC for construction of proposed office building by our Company at a height of 40 metres above ground level so that top of the proposed structure when erected shall not exceed 42 metres above mean sea level. Certificate valid for a period of 5 years from date of issue.

7. Letter (Ms) No. 89 dated April 5, 2010 from the Housing and Urban Development Department, Secretariat, Chennai to the CMDA granting approval for the recommendation of CMDA for issue of planning permission for proposed construction of basement floor + stilt floor + 9 floors office building at old door no. 153, new no. 17, MMRD Road, Survey Nos. 379/7A2, 380/2A2, 3A1, 380/15, 388/1, 2, 3A, 5A, 6, 7 of S. Kulathur village.

D. Approvals from the Electricity Authority

1. Approval (No. 29/66/2008-RIO) from the Central Electricity Authority dated February 6, 2009 for energizing the electrical installations at Visakh Refinery.

2. Approval (No. 943/2008) dated September 22, 2008 from the Electrical Inspector for activation of low-tension electrical set for the project with Municipal Corporation of Brihanmumbai at Panjrapur.

3. Approval (No. 185/2007) dated January 22, 2007 from the Electrical Inspector for activating the high-tension electrical set on a permanent basis for the project with Municipal Corporation of Greater Mumbai at Panjrapur.

E. Approvals under the Indian Boilers Act, 1923

1. Approval L.R. No. B1/9321/2008 dated May 9, 2008 from the Government of Andhra Pradesh Boilers Department for erection of additional steam pipelines at Visakh refinery.

2. Approval (Memo No. 264) for the de-mineralisation water treatment plant and condensate polishing unit project with Indian Oil Corporation Limited at Panipat.

F. Trademark Registrations

S. No.	Nature and Description of the Approval	Date
1.	Registration granted to Wabag Austria for the trade name "Wabag", under Class 11	May 7, 2005

G. Pending Approvals

i. Labour licenses

S. No.	Nature and Description of the License	Date of Application
1.	Labour license for engaging 25 persons as contract labour for the project at Bellary	August 1, 2009
2.	Renewal of labour license No. P.121/2006 issued by the District Labour Officer, Orissa for engaging 100 persons as contract labour for the project at Puri, originally obtained on June 22, 2006 and valid till June 21, 2009	July 21, 2009
3.	Labour license for engaging persons as contract labour for O&M at the Indira Gandhi International Airport, New Delhi	July 28, 2010

ii. Approvals in relation to the new corporate office

S. No.	Nature and Description of the License	Date of Application
1.	Letter No. C3/4584/2009 from the Member-	March 20, 2009

S. No.	Nature and Description of the License	Date of Application
	Secretary, CMDA forwarding the proposal for planning permission to put up the office building at Plot No. 989, Old Door No. 153, New Door No. 17, MMRD Rd, S. Kulathur Village, Chennai to the Managing Director, Chennai Metropolitan Water Supply and Sewerage Board.	
2.	Letter No. C3/4584/2009 from the Member-Secretary, CMDA forwarding the proposal for planning permission to put up the office building at Plot No. 989, Old Door No. 153, New Door No. 17, MMRD Rd, S. Kulathur Village, Chennai to the Additional Commissioner Police (Traffic), Chennai Police, Kilpauk.	March 20, 2009
3.	Letter Rc No. Tr./S1/237/7063/2009 from the Additional Commissioner of Police (Traffic), Chennai Police, Kilpauk, forwarding the letter from the CMDA enclosing the proposal for planning permission along with one set of plans to the Commissioner of Police, Suburban Commissionerate, St. Thomas Mount.	April 21, 2009
4.	Letter No. 2(1) Pvt./2009-EVII. Vol. 1145 from the Member, Central Regulatory Authority Clearance and Divisional Engineer Telecom, regarding application for site clearance in respect of 'tall building' at Plot No. 989, Old Door No. 153, New Door No. 17, MMRD Rd, S. Kulathur Village, Tambaram Taluk, Kanchipuram district, forwarded for information and necessary action to our Company, the Chief Engineer AIR & Doordarshan, and the Superintendent Engineer, Doordarshan Kendra, Chennai.	July 10, 2009

iii. Approvals from the Electricity Authority

S. No.	Nature and Description of the Approval	Date of Application
1.	Approval for the project with Indian Oil Corporation Limited at Panipat	October 7, 2008

iii. Approvals under the Indian Boilers Act, 1923

S. No.	Nature and Description of the Approval	Date of Application
1.	Approval for the de-mineralisation water treatment plant and condension polishing unit with Bongaigaon Refinery and Petrochemicals Limited at Dhaligaon.	September 10, 2009

iv. Trademarks applied for

S. No.	Nature and Description of the Approval	Date of Application

S. No.	Nature and Description of the Approval	Date of Application
1.	Registration for the word mark "VA Tech Wabag *Sustainable Solutions*" under Class 11	September 24, 2009
2.	Registration for the word mark "VA Tech Wabag *Sustainable Solutions*" under Class 42	September 24, 2009
3.	Registration for the word mark "VA Tech Wabag Sustainable Solutions, for a better life" under class 11	September 13, 2010

Our Subsidiaries - Governmental and Regulatory Approvals

Our Subsidiaries have obtained all approvals as applicable, and the same are valid as of the date of the Red Herring Prospectus. Some of these have expired in the ordinary course of business and applications for their renewal have been submitted. We undertake to obtain all approvals, licenses, registrations and permissions required to operate our business through our Subsidiaries.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Fresh Issue has been authorized by a resolution of our Board dated September 7, 2009 and by special resolutions of our shareholders passed pursuant to section 81(1A) of the Companies Act, at the EGM held on September 14, 2009 and the AGM held on August 2, 2010, respectively.

India Advantage Fund I, Dynamic India Fund I, Rainbow Fund Trust, GLG Emerging Markets Fund and Passport India Investments (Mauritius) Limited have approved the transfer of shares pursuant to the Offer for Sale in terms of the board resolutions passed by them as set out below:

Name of Selling Shareholder	Date of Board Resolution
India Advantage Fund I	March 5, 2010
Dynamic India Fund I	March 10, 2010
Rainbow Fund Trust	March 5, 2010
GLG Emerging Markets Fund	March 9, 2010
Passport India Investments(Mauritius) Limited	March 5, 2010

The details of the number of Equity Shares proposed to be sold by each of the Selling Shareholders in the Offer for Sale are as follows:

S. No.	Name of Selling Shareholder	Date of allotment/transfer	Percentage of pre-Issue shareholding	Number of Equity Shares offered for sale	Average Price per Equity Share (in Rs.)
1.	India Advantage Fund I	August 25, 2006	5.07%	4,83,451	42.19
2.	Dynamic India Fund I	March 29, 2007 (Transfer of 4,64,972 Equity Shares) September 21, 2007 (Transfer of 59,572 Equity Shares) March 31, 2008 (Transfer of 1,51,530 Equity Shares)	5.66%	5,39,534	373.00
3.	Rainbow Fund Trust	March 31, 2008	0.07%	6,242	492.54
4.	GLG Emerging Markets Fund	March 9, 2007	8.32%	7,94,156	988.72
5.	Passport India Investments (Mauritius) Limited	January 11, 2008	8.70%	8,30,000	1,229.51
	Total		**27.81**%	**26,53,383**	

India Advantage Fund – I was allotted Equity Shares pursuant to a scheme of amalgamation between the Company and I-Ven Water Treatment Technologies Limited ("**Scheme of Merger**"). For details, please see the section titled "History and Certain Corporate Matters" on page 168. Passport India Investments (Mauritius) Limited was allotted Equity Shares by the Company and also acquired Equity Shares by transfers of Equity Shares by individual shareholders. Dynamic India Fund I and Rainbow Fund Trust have acquired Equity Shares by way of transfers of Equity Shares from India Advantage Fund - I. GLG Emerging Markets Fund was allotted Equity Shares by the Company.

Sattva India Opportunities Company Limited, which was a Selling Shareholder offering 50,000 Equity Shares for sale at the time of filing the Draft Red Herring Prospectus, has withdrawn from the Offer for Sale by its letter dated August 13, 2010.

All the Equity Shares being offered for sale by the Selling Shareholders have been held by them for a period of at least one year. None of the Selling Shareholders are offering any shares acquired pursuant to a bonus issue of the Equity Shares in the Offer for Sale. None of the Selling Shareholders are SEBI registered intermediaries, except for Dynamic India Fund I with SEBI registration number IN/FVCI/04-05/11 and India Advantage Fund I with SEBI registration number IN/VCF/02-03/043.

No objection from the RBI

The RBI has by its letter dated September 15, 2010 addressed to our Company, conveyed its no objection to the transfer of up to 27,03,383 Equity Shares held by the Selling Shareholders by way of an offer for sale pursuant to this Issue to resident and eligible non-resident buyers who may include FIIs, NRIs, FVCIs, QIBs and multilateral and bilateral development financial institutions, in terms of the A.P. (DIR Series) Circular No. 16 dated October 4, 2004 read with A.P. (DIR Series) Circular No. 63 dated April 22, 2009, except pricing. 26,53,383 Equity Shares are being offered by the Selling Shareholders as part of the Offer for Sale in the Issue

Prohibition by SEBI

Our Company, Promoters, Promoter Group and Directors and the Selling Shareholders have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI or any other authority.

The companies, with which our Promoters, Directors or persons in control of our Company are associated as promoters, directors or persons in control have not been prohibited from accessing or operating in capital markets under any order or direction passed by SEBI any other authority.

Except as stated below, our Directors are not in any manner associated with the securities market and there has been no action taken by the SEBI against our Directors or any entity our Directors are involved in as promoters or directors. Bhagwan Dass Narang is associated with Karvy Stock Broking Limited and DSE Financial Services Limited, which are entities engaged in securities markets related business and registered with SEBI. Karvy Stock Broking Limited was restrained by SEBI from opening demat accounts for a period of 19.5 months and from undertaking proprietary trades for a period of 15 months. For details in relation to proceedings initiated by SEBI against Karvy Stock Broking Limited and DSE Financial Services Limited which are currently pending, please see the sections titled "Risk Factors" and "Outstanding Litigation and Material Developments - Litigation involving Directors" on pages 14 and 295 respectively.

Prohibition by RBI

Neither our Company, our Promoters, the relatives of our Promoters (as defined under the Companies Act) nor our Directors have been identified as wilful defaulters by the RBI or any other governmental authority. There are no violations of securities laws committed by them in the past or are pending against them.

Eligibility for the Issue

We are eligible for the Issue in accordance with Regulation 26 (1) of the SEBI Regulations as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP:

- Our Company has net tangible assets of at least Rs. 300 lakhs in each of the preceding three full years (of 12 months each), of which not more than 50% are held in monetary assets.

- Our Company has a track record of distributable profits in accordance with section 205 of the Companies Act, for at least three of immediately preceding five years.

- Our Company has a net worth of at least Rs. 100 lakhs in each of the three preceding full years (of 12 months each); and

- Our aggregate of the proposed Issue and all previous issues made in the same financial years in terms of the issue size is not expected to exceed five times the pre-Issue net worth of our Company; and

- Our Company has not changed its name in the last fiscal year.

Our Company's net profit, dividend, net worth, net tangible assets and monetary assets derived from the Auditor's Report included in this Red Herring Prospectus as at, and for the last five years ended Fiscal 2010 are set forth below:

(*In Rs. lakhs*)

Particulars	Fiscal 2010	Fiscal 2009	Fiscal 2008	Fiscal 2007	Fiscal 2006
Distributable profits[(1)]	4,692	2,599	(175)	149	1,458
Net worth[(2)]	24,254	19,420	16,728	13,768	4,024
Net tangible assets[(3)]	60,541	56,658	33,549	27,441	14,767
Monetary assets[(4)]	6,411	6,576	4,719	5,255	1,118
Monetary assets as a percentage of the net tangible assets	11%	12%	14%	19%	8%

(1) *'Distributable Profits' have been defined in terms of section 205 of the Companies Act.*

(2) *'Net Worth' has been defined as the aggregate of equity share capital and reserves, excluding preference share redemption reserve and miscellaneous expenditures, if any.*

(3) *'Net tangible assets' means the sum of all net assets of the Company excluding intangible assets as defined in Accounting Standard 26 issued by Institute of Chartered Accountants of India*

(4) *Monetary assets comprise of cash and bank balances and public deposit accounts with the Government.*

Further, in accordance with Regulation 26(4) of the SEBI Regulations, we shall ensure that the number of prospective allottees to whom the Equity Shares will be Allotted will be not less than 1,000; otherwise the entire application money will be refunded forthwith. In case of delay, if any, in refund, our Company shall pay interest on the application money at the rate of 15% per annum for the period of delay.

DISCLAIMER CLAUSE OF SEBI

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SEBI SHOULD NOT, IN ANY WAY, BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGERS HAVE CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AS IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING AN INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY AND THE SELLING SHAREHOLDERS ARE 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 OUR COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGERS, HAVE FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED MARCH 12, 2010 WHICH READS AS FOLLOWS:

WE, THE LEAD MERCHANT BANKER(S) TO THE ABOVE MENTIONED FORTHCOMING ISSUE, STATE AND CONFIRM AS FOLLOWS:

1. **WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE;**

2. **ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE ISSUER, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES, AND INDEPENDENT VERIFICATION OF THE STATEMENTS CONCERNING THE OBJECTS OF THE ISSUE, PRICE JUSTIFICATION AND THE CONTENTS OF THE DOCUMENTS AND OTHER PAPERS FURNISHED BY THE ISSUER, WE CONFIRM THAT:**

   (A) **THE DRAFT RED HERRING PROSPECTUS FILED WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA IS IN CONFORMITY WITH THE DOCUMENTS, MATERIALS AND PAPERS RELEVANT TO THE ISSUE;**

   (B) **ALL THE LEGAL REQUIREMENTS RELATING TO THE ISSUE AS ALSO THE REGULATIONS GUIDELINES, INSTRUCTIONS, ETC. FRAMED/ISSUED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA, THE CENTRAL GOVERNMENT AND ANY OTHER COMPETENT AUTHORITY IN THIS BEHALF HAVE BEEN DULY COMPLIED WITH; AND**

   (C) **THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE TRUE, FAIR AND ADEQUATE TO ENABLE THE INVESTORS TO MAKE A WELL INFORMED DECISION AS TO THE INVESTMENT IN THE PROPOSED ISSUE AND SUCH DISCLOSURES ARE IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT, 1956, THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 AND OTHER APPLICABLE LEGAL REQUIREMENTS.**

3. **WE CONFIRM THAT BESIDES OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA AND THAT TILL DATE SUCH REGISTRATION IS VALID.**

4. **WE HAVE SATISFIED OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. <u>NOTED FOR COMPLIANCE</u>.**

5. **WE CERTIFY THAT WRITTEN CONSENT FROM PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR SPECIFIED SECURITIES AS PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE SPECIFIED SECURITIES PROPOSED TO FORM PART OF PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN SHALL NOT BE DISPOSED / SOLD / TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH THE SECURITIES AND EXCHANGE BOARD OF INDIA TILL THE DATE OF COMMENCEMENT OF LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.**

6. **WE CERTIFY THAT REGULATION 33 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO SPECIFIED SECURITIES INELIGIBLE FOR COMPUTATION OF PROMOTERS CONTRIBUTION, HAS BEEN DULY COMPLIED WITH AND APPROPRIATE DISCLOSURES AS TO COMPLIANCE WITH THE SAID REGULATION HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS.**

7. **WE UNDERTAKE THAT SUB-REGULATION (4) OF REGULATION 32 AND CLAUSE (C) AND (D) OF SUB-REGULATION (2) OF REGULATION 8 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 SHALL BE COMPLIED WITH. WE CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE RECEIVED AT LEAST ONE DAY BEFORE THE OPENING OF THE ISSUE. WE UNDERTAKE THAT AUDITORS' CERTIFICATE TO THIS EFFECT SHALL BE DULY SUBMITTED TO THE SECURITIES AND EXCHANGE BOARD OF INDIA. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN**

ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE ISSUER ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE. NOT APPLICABLE.

8. **WE CERTIFY THAT THE PROPOSED ACTIVITIES OF THE ISSUER FOR WHICH THE FUNDS ARE BEING RAISED IN THE PRESENT ISSUE FALL WITHIN THE 'MAIN OBJECTS' LISTED IN THE OBJECT CLAUSE OF THE MEMORANDUM OF ASSOCIATION OR OTHER CHARTER OF THE ISSUER AND THAT THE ACTIVITIES WHICH HAVE BEEN CARRIED OUT UNTIL NOW ARE VALID IN TERMS OF THE OBJECT CLAUSE OF ITS MEMORANDUM OF ASSOCIATION.**

9. **WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SUB-SECTION (3) OF SECTION 73 OF THE COMPANIES ACT, 1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION. NOTED FOR COMPLIANCE.**

10. **WE CERTIFY THAT A DISCLOSURE HAS BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS THAT THE INVESTORS SHALL BE GIVEN AN OPTION TO GET THE SHARES IN DEMAT OR PHYSICAL MODE. NOT APPLICABLE.**

    AS THE OFFER SIZE IS MORE THAN RS. 10 CRORES, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, 1956, THE EQUITY SHARES ARE TO BE ISSUED IN DEMAT ONLY.

11. **WE CERTIFY THAT ALL THE APPLICABLE DISCLOSURES MANDATED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 HAVE BEEN MADE IN ADDITION TO DISCLOSURES WHICH, IN OUR VIEW, ARE FAIR AND ADEQUATE TO ENABLE THE INVESTOR TO MAKE A WELL INFORMED DECISION.**

12. **WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:**

    (A) **AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME, THERE SHALL BE ONLY ONE DENOMINATION FOR THE EQUITY SHARES OF THE ISSUER AND**
    (B) **AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE SECURITIES AND EXCHANGE BOARD OF INDIA FROM TIME TO TIME.**

13. **WE UNDERTAKE TO COMPLY WITH THE REGULATIONS PERTAINING TO ADVERTISEMENT IN TERMS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 WHILE MAKING THE ISSUE.**

14. **WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BUSINESS BACKGROUND OR THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.**

15. **WE ENCLOSE A CHECKLIST CONFIRMING REGULATION-WISE COMPLIANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, CONTAINING DETAILS SUCH AS THE REGULATION NUMBER, ITS TEXT, THE STATUS**

OF COMPLIANCE, PAGE NUMBER OF THE DRAFT RED HERRING PROSPECTUS WHERE THE REGULATION HAS BEEN COMPLIED WITH AND OUR COMMENTS, IF ANY.

The filing of the Draft Red Herring Prospectus does not, however, absolve our Company and the Selling Shareholders from any liabilities under section 63 or section 68 of the Companies Act or from the requirement of obtaining such statutory and/or other clearances as may be required for the purpose of the proposed Issue. SEBI further reserves the right to take up at any point of time, with the Book Running Lead Managers, any irregularities or lapses in the Draft Red Herring Prospectus.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the 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 sections 56, 60 and 60B of the Companies Act.

Caution - Disclaimer from our Company, the Selling Shareholders and the BRLMs

Our Company, our Directors, the Selling Shareholders and the BRLMs accept no responsibility for statements made otherwise than in this Red Herring Prospectus or in the advertisements or any other material issued by or at our Company's instance and anyone placing reliance on any other source of information, including our Company's web site www.wabag.com, would be doing so at his or her own risk.

The BRLMs accept no responsibility, save to the limited extent as provided in the agreement entered into between the BRLMs, the Selling Shareholders and our Company and the Underwriting Agreement to be entered into between the Underwriters, the Selling Shareholders and our Company.

All information shall be made available by our Company, the Selling Shareholders and the BRLMs to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

The BRLMs and their respective associates and affiliates may engage in transactions with, and perform services for, our Company, the Selling Shareholders and their respective affiliates or associates in the ordinary course of business and have engaged, or may in future engage, in commercial banking and investment banking transactions with our Company, the Selling Shareholders and their respective affiliates or associates for which they have received, and may in future receive, compensation.

Neither our Company, the Selling Shareholders, nor the Syndicate is liable for any failure in uploading the Bids due to faults in any software/hardware system or otherwise.

Investors who Bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Selling Shareholders, 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 the Equity Shares of our Company and will not Issue, sell, pledge, or transfer the Equity Shares of our Company to any person who is not eligible under any applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares of our Company. Our Company, the Selling Shareholders, the Underwriters and their respective directors, officers, agents, affiliates, and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire Equity Shares of our Company.

Disclaimer in respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are not minors, HUFs, companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in shares, Indian Mutual Funds, Indian financial institutions, commercial banks, regional rural banks, co-operative banks (subject to RBI permission), or trusts under applicable trust law and who are authorised under their constitution to hold and invest in shares, permitted insurance companies and pension funds and insurance funds set up and managed by the army and navy) and to FIIs and eligible NRIs. This Red Herring Prospectus does not, however, constitute an invitation to purchase 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 appropriate courts in Mumbai only.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Red Herring Prospectus has been filed with SEBI for its observations and SEBI shall give its observations in due course. Accordingly, the Equity Shares represented thereby may not be offered or sold, directly or indirectly, and this Red Herring Prospectus may not be distributed, in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Red Herring Prospectus nor any sale hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of our Company since the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The Equity Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States (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. The Equity Shares are being offered and sold only outside the United States in offshore transactions in compliance with Regulation S under the Securities Act and the applicable laws of the jurisdictions where those offers and sales occur.

Disclaimer Clause of the BSE

BSE has given vide its letter dated May 27, 2010, permission to our Company to use BSE's name in the Red Herring Prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. BSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. BSE does not in any manner:

- warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; or
- warrant that the Company's securities will be listed or will continue to be listed on the BSE; or
- take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company;

and it should not for any reason be deemed or construed to mean that the Draft Red Herring Prospectus has been cleared or approved by BSE. Every Person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against BSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or for any other reason whatsoever.

Disclaimer Clause of the NSE

As required, a copy of the Draft Red Herring Prospectus has been submitted to NSE. NSE has given vide its letter ref.: NSE/LIST/138331-3 dated May 21, 2010, permission to our Company to use NSE's name in the Red Herring Prospectus as one of the stock exchanges on which our Company's securities are proposed to be listed. The NSE has scrutinised the Draft Red Herring Prospectus for its limited internal purpose of deciding on the matter of granting the aforesaid permission to our Company. It is to be distinctly understood that the aforesaid permission given by NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus has been cleared or approved by NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Draft Red Herring Prospectus; nor does it warrant that our Company's securities will be listed or will continue to be listed on the NSE; nor does it take any responsibility for the financial or other soundness of our Company, its Promoters, its management or any scheme or project of our Company.

Every person who desires to apply for or otherwise acquires any securities of our Company may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the NSE whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

Filing

A copy of the Draft Red Herring Prospectus has been filed with SEBI at Corporation Finance Department, Plot No.C4-A,'G' Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.

A copy of the Red Herring Prospectus, along with the documents required to be filed under section 60B of the Companies Act, would be delivered for registration to the RoC and a copy of the Prospectus to be filed under section 60 of the Companies Act would be delivered for registration with RoC at the Office of the Registrar of Companies, Tamil Nadu (Chennai) at Block No.6 "B" Wing, 2nd Floor, Shastri Bhavan, No. 26, Haddows Road, Nungambakkam, Chennai 600 034.

Listing

Applications will be made to the NSE and the BSE for permission to deal in and for an official quotation of the Equity Shares. The NSE will be the Designated Stock Exchange with which the Basis of Allotment will be finalised.

If the permissions to deal in and for an official quotation of the Equity Shares is not granted by either of the Stock Exchanges mentioned above, our Company and the Selling Shareholders will forthwith repay, without interest, all moneys received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight days after our Company and the Selling Shareholders become liable to repay it, i.e. from the date of refusal or within seven days from the Bid/Issue Closing Date, whichever is earlier, then our Company, the Selling Shareholders and every Director of our Company who is an officer in default shall, on and from such expiry of eight days, jointly and severally, be liable to repay the money, with interest at the rate of 15% p.a. on application money, as prescribed under section 73 of the Companies Act.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges mentioned above are taken within 12 working days of finalisation of the Bid/Issue Closing Date. Further, the Selling Shareholders confirm that all steps, as may be reasonably required and necessary, 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 12 working days of finalisation of the Bid/Issue Closing Date.

Consents

Consents in writing of: (a) our Directors, the Company Secretary and Compliance Officer, the auditors, the legal advisors, the Bankers to our Company; and (b) the Book Running Lead Managers and the Registrar to the Issue to act in their respective capacities, have been obtained and would be filed along with a copy of the Red Herring Prospectus with the RoC as required under sections 60 and 60B of the Companies Act and such consents have not been withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

Walker, Chandiok & Co., Chartered Accountants, our Company's Statutory Auditors, have given their written consent to the tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus and such consent has not been withdrawn up to the time of submission of the Red Herring Prospectus with SEBI.

In accordance with the Companies Act and the SEBI Regulations, Walker, Chandiok & Co., Chartered Accountants, our Company's Statutory Auditors have given their written consent to the inclusion of their report in the form and context in which it appears in the Red Herring Prospectus and such consent and report has not been withdrawn up to the time of submission of the Red Herring Prospectus with SEBI

Expert Opinion

Except as stated below, our Company has not obtained any expert opinions:

We have received consent from our Statutory Auditors namely, Walker, Chandiok & Co., Chartered Accountants, to include their names as an expert in this Red Herring Prospectus in relation to the statement of tax benefits accruing to our Company and its members in the form and context in which it appears in this Red Herring Prospectus.

ICRA, the agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, will give its written consent to the inclusion of its report in the form and context in which it will appear in the Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus and the Prospectus with the RoC and the Designated Stock Exchange.

Issue Related Expenses

The expenses of this Issue include, among others, underwriting and management fees, underwriting commission, brokerage and selling commission, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. Other than listing fees which will be paid by our Company, all expenses with respect to the Issue will be shared between our Company and the Selling Shareholders who have offered their shares for sale on a *pro-rata* basis, in the ratio of the Equity Shares issued by our Company in the Fresh Issue and the Equity Shares being sold by the Selling Shareholders in the Offer for Sale.

The breakdown of total estimated expenses for the Issue is as follows:

Activity	Expenses*	Percentage of the Issue Expenses*	Percentage of the Issue Size*
Lead management fees	[•]	[•]	[•]
Underwriting commission, brokerage and selling commission (including SCSB commission)	[•]	[•]	[•]
Registrar's fees	[•]	[•]	[•]
Advertising and marketing	[•]	[•]	[•]
Printing and distribution	[•]	[•]	[•]
Bankers to the Issue	[•]	[•]	[•]
Others (SEBI filing fees, bidding software expenses, depository charges, listing fees, fees paid to the IPO Grading agency, fees to the legal advisors, etc.)	[•]	[•]	[•]
Total estimated issue expenses	**[•]**	**[•]**	**[•]**

** Will be incorporated after finalization of Issue Price*

Fees Payable to the Book Running Lead Managers, and Syndicate Members

The total fees payable to the BRLMs and the Syndicate Members (including underwriting commission and selling commission) will be as stated in the engagement letter with the BRLMs, a copy of which is available for inspection at the Registered Office of our Company.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of application, data entry, printing of CAN/refund order, preparation of refund data on magnetic tape, printing of bulk mailing register will be as per the MoU signed with our Company and the Selling Shareholders, a copy of which is available for inspection at the Registered Office of our Company.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to send refund orders or allotment advice by registered post/speed post/under certificate of posting.

IPO Grading

This Issue has been graded by ICRA and has been assigned a grade of IPO Grade 4 out of a maximum of IPO Grade 5 indicating above average fundamentals, through its letter dated August 3, 2010, which is valid for a period of six months. The IPO grading is assigned on a five point scale from 1 to 5 wherein an “IPO Grade 5” indicates strong fundamentals and “IPO Grade 1” indicates poor fundamentals.

A copy of the report provided by ICRA, furnishing the rationale for its grading has been annexed to this Red Herring Prospectus and will be made available for inspection at our Registered Office from 10.00 a.m. to 4.00 p.m. on Working Days from the date of this Red Herring Prospectus until the Bid/Issue Closing Date.

Rationale for grading by ICRA

For details in relation to the rationale furnished by ICRA, please see the section titled “Annexure A”.

Particulars regarding Public or Rights Issues during the last Five Years

Our Company has not made any public or rights issues during the last five years.

Previous issues of Equity Shares otherwise than for cash

Except as stated in the sections entitled “Capital Structure” on page 70 and “History and Corporate Matters” on page 168, our Company has not issued any Equity Shares for consideration otherwise than for cash.

Commission and Brokerage paid on previous issues of the Equity Shares

Since this is the initial public issue of Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing to or procuring or agreeing to procure subscription for any of the Equity Shares since our Company’s inception.

Previous capital issue during the previous three years by listed Group Companies, Subsidiaries and associates of the Company

None of the associates and Subsidiaries of our Company is listed on any stock exchange.

Promise vis-à-vis objects – Public/ Rights Issue of the Company and/ or listed Group Companies, Subsidiaries and associates of the Company

Our Company has not undertaken any previous public or rights issue.

None of the Group Companies, associates and Subsidiaries of our Company is listed on any stock exchange.

Outstanding Debentures or Bonds

Our Company does not have any outstanding debentures or bonds as of the date of filing this Red Herring Prospectus.

Outstanding Preference Shares

Our Company does not have any outstanding preference shares other than those mentioned in the section titled “Capital Structure” on page 70.

Stock Market Data of Equity Shares

This being an initial public issue of our 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 our Company will provide for retention of records with the Registrar to the Issue for a period of at least six months from the last date of dispatch of letters of allotment, demat credit, refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSB, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application and the Designated Branch or the collection centre of the SCSB where the ASBA Bid cum Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by the Company

Our Company estimates that the average time required by our Company or the Registrar to the Issue or the SCSB in case of ASBA Bidders for the redressal of routine investor grievances shall be 10 working days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has appointed S. Ramasundaram, Company Secretary as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems. He can be contacted at the following address:

S. Ramasundaram
No. 11, Murray's Gate Road
Alwarpet
Chennai 600 018
Tamil Nadu
Tel: +91 44 4223 2411
Fax: +91 44 4223 2324
Email: companysecretary@wabag.in

Mechanism for Redressal of Investor Grievances by Companies under the same Management

None of our Group Companies is listed on any stock exchange.

Changes in Auditors

Statutory Auditor	Date of Appointment/ Change	Reason
Walker, Chandiok & Co.	December 29, 2008	Appointment
K.S. Aiyar & Co.	October 11, 2008	Resignation

Capitalisation of Reserves or Profits

Except as disclosed in the section titled "Capital Structure" on page 70, our Company has not capitalized our reserves or profits during the last five years.

Revaluation of Assets
Our Company has not re-valued its assets in the last five years.

SECTION VII – ISSUE INFORMATION

TERMS OF THE ISSUE

The Issue shall be subject to the provisions of the Companies Act, the SCRR, the Memorandum and the Articles, the terms of the Draft Red Herring Prospectus, this Red Herring Prospectus and the Prospectus, Bid cum Application Form, the ASBA Bid cum Application Form, the Revision Form, the ASBA Revision Form, the CAN and other terms and conditions as may be incorporated in the Allotment advices and other documents/ certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to laws, guidelines, notifications and regulations relating to the issue of capital and listing of securities issued from time to time by SEBI, the GoI, Stock Exchanges, RoC, RBI and/or other authorities, as in force on the date of the Issue and to the extent applicable.

Ranking of Equity Shares

The Equity Shares being issued shall be subject to the provisions of the Memorandum and the Articles and shall rank pari-passu with the existing Equity Shares of our Company including rights in respect of dividend. The Allotees in receipt of Allotment of Equity Shares under this Issue will be entitled to dividends and other corporate benefits, if any, declared by our Company after the date of Allotment. For further details, please see the section titled "Main Provisions of the Articles of Association" on page 363.

Except for the listing fee which will be borne by our Company, expenses relating to the Issue as mentioned above will be borne by our Company and the Selling Shareholder in proportion of the Equity Shares contributed to the Issue. For further details in this regard, see the section titled "Other Regulatory and Statutory Disclosures – Issue Related Expenses" on page 320.

Mode of Payment of Dividend

Our Company shall pay dividends to the shareholders in accordance with the provisions of the Companies Act, the Articles and the provision of the Listing Agreements. The dividends in respect of the Equity Shares forming part of the Offer for Sale by the Selling Shareholders for the entire year shall be payable to the transferees of such Equity Shares.

Face Value and Issue Price

The face value of the Equity Shares is Rs. 5 each and the Issue Price is Rs. [•] per Equity Share. The Anchor Investor Issue Price is Rs. [●] per Equity Share.

The Price Band and the minimum Bid lot size for the Issue will be decided by us, in consultation with the Selling Shareholders and the BRLMs and advertised in all editions of the Financial Express and Jansatta and the Chennai edition of Makkal Kural at least two working days prior to the Bid/Issue Opening Date.

At any given point of time there shall be only one denomination for the Equity Shares.

Compliance with SEBI Regulations

We shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholder

Subject to applicable laws, the equity shareholders shall *inter alia* have the following rights:

- Right to receive dividend, if declared;
- Right to attend general meetings and exercise voting powers, unless prohibited by law;
- Right to vote on a poll either in person or by proxy;

- Right to receive offers for rights shares and be allotted bonus shares, if announced;
- Right to receive surplus on liquidation;
- Right of free transferability; and
- Such other rights, as may be available to a shareholder of a listed public company under the Companies Act, the terms of the Listing Agreement executed with the Stock Exchanges, and our Company's Memorandum and Articles.

For a detailed description of the main provisions of the Articles relating to voting rights, dividend, forfeiture and lien and/or consolidation/splitting, please see the section titled "Main Provisions of the Articles of Association" on page 363.

Market Lot and Trading Lot

In terms of section 68B of the Companies Act, the Equity Shares shall be allotted only in dematerialised form. As per the SEBI Regulations, the trading of the Equity Shares shall only be in dematerialised form. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one Equity Share. Allotment in this Issue will be only in electronic form in multiples of one Equity Share subject to a minimum Allotment of [•] Equity Shares.

The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the Selling Shareholders and the BRLMs and advertised in all editions of the Financial Express in the English language, all editions of Jansatta in the Hindi language and the Chennai edition of Makkal Kural in the Tamil language at least two days prior to the Bid/ Issue Opening Date.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Chennai, Tamil Nadu, India.

Nomination Facility to Investor

In accordance with section 109A of the Companies Act, the sole or first Bidder, along with other joint Bidders, may nominate any one person in whom, in the event of the death of sole Bidder or in case of joint Bidders, death of all the Bidders, as the case may be, the Equity Shares allotted, if any, shall vest. A person, being a nominee, entitled to the Equity Shares by reason of the death of the original holder(s), shall in accordance with section 109A of the Companies Act, be entitled to the same advantages to which he or she would be entitled if he or she were the registered holder of the Equity Share(s). Where the nominee is a minor, the holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to Equity Share(s) in the event of his or her death during the minority. A nomination shall stand rescinded upon a sale of equity share(s) by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. Fresh nomination can be made only on the prescribed form available on request at the Registered Office of our Company or to the registrar and transfer agents of our Company.

In accordance with section 109B of the Companies Act, any Person who becomes a nominee by virtue of section 109A of the Companies Act, shall upon the production of such evidence as may be required by the Board, elect either:

- To register himself or herself as the holder of the Equity Shares; or
- To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of 90 days, the Board may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Equity Shares, until the requirements of the notice have been complied with.

Since the Allotment of Equity Shares in the Issue will be made only in dematerialised form, there is no need to make a separate nomination with our Company. Nominations registered with respective depository participant of the applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective depository participant.

Minimum Subscription

If our Company does not receive the minimum subscription of 90% of the Fresh Issue, including devolvement of underwriters within 60 days from the Bid/Issue Closing Date, our Company shall forthwith refund the entire subscription amount received. If there is a delay beyond eight days after our Company becomes liable to pay the amount, our Company shall pay interest prescribed under section 73 of the Companies Act.

Further, in accordance with Regulation 26(4) of the SEBI Regulations we shall ensure that the number of prospective allotees to whom Equity Shares will be allotted shall not be less than 1,000.

The Equity Shares have not been, and will not be, registered 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 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 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.

Application by Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI

It is to be distinctly understood that there is no reservation for NRIs and FIIs registered with SEBI or FVCIs registered with SEBI.

Arrangement for disposal of Odd Lots

There are no arrangements for disposal of odd lots.

Restriction on transfer of shares

Except for lock-in of the pre-Issue Equity Shares, Promoters' minimum contribution and Anchor Investor lock-in in the Issue as described in the section titled "Capital Structure" on page 70, and except as provided in the Articles, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers of debentures except as provided in the Articles. There are no restrictions on transmission of shares/ debentures and on their consolidation/ splitting except as provided in the Articles. Please see the section titled "Main Provisions of the Articles of Association" on page 363.

ISSUE STRUCTURE

Issue of [●] Equity Shares for cash at a price of Rs. [●] per Equity Share (including share premium of Rs. [●] per Equity Share) aggregating to Rs. [●] lakhs. The Issue consists of a Fresh Issue of [●] Equity Shares aggregating to Rs. 12,500 lakhs and an Offer for Sale of 26,53,383 Equity Shares by the Selling Shareholders aggregating to Rs. [●] lakhs. The Issue will constitute [●]% of the post-Issue paid-up equity capital of our Company.

The Issue is being made through the 100% Book Building Process.

	QIBs#	**Non-Institutional Bidders**	**Retail Individual Bidders**
Number of Equity Shares*	At least [●] Equity Shares	Not less than [●] Equity Shares available for allocation or Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than [●] Equity Shares available for allocation or Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for allocation	Not more than 50% of the Issue Size being allocated. However, up to 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to Mutual Funds only.	Not less than 15% of the Issue or the Issue less allocation to QIB Bidders and Retail Individual Bidders.	Not less than 35% of the Issue or the Issue less allocation to QIB Bidders and Non-Institutional Bidders.
Basis of Allotment/Allocation if respective category is oversubscribed	Proportionate as follows: (a) [●] Equity Shares shall be allocated on a proportionate basis to Mutual Funds only; and (b) [●] Equity Shares shall be allotted on a proportionate basis to all QIBs including Mutual Funds receiving allocation as per (a) above.	Proportionate	Proportionate
Minimum Bid	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter.	Such number of Equity Shares that the Bid Amount exceeds Rs. 1,00,000 and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares
Maximum Bid	Such number of Equity Shares not exceeding the Issue, subject to applicable limits.	Such number of Equity Shares not exceeding the Issue subject to applicable limits.	Such number of Equity Shares whereby the Bid Amount does not exceed Rs. 100,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] Equity Shares and in multiples of [●] Equity	[●] Equity Shares and in multiples of [●] Equity	[●] Equity Shares and in multiples of [●] Equity

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders
	Shares thereafter.	Shares thereafter.	Shares thereafter.
Allotment Lot	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter	[●] Equity Shares and in multiples of one Equity Share thereafter
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply **	Public financial institutions as specified in Section 4A of the Companies Act, scheduled commercial banks, mutual fund registered with SEBI, FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, multilateral and bilateral development financial institutions, foreign venture capital investors registered with SEBI, venture capital fund registered with SEBI, state industrial development corporation, insurance company registered with IRDA, provident fund with minimum corpus of Rs. 2,500 lakhs, pension fund with minimum corpus of Rs. 2,500 lakhs and National Investment Fund set up by GoI and insurance funds set up and managed by army, navy or air force of the Union of India.	Resident Indian individuals, Eligible NRIs, HUF (in the name of Karta), companies, corporate bodies, scientific institutions, societies and trusts, sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals.	Retail Individual Bidders
Terms of Payment	Amount shall be payable at the time of submission of Bid cum Application Form to the Syndicate Members. (including for Anchor Investors)#*	Amount shall be payable at the time of submission of Bid cum Application Form. ##	Amount shall be payable at the time of submission of Bid cum Application Form. ##
Margin Amount	Full Bid Amount on Bidding	Full Bid Amount on Bidding	Full Bid Amount on Bidding

Our Company may allocate up to 30% of the QIB Portion to Anchor Investors on a discretionary basis. One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors. For further details, please see the section entitled "Issue Procedure" on page 331.

In case of ASBA Bidders, the SCSB shall be authorised to block such funds in the bank account of the ASBA Bidder that are specified in the ASBA Bid cum Application Form.

* Subject to valid Bids being received at or above the Issue Price. The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be allocated to QIBs on a proportionate basis, 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only and the remainder shall be available for allotment on a proportionate basis to all QIB Bidders, including Mutual Funds, subject to valid bids being received at or above the Issue Price. However, if the aggregate demand from Mutual Funds is less than [●] Equity Shares, the balance Equity Shares available for Allotment in the Mutual Fund Portion will be added to the QIB Portion and allocated proportionately to the QIB Bidders in proportion to their Bids. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid bids being received at or above the Issue Price.

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

** In case the Bid cum Application Form is submitted in joint names, the Bidders should ensure that the demat account is also held in the same joint names and are in the same sequence in which they appear in the Bid cum Application Form.

*# Bid Amount shall be payable by the Anchor Investors at the time of submission of the Bid cum Application Forms. The balance, if any, shall be paid within two working days of the Bid/Issue Closing Date.

Withdrawal of the Issue

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

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

Notwithstanding the foregoing, this Issue is also subject to obtaining the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment, and the final RoC approval of the Prospectus after it is filed with the RoC.

Letters of Allotment or Refund Orders

Our Company and the Selling Shareholders shall credit each beneficiary account with its depository participant within two working days from the date of the finalization of the basis of allocation. Applicants that are residents of the 68 cities notified by SEBI through its notification (Ref. No. SEBI/CFD/DIL/ICDR/11/2009/03/09) dated September 3, 2009 will receive refunds through NECS only (subject to availability of all information for crediting the refund through NECS) 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.

Interest in Case of Delay in Despatch of Allotment Letters or Refund Orders/Instructions to SCSBs by the Registrar.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, the Company undertakes that:

- Allotment shall be made only in dematerialised form within 12 days from the Bid/Issue Closing Date;

- Dispatch of refund orders shall be done within 12 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 applicants 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 to the Issue.

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 centres will be payable by the Bidders.

Bid/Issue Programme

BID/ISSUE OPENS ON	**SEPTEMBER 22*, 2010**
BID/ISSUE CLOSES ON (FOR NON QIB BIDDERS)	**SEPTEMBER 27, 2010**
BID/ISSUE CLOSES ON (FOR QIB BIDDERS)	**SEPTEMBER 24, 2010**

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

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

Due to limitation of time available for uploading the Bids on the Bid/ Issue Closing Date, the Bidders are advised to submit their Bids one day prior to the Bid/ Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Bid/ Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/ Issue Closing Date, as is typically experienced in public offerings, some Bids may not get uploaded due to lack of sufficient time. Such Bids that cannot be uploaded will not be considered for allocation under the Issue. Bids will be accepted only on Business Days, i.e., Monday to Friday (excluding any public holiday).

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

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

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

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

ISSUE PROCEDURE

This section applies to all Bidders. Please note that all Bidders other than Anchor Investors can participate in the Issue through the ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that are different from the procedure applicable to Bidders other than the ASBA Bidders. Bidders applying through the ASBA process should carefully read the provisions applicable to such applications before making their application through the ASBA process. Please note that all the Bidders are required to make payment of the full Bid Amount along with the Bid cum Application Form.

Book Building Procedure

The Issue is being made through the 100% Book Building Process wherein not more than 50% of the Issue shall be allocated to QIBs on a proportionate basis. 5% of the QIB Portion (excluding the Anchor Investor Portion) 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 QIB Bidders, including Mutual Funds, subject to valid Bids being received from them at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price. Allocation to Anchor Investors shall be on a discretionary basis and not on a proportionate basis.

All Bidders other than the ASBA Bidders are required to submit their Bids through the Syndicate. ASBA Bidders are required to submit their Bids to SCSBs.

Investors should note that the Equity Shares will be allotted to all successful Bidders only in dematerialised form. The Bid cum Application Forms which do not have the details of the Bidder's depository account shall be treated as incomplete and rejected. Bidders will not have the option of being Allotted Equity Shares in physical form. The Equity Shares on Allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

Bid cum Application Form

The prescribed colour of the Bid cum Application Form for various categories is as follows:

Category	Colour of Bid cum Application Form
Resident Indians and Eligible NRIs applying on a non-repatriation basis (ASBA as well as non-ASBA Bidders)	White
Eligible NRIs and FIIs or Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions applying on a repatriation basis (ASBA as well as non-ASBA Bidders)	Blue
Anchor Investors*	White

**Bid cum Application Forms for Anchor Investors have been made available at the offices of the BRLMs.*

Bidders (other than ASBA Bidders) are required to submit their Bids through the Syndicate. Such Bidders shall only use the specified Bid cum Application Form bearing the stamp of a member of the Syndicate for the purpose of making a Bid in terms of the Red Herring Prospectus. The Bidder shall have the option to make a maximum of three Bids in the Bid cum Application Form and such options shall not be considered as multiple Bids.

ASBA Bidders shall submit a Bid cum Application Form either in physical or in electronic form to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form. Only QIBs can participate in the Anchor Investor Portion and Anchor Investors cannot submit their Bids through the ASBA process.

On 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 or the SCSB, the Bidder or the ASBA Bidder is deemed to have authorised our Company to make the necessary changes in the Red Herring Prospectus as would be required for filing the Prospectus with the RoC and as would be required by

RoC after such filing, without prior or subsequent notice of such changes to the Bidder or the ASBA Bidder.

ASBA Bidders shall submit a Bid cum Application Form to the SCSB authorising blocking of funds that are available in the bank account specified in the ASBA Bid cum Application Form.

Only QIBs can participate in the Anchor Investor Portion.

Who can Bid?

- Indian nationals resident in India who are not minors in single or joint names (not more than three);
- Hindu Undivided Families or HUFs, in the individual name of the *Karta*. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid cum Application Form as follows: "Name of Sole or First bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the *Karta*". Bids by HUFs would be considered at par with those from individuals;
- Companies, corporate bodies and societies registered under the applicable laws in India and authorised to invest in equity shares;
- Mutual Funds registered with SEBI;
- Eligible NRIs on a repatriation basis or on a non repatriation basis subject to applicable laws;
- Indian financial institutions, commercial banks (excluding foreign banks), regional rural banks, co-operative banks (subject to RBI regulations and the SEBI Regulations and other laws, as applicable);
- FIIs and sub-accounts registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual;
- Sub-accounts of FIIs registered with SEBI, which are foreign corporates or foreign individuals only under the Non-Institutional Bidders category.
- Venture Capital Funds registered with SEBI;
- Bilateral and multilateral development finance institutions;
- State Industrial Development Corporations;
- FVCIs registered with SEBI
- Trusts/societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts/societies and who are authorised under their respective constitutions to hold and invest in equity shares;
- Scientific and/or industrial research organisations authorised to invest in equity shares;
- State Industrial Development Corporations;
- Insurance Companies registered with Insurance Regulatory and Development Authority;
- Provident Funds with a minimum corpus of Rs. 2,500 lakhs and who are authorised under their constitution to hold and invest in equity shares;
- Pension Funds with a minimum corpus of Rs. 2,500 lakhs and who are authorised under their constitution

to hold and invest in equity shares;

- National Investment Fund set up by resolution number F.No.2/3/2005-DD II dated November 23, 2005 of GoI published in the Gazette of India; and

- Insurance funds set up and managed by the army, navy or air force of the Union of India.

As per the existing regulations, OCBs cannot participate in this Issue.

Participation by associates and affiliates of BRLMs and Syndicate Members

The BRLMs and Syndicate Members shall not be allowed to subscribe to this Issue in any manner except towards fulfilling their underwriting obligations. However, associates and affiliates of the BRLMs and Syndicate Members may subscribe to or purchase Equity Shares in the Issue, either in the QIB Portion or in Non-Institutional Portion as may be applicable to such Bidders, where the allocation is on a proportionate basis.

The BRLMs and any persons related to the BRLMs, our Promoters and our Promoter Group cannot apply in the Issue under the Anchor Investor Portion.

Bids by Mutual Funds

An eligible Bid by a Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand is greater than [●] Equity Shares, allocation shall be made to Mutual Funds proportionately, to the extent of the Mutual Fund Portion. The remaining demand by the Mutual Funds shall, as part of the aggregate demand by QIBs, be available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Fund Portion.

One-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made.

No Mutual Fund scheme shall invest more than 10% of its net asset value in the equity shares or equity related instruments of any single company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up share capital carrying voting rights.

Bids by Eligible NRIs

1. Bid cum Application Forms have been made available for Eligible NRIs applying on a repatriation basis at our Registered Office, with the members of the Syndicate and with the Registrar to the Issue.

2. Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange shall be considered for Allotment. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts should use the form meant for Resident Indians.

Bids by FIIs

As per the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of our post-Issue issued capital (i.e. 10% of [●] Equity Shares). In respect of an FII investing in our Equity Shares on behalf of its sub-accounts, the investment on behalf of each sub-account shall not exceed 10% of our total issued capital or 5% of our total issued capital in case such sub-account is a foreign corporate or an individual. The aggregate FII holding in a company is limited to 24% of its total issued 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%. Pursuant to the resolutions of our Board and shareholders dated June 3, 2010 and August 2, 2010, respectively, the FII holding in our Company cannot exceed 49% of our total issued capital.

An FII may issue, deal or hold offshore derivative instruments (defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a foreign institutional investor against securities held by it that are listed or proposed to be listed on any recognised stock exchange in India, as its underlying) directly or indirectly, only in the event (i) such offshore derivative instruments are issued only to persons who are regulated by an appropriate regulatory authority; and (ii) such offshore derivative instruments are issued after compliance with "know your client" norms. The FII or sub-account is also required to ensure that no further issue or transfer of any offshore derivative instrument is made by or on behalf of it to any persons that are not regulated by an appropriate foreign regulatory authority as defined under the SEBI FII Regulations. Associates and affiliates of the underwriters including the BRLMs and the Syndicate Members that are FIIs may issue offshore derivative instruments against Equity Shares Allotted to them in the Issue. Any such Offshore Derivative Instrument does not constitute any obligation of claim on or an interest in, our Company.

Bids by SEBI registered Venture Capital Funds and Foreign Venture Capital Funds

The SEBI (Venture Capital Funds) Regulations, 1996 and SEBI (Foreign Venture Capital Investor) Regulations, 2000 *inter alia* prescribe the investment restrictions on venture capital funds and foreign venture capital investors registered with SEBI.

Accordingly, the holding by any individual venture capital fund registered with SEBI in one company should not exceed 25% of the corpus of the venture capital fund. Further, venture capital funds and foreign investors can invest only up to 33.33% of the investible funds by way of subscription to an IPO.

Pursuant to the SEBI Regulations, the shareholding of SEBI-registered Venture Capital Funds and FVCIs held in a company prior to making an initial public offering would be 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.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations as specified in this Red Herring Prospectus.

Maximum and Minimum Bid Size

(a) **For Retail Individual Bidders:** The Bid must be for a minimum of [•] Equity Shares and in multiples of [•] Equity 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. In case the Bid Amount is over Rs. 100,000 due to revision of the Bid or revision of the Price Band or on exercise of Cut-off option, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off option is an option given only to the Retail Individual Bidders indicating their agreement to Bid and purchase at the final Issue Price as determined at the end of the Book Building Process.

(b) **For Other Bidders (Non-Institutional Bidders and QIBs, excluding Anchor Investors):** The Bid must be for a minimum of such number of Equity Shares in multiples of [•] such that the Bid Amount exceeds Rs. 100,000. A Bid cannot be submitted for more than the Issue Size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them by applicable laws. **A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date.**

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than Rs. 100,000 for being considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to Rs. 100,000 or less due to a revision in Bids or revision of the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Retail Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIBs are not allowed to Bid at 'Cut-off'.

(c) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares in multiples of [●] such that the Bid Amount exceeds Rs. 1,000 lakhs. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids. A Bid cannot be submitted for more than 30% of the QIB Portion. **Anchor Investors cannot withdraw their Bids after the Anchor Investor Bid/ Issue Period and are required to pay the Bid Amount at the time of submission of the Bid. In case the Anchor Investor Issue Price is lower than the Issue Price, the balance amount shall be payable as per the pay-in date mentioned in the revised Anchor Investor Allocation Notice.**

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Red Herring Prospectus.

Information for the Bidders:

(a) Our Company and the BRLMs shall declare the Bid/Issue Opening Date, Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in all editions of the Financial Express in the English language, all editions of Jansatta in the Hindi language and the Chennai edition of Makkal Kural in the Tamil language with wide circulation. This advertisement shall be in the prescribed format.

(b) Our Company will file the Red Herring Prospectus with the RoC at least three days before the Bid/Issue Opening Date.

(c) Copies of the Bid cum Application Form and, at the request of potential investors, copies of the Red Herring Prospectus will be available with the Syndicate. The SCSBs shall ensure that the abridged prospectus is made available on their websites.

(d) Copies of ASBA Bid cum Application Forms will be available for downloading and printing, from the websites of the Stock Exchanges (which provide electronic interface for ASBA facility). A unique application number will be generated for every ASBA Bid cum Application Form downloaded and printed from the websites of the Stock Exchanges.

(e) Any Bidder (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or the Bid cum Application Form can obtain the same from our Registered Office.

(f) Eligible Bidders who are interested in subscribing for the Equity Shares should approach any of the BRLMs or Syndicate Members or their authorised agent(s) to register their Bids. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(g) The Bids should be submitted on the prescribed Bid cum Application Form only. Bid cum Application Forms (other than ASBA Bid cum Application Forms) should bear the stamp of the members of the Syndicate, otherwise they will be rejected. Bids by ASBA Bidders shall be accepted by the Designated Branches of the SCSBs in accordance with the SEBI Regulations and any circulars issued by SEBI in this regard. Bidders applying through the ASBA process also have an option to submit the ASBA Bid cum Application Form in electronic form.

The Members of the Syndicate shall accept Bids from Bidders during the Bid/Issue Period in accordance with the terms of the Syndicate Agreement. However, BRLMs shall accept Bids from the Anchor Investors only during the

Anchor Investor Bid/Issue Period.

Bidders should note that in case the PAN, the DP ID and Client ID mentioned in the Bid cum Application form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members do not match with PAN, the DP ID and Client ID available in the depository database, the Bid cum Application form is liable to be rejected.

Method and Process of Bidding

(a) Our Company in consultation with the Selling Shareholders and BRLMs will decide the Price Band and the minimum Bid lot size for the Issue and the same shall be advertised in all editions of the Financial Express in the English language, all editions of Jansatta in the Hindi language and the Chennai edition of Makkal Kural in the Tamil language at least two Working Days prior to the Bid/ Issue Opening Date. The Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period.

(b) The Bid/Issue Period shall be for a minimum of three Working Days and shall not exceed 10 Working Days. The Bid/ Issue Period maybe extended, if required, by an additional three Working Days, subject to the total Bid/Issue Period not exceeding 10 Working Days. Any revision in the Price Band and the revised Bid/ Issue Period, if applicable, will be published in all editions of Financial Express in the English language, all editions of Jansatta in the Hindi language and the Chennai edition of Makkal Kural in the Tamil language and also by indicating the change on the websites of the BRLMs and at the terminals of the members of the Syndicate.

(c) During the Bid/Issue Period, eligible investors, other than QIBs, who are interested in subscribing for the Equity Shares should approach Syndicate or their authorised agents to register their Bid. The Syndicate shall accept Bids from all other Bidders and have the right to vet the Bids during the Bid/Issue Period in accordance with the terms of the Red Herring Prospectus. Bidders (other than Anchor Investors) who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids.

(d) Each Bid cum Application Form will give the Bidder the choice to bid for up to three optional prices (for details refer to the paragraph entitled "Bids at Different Price Levels" below) within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid cum Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation/Allotment and the rest of the Bid(s), irrespective of the Bid Amount, will become automatically invalid.

(e) The Bidder cannot bid on another Bid cum Application Form after Bids on one Bid cum Application Form have been submitted to any member of the Syndicate or SCSBs. Submission of a second Bid cum Application Form to either the same or to another member of the Syndicate or SCBS will be treated as multiple Bids and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point of time prior to the allocation or Allotment of Equity Shares in this Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the paragraph entitled "Build up of the Book and Revision of Bids".

(f) Except in relation to Bids received from the Anchor Investors, the members of the Syndicate/SCSBs will enter each Bid option into the electronic bidding system as a separate Bid and generate a Transaction Registration Slip, ("TRS"), for each price and demand option and give the same to the Bidder. Therefore, a Bidder can receive up to three TRSs for each Bid cum Application Form.

(g) The BRLMs shall accept Bids from the Anchor Investors during the Anchor Investor Bid/ Issue Period i.e. one Working Day prior to the Bid/ Issue Opening Date. Bids by Anchor Investors under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.

(h) Along with the Bid cum Application Form, all Bidders (other than ASBA Bidders) will make payment in the manner described in the section titled "Issue Procedure - Escrow mechanism, terms of payment and payment into the Escrow Accounts” on page 338.

(i) Upon receipt of the ASBA Bid cum Application Form, submitted whether in physical or electronic mode, the Designated Branch of the SCSB shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the ASBA Bid cum Application Form, prior to uploading such Bids with the Stock Exchanges.

(j) If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSB shall reject such Bids and shall not upload such Bids with the Stock Exchanges.

(k) If sufficient funds are available in the ASBA Account, the SCSB shall block an amount equivalent to the Bid Amount mentioned in the ASBA Bid cum Application Form and will enter each Bid option into the electronic bidding system as a separate Bid and generate a TRS for each price and demand option. The TRS shall be furnished to the ASBA Bidder on request.

(l) The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis of Allotment and consequent transfer of the Bid Amount against the Allotted Equity Shares to the Public Issue Account, or until withdrawal/failure of the Issue or until withdrawal/rejection of the ASBA Bid cum Application Form, as the case may be. Once the Basis of Allotment is finalized, the Registrar to the Issue shall send an appropriate request to the Controlling Branch of the SCSB for unblocking the relevant ASBA Accounts and for transferring the amount allocable to the successful Bidders to the Public Issue Account. In case of withdrawal/failure of the Issue, the blocked amount shall be unblocked on receipt of such information from the Registrar to the Issue.

Bids at Different Price Levels and Revision of Bids

(a) Our Company, in consultation with the Selling Shareholders and the BRLMs and without the prior approval of, or intimation to, the Bidders, reserves the right to revise the Price Band during the Bid/Issue Period, provided that the Cap Price shall be less than or equal to 120% of the Floor Price and the Floor Price shall not be less than the face value of the Equity Shares. The revision in Price Band shall not exceed 20% on the either side i.e. the floor price can move up or down to the extent of 20% of the floor price disclosed at least two days prior to the Bid/ Issue Opening Date and the Cap Price will be revised accordingly.

(b) Our Company, in consultation with the Selling Shareholders and the BRLMs will finalise the Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Bidders.

(c) Our Company, in consultation with the Selling Shareholders and the BRLMs, can finalise the Anchor Investor Issue Price within the Price Band in accordance with this clause, without the prior approval of, or intimation, to the Anchor Investors.

(d) Our Company, in consultation with the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

(e) The Bidders can bid at any price within the Price Band. The Bidder has to bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may bid at the Cut-off Price. However, bidding at Cut-off Price is prohibited for QIB and Non-Institutional Bidders and such Bids from QIB and Non-Institutional Bidders shall be rejected.

(f) Retail Individual Bidders who Bid at Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders shall submit the Bid cum Application Form along with a cheque/demand draft for the Bid Amount based on the cap of the Price Band with the members of the Syndicate. In case of ASBA Bidders (other than Non-Institutional Bidders and QIB Bidders) bidding at Cut-off Price, the ASBA Bidders shall instruct the SCSBs to block an amount based on the cap of the Price

Band.

Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please refer to the section entitled "Issue Procedure - Payment Instructions" on page 346.

Electronic Registration of Bids

(a) The members of the Syndicate and the SCSBs will register the Bids using the on-line facilities of the Stock Exchanges. There will be at least one on-line connectivity facility in each city, where a stock exchange is located in India and where Bids are being accepted. The Syndicate Members and/or the SCSBs shall be responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Syndicate Members and the SCSBs, (ii) the Bids uploaded by the Syndicate Members and the SCSBs, (iii) the Bids accepted but not uploaded by the Syndicate Members and the SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.

(b) The Syndicate Members and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one Working Day from the Bid/Issue Closing Date.

(c) The Stock Exchanges will offer an electronic facility for registering Bids for the Issue. This facility will be available with the Syndicate and their authorised agents and the SCSBs during the Bid/Issue Period. The Syndicate Members and the Designated Branches of the SCSBs can also set up facilities for off-line electronic registration of Bids subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Book Building on a regular basis. On the Bid/ Issue Closing Date, the members of the Syndicate and the Designated Branches of the SCSBs shall upload the Bids till such time as may be permitted by the Stock Exchanges. This information will be available with the BRLMs on a regular basis.

(d) Based on the aggregate demand and price for Bids registered on the electronic facilities of the NSE and the BSE, a graphical representation of consolidated demand and price as available on the websites of the Stock Exchanges would be made available at the bidding centres during the Bid/Issue Period.

(e) At the time of registering each Bid other than ASBA Bids, the members of the Syndicate shall enter the following details of the Bidder in the on-line system:

- Name of the Bidder: 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 the names are in the same sequence in which they appear in the Bid cum Application Form.
- Bid cum Application Form number
- Investor Category – Individual, Corporate, FII, NRI, Mutual Fund, etc.
- Numbers of Equity Shares bid for
- PAN
- DP ID
- Number of the beneficiary account of the Bidder
- Price option
- Bid amount
- Cheque details

With respect to ASBA Bids, at the time of registering each Bid, the Designated Branches of the SCSBs shall enter the following information pertaining to the Bidder into the electronic bidding system:

- Name of the Bidder(s).
- Application Number.
- PAN (of first Bidder, if more than one Bidder)
- Investor category and sub-category

Retail	Non- Institutional	QIB
(No sub-category)	• Individual • Corporate • Other	• Mutual Funds • Financial Institutions • Insurance companies • Foreign Institutional Investors other than corporate and individual sub-accounts • Others

- DP ID
- Beneficiary account number or client ID
- Number of Equity Shares Bid for
- Price
- Bank account number
- Cheque amount
- Cheque number

(f) A system generated TRS will be given to the Bidder as a proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the members of the Syndicate or the Designated Branches of the SCSBs. The registration of the Bid by the member of the Syndicate or the Designated Branches does not guarantee that the Equity Shares shall be allocated/Alloted either by the members of the Syndicate or our Company.

(g) Such TRS will be non-negotiable and by itself will not create any obligation of any kind.

(h) In case of QIB Bidders, members of the Syndicate have the right to accept the Bid or reject it. However, such rejection shall be made at the time of receiving the bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids will be rejected on technical grounds. The members of the Syndicate may also reject Bids if all the information required is not provided and the Bid cum Application Form is incomplete in any respect. The SCSBs shall have no right to reject Bids, except on technical grounds.

(i) 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 our Company and/or the BRLMs 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 any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, our Promoters, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.

(j) Only Bids that are uploaded on the online IPO system of the NSE and the BSE shall be considered for allocation/ Allotment. Members of the Syndicate will be given up to one day after the Bid/Issue Closing Date to verify the DP ID and Client ID uploaded in the online IPO system during the Bid/Issue Period, after which the Registrar to the Issue shall proceed with the Allotment of Equity Shares.

(k) Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of electronic facilities of the NSE and the BSE. However, Anchor Investors who use the ASBA facility will have to submit the ASBA Bid cum Application Form to the BRLMs along with a confirmation from the SCSBs that the Bid Amount has been blocked in their respective bank accounts in terms of the ASBA process. In the event such Bid Amount has not been blocked, the Anchor Investor's Bid shall be rejected.

Build up of the book and revision of Bids

(a) Bids received from various Bidders through the members of the Syndicate and the SCSBs shall be electronically uploaded to the Stock Exchanges' mainframe on a regular basis.

(b) The book gets built up at various price levels. This information will be available with the BRLMs on a regular basis at the end of the Bid/Issue Period.

(c) During the Bid/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid cum Application Form.

(d) Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart from mentioning the revised options in the Revision Form, the Bidder must also mention the details of all the options in his or her Bid cum Application Form or earlier Revision Form. For example, if a Bidder has Bid for three options in the Bid cum Application Form and such Bidder is changing only one of the options in the Revision Form, he must still fill the details of the other two options that are not being revised, in the Revision Form. The members of the Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.

(e) The Bidder can make this revision any number of times during the Bid/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same member of the Syndicate or the SCSB through whom such Bidder had placed the original Bid. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only in such Revision Form or copies thereof.

(f) In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at Cut-off Price could either (i) revise their Bid or (ii) shall make additional payment based on the cap of the revised Price Band (such that the total amount i.e., original Bid Amount plus additional payment does not exceed Rs. 1,00,000 if the Bidder wants to continue to Bid at Cut-off Price), with the members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds Rs. 1,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band prior to revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of allocation, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at Cut-off Price.

(g) In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders, who have bid at Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

(h) Our Company, in consultation with the BRLMs, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of Rs. 5,000 to Rs. 7,000.

(i) Any revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. With respect to the ASBA Bids, if revision of the Bids results in an incremental amount, the relevant SCSB shall block the additional Bid Amount. In case of Bids other than ASBA Bids, the members of the Syndicate shall collect the payment in the form of cheque or demand draft if any, to be paid on account of the upward revision of the Bid at the time of one or more revisions. In such cases, the members of the Syndicate will revise the earlier Bid details with the revised Bid and provide the cheque or demand draft number of the new payment instrument in the electronic book. The Registrar will reconcile the Bid data and consider the revised Bid data for preparing the Basis of Allotment.

(j) When a Bidder revises his or her Bid, he or she shall surrender the earlier TRS and may get a revised TRS from the members of the Syndicate or the SCSB, as applicable. It is the responsibility of the Bidder to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Price Discovery and Allocation

(a) Based on the demand generated at various price levels, our Company in consultation with the Selling Shareholders and the BRLMs shall finalise the Issue Price.

(b) Under-subscription, if any, in any category, would be allowed to be met with spill over from any other category or combination of categories at the discretion of our Company and the Selling Shareholders in consultation with the BRLMs and the Desginated Stock Exchange.

(c) Allocation to non-residents, including Eligible NRIs and FIIs registered with SEBI applying on repatriation basis will be subject to applicable law, rules, regulations, guidelines and approvals.

(d) Our Company and the Selling Shareholders, in consultation with the BRLMs, reserves the right to reject any Bid procured from QIB Bidders, by any or all members of the Syndicate. Rejection of Bids made by QIBs, if any, will be made at the time of submission of Bids provided that the reasons for rejecting the same shall be provided to such Bidder in writing.

(e) The BRLMs, in consultation with our Company and the Selling Shareholders, 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.

(f) Allocation to Anchor Investors shall be at the discretion of our Company in consultation with the BRLMs, subject to compliance with the SEBI Regulations.

(g) QIB Bidders shall not be allowed to withdraw their Bid after the Bid/Issue Closing Date. Further, the Anchor Investors shall not be allowed to withdraw their Bids after the Anchor Investor Bid/Issue Period.

(h) The Basis of Allotment shall be put up on the website of the Registrar to the Issue.

Signing of Underwriting Agreement and RoC Filing

(a) Our Company, the Selling Shareholders, the BRLMs and the Syndicate Members shall enter into an Underwriting Agreement on or immediately after the finalisation of the Issue Price.

(b) After signing the Underwriting Agreement, we will update and file the updated Red Herring Prospectus with the RoC in accordance with the applicable law, which then would be termed 'Prospectus'. The Prospectus will contain details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Pre-Issue Advertisement

Subject to section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with the RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI Regulations, in one English language national daily newspaper, one Hindi language national daily newspaper and one Tamil language daily newspaper, each with wide circulation.

Advertisement regarding Issue Price and Prospectus

Our Company will issue a statutory advertisement after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that has to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the date of Prospectus will be included in such statutory advertisement.

Issuance of Confirmation of Allotment Note ("CAN")

(a) Upon approval of the Basis of Allotment by the Designated Stock Exchange, the Registrar to the Issue shall send to the members of the Syndicate a list of their Bidders who have been Allotted Equity Shares in the Issue.

(b) The Registrar will then dispatch a CAN to the Bidders who have been Allotted Equity Shares in the Issue. The dispatch of a CAN shall be deemed a valid, binding and irrevocable contract for the Bidder.

(c) The Issuance of CAN is subject to "Notice to Anchor Investors - Allotment Reconciliation and Revised CANs" as set forth under the section "Issue Procedure" on page 331.

Notice to Anchor Investors: Allotment Reconciliation and CANs

A physical book will be prepared by the Registrar on the basis of the Bid cum Application Forms received from Anchor Investors. Based on the physical book and at the discretion of our Company and the BRLMs, select Anchor Investors may be sent an Anchor Investor Allocation Notice and/or a revised Anchor Investor Allocation Notice, as the case may be. All Anchor Investors will be sent an Anchor Investor Allocation Notice post the Anchor Investor Bid/Issue Period and in the event that the Issue Price is higher than the Anchor Investor Issue Price, the Anchor Investors will be sent a revised Anchor Investor Allocation Notice within one day of the Pricing Date indicating the number of Equity Shares allocated to such Anchor Investor and the pay-in date for payment of the balance amount. Anchor Investors should note that they shall be required to pay any additional amounts, being the difference between the Issue Price and the Anchor Investor Issue Price, as indicated in the revised Anchor Investor Allocation Notice within the pay-in date referred to in the revised Anchor Investor Allocation Notice. The revised Anchor Investor Allocation Notice will constitute a valid, binding and irrevocable contract (subject to the issue of CAN) for the Anchor Investor to pay the difference between the Issue Price and the Anchor Investor Issue Price and accordingly the CAN will be issued to such Anchor Investors. In the event the Issue Price is lower than the Anchor Investor Issue Price, the Anchor Investors who have been Allotted Equity Shares will directly receive CAN. The dispatch of CAN shall be deemed a valid, binding and irrevocable contract for the Allotment of Equity Shares to such Anchor Investors.

The final allocation is subject to the physical application being valid in all respects along with receipt of stipulated documents, the Issue Price being finalised at a price not higher than the Anchor Investor Issue Price and Allotment by the Board of Directors.

Designated Date and Allotment of Equity Shares

(a) Our Company will ensure that the (i) the Allotment of Equity Shares; and (ii) the credit to the successful Bidder's depository account will be completed within 12 Working Days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Account to the Public Issue Account on the Designated Date, our Company will ensure the transfer to the successful Bidder's depositary account is completed within two Working Days from the date of Allotment.

(b) In accordance with the SEBI Regulations, Equity Shares will be issued and Allotment shall be made only in the dematerialised form to the Allottees.

(c) Allottees will have the option to re-materialise the Equity Shares so Allotted as per the provisions of the Companies Act and the Depositories Act.

Investors are advised to instruct their Depository Participant to accept the Equity Shares that may be allocated/ Allotted to them pursuant to this Issue.

GENERAL INSTRUCTIONS

Do's:

(a) Check if you are eligible to apply;

(b) Ensure that you have Bid within the Price Band;

(c) Read all the instructions carefully and complete the Bid cum Application Form;

(d) Ensure that the details about Depository Participant and beneficiary account are correct as Allotment of Equity Shares will be in the dematerialised form only;

(e) Ensure that the Bids are submitted at the bidding centres only on forms bearing the stamp of a member of the Syndicate or with respect to ASBA Bidders ensure that your Bid is submitted at a Designated Branch of the SCSB where the ASBA Bidder or the person whose bank account will be utilised by the ASBA Bidder for Bidding has a bank account;

(f) With respect to ASBA Bids ensure that the ASBA Bid cum Application Form is signed by the account holder in case the applicant is not the account holder. Ensure that you have mentioned the correct bank account number in the ASBA Bid cum Application Form;

(g) Ensure that you request for and receive given a TRS for all your Bid options;

(h) Ensure that full Bid Amount is paid for the Bids submitted to the members of the Syndicate and funds equivalent to Bid Amount are blocked in case of Bids submitted through SCSBs;

(i) Ensure that you have funds equal to the Bid Amount in your bank account maintained with the SCSB before submitting the ASBA Bid cum Application Form to the respective Designated Branch of the SCSB;

(j) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;

(k) Submit revised Bids to the same member of the Syndicate through whom the original Bid was placed and obtain a revised TRS;

(l) Except for Bids submitted on behalf of the Central Government or the State Government and officials appointed by a court and Sikkim residents, all Bidders should mention their PAN allotted under the I.T. Act;

(m) Ensure that the Demographic Details (as defined herein below) are updated, true and correct in all respects;

(n) Ensure that the name(s) given in the Bid cum Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Bid cum Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid cum Application Form.

Don'ts:

(a) Do not Bid for lower than the minimum Bid size;

(b) Do not Bid/ revise Bid Amount to less than the 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 or the SCSBs only;

(d) Do not pay the Bid Amount in cash, by money order or by postal order or by stockinvest;

(e) Do not send Bid cum Application Forms by post; instead submit the same to a member of the Syndicate or the SCSBs, as applicable;

(f) Do not bid at Cut-off Price (for QIB Bidders and Non-Institutional Bidders);

(g) Do not Bid for a Bid Amount exceeding Rs. 100,000 (for Bids by Retail Individual Bidders);

(h) Do not fill up the Bid cum Application Form such that the Equity Shares bid for exceeds the Issue Size and/ or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;

(i) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground; and

(j) Do not submit the Bid without the full Bid Amount.

INSTRUCTIONS FOR COMPLETING THE BID CUM APPLICATION FORM

Bids must be:

(a) Made only in the prescribed Bid cum Application Form or Revision Form, as applicable.

(b) Completed in full, in BLOCK LETTERS in ENGLISH and in accordance with the instructions contained herein, in the Bid cum Application Form or in the Revision Form. Incomplete Bid cum Application Forms or Revision Forms are liable to be rejected. Bidders should note that the members of the Syndicate and / or the SCSBs, as appropriate, will not be liable for errors in data entry due to incomplete or illegible Bid cum Application Forms or Revision Forms.

(c) Information provided by the Bidders will be uploaded in the online IPO system by the members of the Syndicate and the SCSBs, as the case may be, and the electronic data will be used to make allocation/ Allotment. Please ensure that the details are correct and legible.

(d) For Retail Individual Bidders, the Bid must be for a minimum of [•] Equity Shares and in multiples of [•] thereafter subject to a maximum Bid Amount of Rs. 100,000.

(e) For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares in multiples of [•] that the Bid Amount exceeds or equal to Rs. 100,000. Bids cannot be made for more than the Issue. Bidders are advised to ensure that a single Bid from them should not exceed the investment limits or maximum number of Equity Shares that can be held by them under the applicable laws or regulations.

(f) For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to Rs. 1,000 lakhs and in multiples of [•] Equity Shares thereafter.

(g) In single name or in joint names (not more than three, and in the same order as their Depository Participant details).

(h) Thumb impressions and signatures other than in the languages specified in the Eighth Schedule to the Constitution of India must be attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

Bidder's Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the first/sole Bidder, Depository Participant's name, DP ID

and Beneficiary Account Number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain from the Depository the demographic details including address, Bidders' bank account details, MICR code and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds allocation advice (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) to the Bidders or unblocking of ASBA Account. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch/ credit of refunds to Bidders or unblocking of the ASBA Account at the Bidders' sole risk and neither the BRLMs or the Registrar to the Issue or the Escrow Collection Banks or the SCSBs nor our Company shall have any responsibility and undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details in the Bid cum Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO GET THEIR EQUITY SHARES IN DEMATERIALISED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID CUM APPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN IN THE BID CUM APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IN CASE THE BID CUM APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID CUM APPLICATION FORM.

These Demographic Details would be used for all correspondence with the Bidders including mailing of the CANs/allocation advice and printing of bank particulars on the refund orders or for refunds through electronic transfer of funds, as applicable. The Demographic Details given by Bidders in the Bid cum Application Form would not be used for any other purpose by the Registrar to the Issue.

By signing the Bid cum Application Form, the Bidder would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

Refund orders/CANs would be mailed at the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/ CANs may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder (other than an ASBA Bidder) in the Bid cum Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at such Bidders' sole risk and neither our Company, Selling Shareholders, the Escrow Collection Banks, the BRLMs nor the Registrar shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

In case no corresponding record is available with the Depositories, which matches the three parameters, namely, PAN of the first/sole Bidder, the DP ID and the beneficiary's identity, then such Bids are liable to be rejected.

Bids by Non Residents including Eligible NRIs, FIIs and Foreign Venture Capital Funds registered with SEBI on a repatriation basis

Bids and revision to Bids must be made in the following manner:

1. On the Bid cum Application Form or the Revision Form, as applicable (blue in colour), and completed in full in BLOCK LETTERS in ENGLISH in accordance with the instructions contained therein.

2. In a single name or joint names (not more than three and in the same order as their Depositary Participant Details).

3. Bids on a repatriation basis shall be in the names of individuals, or in the name of FIIs but not in the names of minors, OCBs, firms or partnerships, foreign nationals (excluding NRIs) or their nominees.

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 for a Bid Amount of more than Rs. 100,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Refunds, dividends and other distributions, if any, will be payable in Indian Rupees only and net of bank charges and / or commission. In case of Bidders who remit money through Indian Rupee drafts purchased abroad, such payments in Indian Rupees will be converted into US Dollars or any other freely convertible currency as may be permitted by the RBI at the rate of exchange prevailing at the time of remittance and will be dispatched by registered post or if the Bidders so desire, will be credited to their NRE accounts, details of which should be furnished in the space provided for this purpose in the Bid cum Application Form. Our Company and the Selling Shareholders will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

As per the existing policy of the Government of India, OCBs are not permitted to participate in the Issue.

There is no reservation for Eligible NRIs and FIIs and all Bidders will be treated on the same basis with other categories for the purpose of allocation.

Bids under Power of Attorney

In case of Bids (including ASBA Bids) made pursuant to a power of attorney or by limited companies, corporate bodies, registered societies, FIIs, Mutual Funds, insurance companies and provident funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2,500 lakhs a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be lodged along with the Bid cum Application Form. Failing this, our Company reserves the right to accept or reject any Bid in whole or in part, in either case, without assigning any reason therefor.

In addition to the above, certain additional documents are required to be submitted by the following entities:

(a) With respect to Bids by FIIs and Mutual Funds, a certified copy of their SEBI registration certificate must be lodged along with the Bid cum Application Form.

(b) With respect to Bids by insurance companies registered with the Insurance Regulatory and Development Authority, in addition to the above, a certified copy of the certificate of registration issued by the Insurance Regulatory and Development Authority must be lodged along with the Bid cum Application Form.

(c) With respect to Bids made by provident funds with minimum corpus of Rs. 2,500 lakhs (subject to applicable law) and pension funds with a minimum corpus of Rs. 2,500 lakhs, 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.

Our 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 our Company and the BRLMs may deem fit.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

Our Company, the Selling Shareholders and the Syndicate shall open Escrow Accounts with one or more Escrow Collection Bank(s) in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and/or revision of the Bid. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account.

The Escrow Collection Banks will act in terms of the Red Herring Prospectus and the Escrow Agreement. The

Escrow Collection Banks for and on behalf of the Bidders shall maintain the monies in the Escrow Account until the Designated Date. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Banks shall transfer the funds represented by allocation of Equity Shares (other than ASBA funds with the SCSBs) from the Escrow Account, as per the terms of the Escrow Agreement, into the Public Issue Account with the Bankers to the Issue. The balance amount after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund to the Bidders shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Red Herring Prospectus.

The Bidders should note that the escrow mechanism is not prescribed by SEBI and has been established as an arrangement between our Company, the Selling Shareholders, the Syndicate, the Escrow Collection Banks and the Registrar to the Issue to facilitate collections from the Bidders.

Payment mechanism for ASBA Bidders

The ASBA Bidders shall specify the bank account number in the ASBA Bid cum Application Form and the SCSB shall block an amount equivalent to the Bid Amount in the bank account specified in the ASBA Bid cum Application Form. The SCSB shall keep the Bid Amount in the relevant bank account blocked until withdrawal/ rejection of the ASBA Bid or receipt of instructions from the Registrar to unblock the Bid Amount. In the event of withdrawal or rejection of the ASBA Bid cum Application Form or for unsuccessful ASBA Bid cum Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant bank account within one day of receipt of such instruction. The Bid Amount shall remain blocked in the ASBA Account until finalisation of the Basis of Allotment in the Issue and consequent transfer of the Bid Amount to the Public Issue Account, or until withdrawal/ failure of the Issue or until rejection of the ASBA Bid, as the case may be.

Payment into Escrow Account for Bidders other than ASBA Bidders

Each Bidder shall draw a cheque or demand draft or remit the funds electronically through the RTGS mechanism for the amount payable on the Bid as per the following terms:

1. All Bidders would be required to pay the full Bid Amount at the time of the submission of the Bid cum Application Form.

2. Bidders shall, with the submission of the Bid cum Application Form, draw a payment instrument for the Bid Amount in favour of the Escrow Account and submit the same to the members of the Syndicate. If the payment is not made favouring the Escrow Account along with the Bid cum Application Form, the Bid of the Bidder shall be rejected.

3. The payment instruments for payment into the Escrow Account should be drawn in favour of:

    (a) In case of Resident QIB Bidders: "Escrow Account – VA Tech Public Issue – QIB – R"

    (b) In case of Non Resident QIB Bidders: "Escrow Account – VA Tech Public Issue – QIB – NR"

    (c) In case of Resident Retail and Non-Institutional Bidders: "Escrow Account – VA Tech Public Issue – R"

    (d) In case of Non-Resident Retail and Non-Institutional Bidders: "Escrow Account – VA Tech Public Issue – NR"

4. Anchor Investors would be required to pay the Bid Amount at the time of submission of the Bid cum Application Form. In the event of the Issue Price being higher than the price at which allocation is made to Anchor Investors, the Anchor Investors shall be required to pay such additional amount to the extent of shortfall between the price at which allocation is made to them and the Issue Price as per the pay-in date mentioned in the revised Anchor Investor Allocation Notice. If the Issue Price is lower than the price at which allocation is made to Anchor Investors, the amount in excess of the Issue Price paid by Anchor

Investors shall not be refunded to them.

5. For Anchor Investors, the payment instruments for payment into the Escrow Account should be drawn in favour of:

   (a) In case of resident Anchor Investors: "Escrow Account – VA Tech Public Issue – Anchor Investor – R"

   (b) In case of non-resident Anchor Investors: "Escrow Account – VA Tech Public Issue – Anchor Investor – NR"

6. In case of Bids by NRIs applying on repatriation basis, payments may be made out of an NRO Account of a Non-Resident Bidder.

7. In case of Bids by NRIs applying on non-repatriation basis, the payments must be made through Indian Rupee Drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in Non-Resident External (NRE) Accounts or Foreign Currency Non-Resident (FCNR) Accounts, maintained with banks authorised to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of a Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or FCNR or NRO Account.

8. In case of Bids by FIIs, the payment should be made out of funds held in a Special Rupee Account along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting the Special Rupee Account.

9. The monies deposited in the Escrow Account will be held for the benefit of the Bidders (other than ASBA Bidders) till the Designated Date.

10. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Account as per the terms of the Escrow Agreement into the Public Issue Account with the Bankers to the Issue.

11. On the Designated Date and no later than 10 Workign Days from the Bid/Issue Closing Date, the Escrow Collection Bank shall also refund all amounts payable to unsuccessful Bidders (other than ASBA Bidders) and also the excess amount paid on Bidding, if any, after adjusting for allocation/Allotment to such Bidders.

12. Payments should be made by cheque, or demand draft drawn on any Bank (including a Co-operative Bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid cum Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/ Stockinvest/Money Orders/ Postal orders will not be accepted.

Submission of Bid cum Application Form

All Bid cum Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the members of the Syndicate at the time of submission of the Bid. With respect to ASBA Bidders, the ASBA Bid cum Application Form or the ASBA Revision Form shall be submitted to the Designated Branches of the ASBA Bidders.

No separate receipts shall be issued for the money payable on the submission of Bid cum Application Form or Revision Form. However, the collection centre of the members of the Syndicate will acknowledge the receipt of the Bid cum Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid cum Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in the case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all payments will be made out in favour of the first Bidder in the Bid cum Application Form or Revision Form. All communications will be addressed to the First Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one) for the total number of Equity Shares required. Two or more Bids will be deemed to be multiple Bids if the sole or First Bidder is one and the same.

In case of a Mutual Fund, a separate Bid can be made in respect of each scheme of the Mutual Fund registered with SEBI and such Bids in respect of more than one scheme of the Mutual Fund will not be treated as multiple Bids provided that the Bids clearly indicate the scheme concerned for which the Bid has been made. Bids by QIBs under the Anchor Investor Portion and QIB Portion (excluding Anchor Investor Portion) will not be considered as multiple Bids.

Our Company reserves the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures which would be followed by the Registrar to the Issue to detect multiple Bids are given below:

1. All Bids will be checked for a common PAN and will be accumulated and taken to a separate process file which would serve as a multiple master.

2. In this master, a check will be carried out for the same PAN. In cases where the PAN is different, the same will be deleted from this master.

3. The Registrar to the Issue will obtain, from the depositories, details of the applicant's address based on the DP ID and Beneficiary Account Number provided in the Bid data and create an address master.

4. The addresses of all the applications in the multiple master will be strung from the address master. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print-out of the addresses will be taken to check for common names. The Bids with the same name and same address will be treated as multiple Bids.

5. The Bids will be scrutinised for DP ID and Beneficiary Account Numbers. In case applications bear the same DP ID and Beneficiary Account Numbers, these will be treated as multiple applications.

Permanent Account Number or PAN

Except for Bids on behalf of the Central or State Government, the officials appointed by the courts and Sikkim Residents, the Bidders, or in the case of a Bid in joint names, each of the Bidders, should mention his/ her PAN allotted under the I.T. Act. In accordance with the SEBI Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. **Any Bid cum Application Form without the PAN is liable to be rejected. It is to be specifically noted that Bidders should not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground**.

REJECTION OF BIDS

In case of QIB Bidders, our Company and the Selling Shareholders in consultation with the BRLMs may reject Bids provided that the reasons for rejecting the same shall be provided to such Bidders in writing. In case of Non-

Institutional Bidders and Retail Individual Bidders, our Company has a right to reject Bids based on technical grounds. Consequent refunds shall be made by cheque or pay order or draft and will be sent to the Bidder's address at the Bidder's risk. With respect to ASBA Bids, the Designated Branches of the SCSBs shall have the right to reject ASBA Bids if at the time of blocking the Bid Amount in the Bidder's bank account, the respective Designated Branch of the SCSB ascertains that sufficient funds are not available in the Bidder's bank account maintained with the SCSB. Subsequent to the acceptance of the ASBA Bid by the SCSB, our Company would have a right to reject the ASBA Bids only on technical grounds.

Grounds for Technical Rejections

Bidders are advised to note that Bids are liable to be rejected *inter alia* on the following technical grounds:

- Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to ASBA Bids, the amounts mentioned in the ASBA Bid cum Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
- In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply;
- Bid by persons not competent to contract under the Indian Contract Act, 1872 including minors, insane persons;
- PAN not mentioned in the Bid cum Application Form;
- GIR number furnished instead of PAN;
- Bids for lower number of Equity Shares than specified for that category of investors;
- Bids at a price less than the Floor Price;
- Bids at a price more than the Cap Price;
- Signature of sole and/or joint holders missing;
- Submission of more than five ASBA Bid cum Application Forms per bank account;
- Submission of Bids by Anchor Investors through ASBA process;
- Bids at Cut-off Price by Non-Institutional and QIB Bidders.
- Bids for number of Equity Shares which are not in multiples of [•];
- Category not ticked;
- Multiple Bids as defined in this Red Herring Prospectus;
- In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;
- Bids accompanied by Stockinvest/money order/postal order/cash;
- Bid cum Application Forms does not have the stamp of the BRLMs or Syndicate Members or the SCSBs;
- Bid cum Application Form does not have the Bidder's depository account details;

- Bid cum Application Forms are not delivered by the Bidders within the time prescribed as per the Bid cum Application Forms, Bid/Issue Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;

- In case no corresponding record is available with the Depositories that matches three parameters namely, PAN of the Bidders, the Depositary Participant's identity (DP ID) and the beneficiary's account number;

- With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the ASBA Bid cum Application Form at the time of blocking such Bid Amount in the bank account;

- Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;

- Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;

- Bids by QIBs not submitted through the BRLMs or in case of ASBA Bids for QIBs (other than Anchor Investors) not intimated to the BRLMs;

- Bids by persons in the United States;

- Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;

- Bids not uploaded on the terminals of the Stock Exchanges

- Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.

Bidders should note that in case the PAN, the DP ID and Client ID mentioned in the Bid cum Application form and entered into the electronic bidding system of the Stock Exchanges by the Syndicate Members do not match with PAN, the DP ID and Client ID available in the depository database, the Bid cum Application Form is liable to be rejected.

EQUITY SHARES IN DEMATERIALISED FORM WITH NSDL OR CDSL

As per the provisions of section 68B of the Companies Act, the Allotment of Equity Shares in this Issue shall be only in a de-materialised form, (i.e., not in the form of physical certificates but be fungible and be represented by the statement issued through the electronic mode).

In this context, two agreements have been signed among our Company, the respective Depositories and the registrar to our Company:

- Agreement dated April 27, 2005, between NSDL, our Company and Integrated Enterprises (India) Limited;

- Agreement dated November 10, 2009, between CDSL, our Company and Integrated Enterprises (India) Limited.

All Bidders can seek Allotment only in dematerialised mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

(a) A Bidder applying for Equity Shares must have at least one beneficiary account with either of the Depository Participants of either NSDL or CDSL prior to making the Bid.

(b) The Bidder must necessarily fill in the details (including the PAN, the Beneficiary Account Number and Depository Participant's identification number) appearing in the Bid cum Application Form or Revision Form.

(c) Allotment to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.

(d) Names in the Bid cum Application Form or Revision Form should be identical to those appearing in the account details in the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details in the Depository.

(e) If incomplete or incorrect details are given under the heading 'Bidders Depository Account Details' in the Bid cum Application Form or Revision Form, it is liable to be rejected.

(f) The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid cum Application Form vis-à-vis those with his or her Depository Participant.

(g) Equity Shares in electronic form can be traded only on the stock exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have electronic connectivity with CDSL and NSDL.

(h) The trading of the Equity Shares of our Company would be in dematerialised form only for all Bidders in the demat segment of the respective Stock Exchanges.

Communications

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, Bid cum Application Form number, the Bidders' Depository Account Details, number of Equity Shares applied for, date of the Bid cum Application Form, name and address of the member of the Syndicate or the Designated Branch of the SCSBs where the Bid was submitted and cheque or draft number and issuing bank thereof or with respect to ASBA Bids, bank account number in which the amount equivalent to the Bid Amount was blocked.

Bidders can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of Allotment, credit of Allotted shares in the respective beneficiary accounts, refund orders etc. In case of ASBA Bids submitted to the Designated Branches of the SCSBs, Bidders can contact the Designated Branches of the SCSBs.

PAYMENT OF REFUND

Bidders other than ASBA Bidders must note that on the basis of the names of the Bidders, Depository Participant's name, DP ID, Beneficiary Account number provided by them in the Bid cum Application Form, the Registrar to the Issue will obtain, from the Depositories, the Bidders' bank account details, including the nine digit Magnetic Ink Character Recognition ("MICR") code as appearing on a cheque leaf. Hence Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in despatch of refund order or refunds through electronic transfer of funds, as applicable, and any such delay shall be at the Bidders' sole risk and neither our Company, the Selling Shareholders, the Registrar to the Issue, Escrow Collection Bank(s), Bankers to the Issue nor the BRLMs shall be liable to compensate the Bidders for any losses caused to the Bidder due to any such delay or liable to pay any interest for such delay.

Mode of making refunds for Bidders other than ASBA Bidders

The payment of refund, if any, for Bidders other than ASBA Bidders would be done through various modes in the following order of preference:

1. NECS – Payment of refund would be done through NECS for applicants having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as appearing on a cheque leaf, from

the Depositories. The payment of refunds is mandatory for applicants having a bank account at any of the abovementioned centres, except where the applicant, being eligible, opts to receive refund through direct credit or RTGS.

2. Direct Credit – Applicants having bank accounts with the Refund Bank (s), as mentioned in the Bid-cum-Application Form, shall be eligible to receive refunds through direct credit. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company.

3. RTGS – Applicants having a bank account at any of the abovementioned centres and whose refund amount exceeds Rs. 50 lakhs, have the option to receive refund through RTGS. Such eligible applicants who indicate their preference to receive refund through RTGS are required to provide the IFSC code in the Bid cum Application Form. In the event the same is not provided, refund shall be made through NECS. Demographic details downloaded from the Depositories contain the nine digit MICR code of the Bidder's bank which can be mapped with the RBI data to obtain the corresponding IFSC code. Charges, if any, levied by the Refund Bank(s) for the same would be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit would be borne by the applicant.

4. NEFT – Payment of refund shall be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a Magnetic Ink Character Recognition (MICR), if any, available to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method. The process flow in respect of refunds by way of NEFT is at an evolving stage and hence use of NEFT is subject to operational feasibility, cost and process efficiency. The process flow in respect of refunds by way of NEFT is at an evolving stage, hence use of NEFT is subject to operational feasibility, cost and process efficiency. In the event that NEFT is not operationally feasible, the payment of refunds would be made through any one of the other modes as discussed in the sections.

5. For all other applicants, including those who have not updated their bank particulars with the MICR code, the refund orders will be despatched under certificate of posting for value upto Rs. 1,500 and through Speed Post/ Registered Post for refund orders of Rs. 1,500 and above. Such refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

Mode of making refunds for ASBA Bidders

In case of ASBA Bidders, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST IN CASE OF DELAY

With respect to Bidders other than ASBA Bidders, our Company and the Selling Shareholders shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within two Working Days of date of Allotment of Equity Shares.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within 12 Working Days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within 12 Working Days of Bid/Issue Closing Date, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund.

Our Company and the Selling Shareholders shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed, are taken within 12 Working Days of the Bid/Issue Closing Date.

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI Regulations, our Company further undertakes that:

- Allotment of Equity Shares shall be made only in dematerialised form within 12 Working Days of the Bid/Issue Closing Date;

- With respect to Bidders other than ASBA Bidders, dispatch of refund orders or in a case where the refund or portion thereof is made in electronic manner, the refund instructions are given to the clearing system within 12 Working Days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unblocking of the ASBA Bidder's Bank Account shall be made within 12 Working Days from the Bid/Issue Closing Date; and

Our Company and the Selling Shareholders shall pay interest at 15% per annum for any delay beyond 15 days from the Bid/Issue Closing Date as mentioned above, if Allotment is not made and refund orders not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within the 12 Working Days prescribed above. If such money is not repaid within eight days from the day our Company and the Selling Shareholders become liable to repay, our Company and the Selling Shareholders and every director of our Company or the Selling Shareholders who is an officer in default shall, on and from expiry of eight days, be jointly and severally liable to repay the money with interest as prescribed under the applicable law.

IMPERSONATION

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of section 68 A of the Companies Act, which is reproduced below:

"*Any person who:*

(a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or

(b) otherwise induces a company to allot, or register any transfer of shares, therein to him, or any other person in a fictitious name,

***shall be punishable with imprisonment for a term which may extend to five years.*"**

BASIS OF ALLOTMENT

A. For Retail Individual Bidders

- Bids received from the Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all the successful Retail Individual Bidders will be made at the Issue Price.

- The Issue size less Allotment to Non-Institutional and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to the Retail Individual Bidders to the extent of their valid Bids.

- If the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, the Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this category. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.

- The Issue size less Allotment to QIBs and Retail Portion shall be available for Allotment to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- If the aggregate demand in this category is less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their demand.

- In case the aggregate demand in this category is greater than [●] Equity Shares at or above the Issue Price, Allotment shall be made on a proportionate basis up to a minimum of [●] Equity Shares. For the method of proportionate Basis of Allotment refer below.

C. For QIBs (other than Anchor Investors)

- Bids received from the QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all the successful QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for Allotment to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.

- Allotment shall be undertaken in the following manner:

  (a) In the first instance allocation to Mutual Funds for up to 5% of the QIB Portion (excluding Anchor Investor Portion) shall be determined as follows:

    (i) In the event that Mutual Fund Bids exceeds 5% of the QIB Portion (excluding Anchor Investor Portion), allocation to Mutual Funds shall be done on a proportionate basis for up to 5% of the QIB Portion (excluding Anchor Investor Portion).

    (ii) In the event that the aggregate demand from Mutual Funds is less than 5% of the QIB Portion (excluding Anchor Investor 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 for Allotment to all QIB Bidders as set out in (b) below;

  (b) In the second instance Allotment to all QIBs shall be determined as follows:

    (i) In the event that the oversubscription in the QIB Portion, all QIB Bidders (excluding Anchor Investors) who have submitted Bids above the Issue Price shall be allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.

(ii) Mutual Funds, who have received allocation as per (a) above, for less than the number of Equity Shares Bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders (excluding Anchor Investors).

(iii) Under-subscription below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, from Mutual Funds, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

- The aggregate Allotment to QIB Bidders shall not be less than [●] Equity Shares

D. For Anchor Investor Portion

- Allocation of Equity Shares to Anchor Investors at the Anchor Investor Issue Price will be at the discretion of our Company, in consultation with the Selling Shareholders and the BRLMs, subject to compliance with the following requirements:
  - not more than 30% of the QIB Portion will be allocated to Anchor Investors;
  - one-third of the Anchor Investor Portion shall be reserved for domestic Mutual Funds, subject to valid Bids being received from domestic Mutual Funds at or above the price at which allocation is being done to other Anchor Investors;
  - allocation to Anchor Investors shall be on a discretionary basis and subject to a minimum number of two Anchor Investors for allocation upto Rs. 25,000 lakhs and minimum number of five Anchor Investors for allocation more than Rs. 25,000 lakhs.
- The number of Equity Shares Allotted to Anchor Investors and the Anchor Investor Issue Price, shall be made available in the public domain by the BRLMs before the Bid/ Issue Opening Date by intimating the same to the Stock Exchanges.

Method of Proportionate Basis of Allotment in the Issue

Except in relation to Anchor Investors, in the event of the Issue being over-subscribed, our Company and the Selling Shareholders shall finalise the Basis of Allotment in consultation with the Designated Stock Exchange. The executive director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLMs and the Registrar to the Issue shall be responsible for ensuring that the Basis of Allotment is finalised in a fair and proper manner.

The Allotment shall be made in marketable lots, on a proportionate basis as explained below:

a) Bidders will be categorised according to the number of Equity Shares applied for.

b) The total number of Equity Shares to be Allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the over-subscription ratio.

c) Number of Equity Shares to be Allotted to the successful Bidders will be arrived at on a proportionate basis, which is total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the over-subscription ratio.

d) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:

- The successful Bidders out of the total Bidders for a category shall be determined by draw of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (b) above; and

- Each successful Bidder shall be Allotted a minimum of [•] Equity Shares.

e) If the proportionate Allotment to a Bidder is a number that is more than [•] but is not a multiple of one (which is the marketable lot), the decimal would be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5 it would be rounded off to the lower whole number. Allotment to all in such categories would be arrived at after such rounding off.

f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that category, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Allotted Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for minimum number of Equity Shares.

g) Subject to valid Bids being received, allocation of Equity Shares to Anchor Investors shall be at the sole discretion of our Company, in consultation with the BRLMs.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

A. Issue Details

Sr. No.	Particulars	Issue details
1.	Issue size	2,000 lakhs equity shares
2.	Allocation to QIB (50%)	1,000 lakhs equity shares
3.	Anchor Investor Portion	300 lakhs equity shares
4.	Portion available to QIBs other than Anchor Investors [(2) minus (3)]	700 lakhs equity shares
	Of which:	
	a. Allocation to MF (5%)	35 lakhs equity shares
	b. Balance for all QIBs including MFs	665 lakhs equity shares
5.	No. of QIB applicants	10
6.	No. of shares applied for	5,000 lakhs equity shares

Illustration regarding allotment to QIBs other than Anchor Investors

B. Details of QIB Bids

Sr. No.	Type of QIB bidders#	No. of shares bid for (in lakhs)
1	A1	500
2	A2	200
3	A3	1,300
4	A4	500
5	A5	500
6	MF1	400
7	MF2	400
8	MF3	800
9	MF4	200
10	MF5	200

Sr. No.	Type of QIB bidders#	No. of shares bid for (in lakhs)
	Total	**5,000**

A1-A5: (QIB bidders other than MFs), MF1-MF5 (QIB bidders which are Mutual Funds)

C. Details of Allotment to QIB Bidders/ Applicants

(Number of equity shares in lakhs)

Type of QIB bidders	Shares bid for	Allocation of 35 lakhs equity shares to MF proportionately (please see note 2 below)	Allocation of balance 665 lakhs equity shares to QIBs proportionately (please see note 4 below)	Aggregate allocation of equity shares
(I)	**(II)**	**(III)**	**(IV)**	**(V)**
A1	500	0	66.97	66.97
A2	200	0	26.79	26.79
A3	1,300	0	174.12	174.12
A4	500	0	66.97	66.97
A5	500	0	66.97	66.97
MF1	400	7.00	52.64	59.64
MF2	400	7.00	52.64	59.64
MF3	800	14.00	105.27	119.27
MF4	200	3.50	26.32	29.82
MF5	200	3.50	26.32	29.82
	5,000	**35.00**	**665.00**	**700.00**

Please note:

1. The illustration presumes compliance with the requirements specified in this Red Herring Prospectus in the section entitled "Issue Structure" on page 326.

2. Out of 700 lakhs equity shares allocated to QIBs, 35 lakhs (i.e. 5%) will be allocated on proportionate basis among five Mutual Fund applicants who applied for 2,000 lakhs equity shares in QIB category.

3. The balance 665 lakhs equity shares (i.e. 700 - 35 (available for MFs)) will be allocated on proportionate basis among 10 QIB applicants who applied for 5,000 lakhs equity shares (including five MF applicants who applied for 2,000 lakhs equity shares, but after deducting the allocation of 35 lakhs equity shares as mentioned in (2) above).

4. The figures in the fourth column entitled "Allocation of balance 665 lakhs equity shares to QIBs proportionately" in the above illustration are arrived as under:

    - For QIBs other than Mutual Funds (A1 to A5)= No. of shares bid for (i.e. in column II) X 665 / 4965.

    - For Mutual Funds (MF1 to MF5)= [(No. of shares bid for (i.e. in column II of the table above) less Equity Shares allotted (i.e., column III of the table above)] X 665 / 4965.

    - The numerator and denominator for arriving at allocation of 700 lakhs shares to the 10 QIBs are reduced by 35 lakhs shares, which have already been allotted to Mutual Funds in the manner specified in column III of the table above.

Letters of Allotment or Refund Orders or instructions to the SCSBs

Our Company shall give credit to the beneficiary account with depository participants within 12 Working Days from the Bid/Issue Closing Date. Applicants residing at centres where clearing houses are managed by the RBI, will get refunds through NECS only except where the applicant is otherwise disclosed as eligible to get refunds through direct credit and RTGS. Our Company shall ensure dispatch of refund orders, if any, of value up to Rs. 1,500, by "Under Certificate of Posting", and shall dispatch refund orders above Rs. 1,500, if any, by registered post or speed post at the sole or first Bidder's sole risk within 12 Working Days of the Bid/Issue Closing Date. Bidders to whom refunds are made through electronic transfer of funds will be sent a letter through ordinary post, intimating them about the mode of credit of refund within 12 Working Days of the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the ASBA Bid cum Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within 12 Working Days of the Bid/Issue Closing Date.

Interest in case of delay in despatch of Allotment Letters or Refund Orders/ instruction to SCSB by the Registrar

Our Company and the Selling Shareholders will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidders' depository accounts will be completed within 12 Working Days of the Bid/ Issue Closing Date. Our Company and the Selling Shareholders further agree that they shall pay interest at the rate of 15% p.a. if the Allotment letters or refund orders have not been despatched to the applicants or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given in the disclosed manner within 15 days from the Bid/ Issue Closing Date.

Our Company and the Selling Shareholders will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar to the Issue.

Refunds will be made by cheques, pay-orders or demand drafts drawn on a bank appointed by our Company as a Refund Bank and payable at par at places where Bids are received. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

UNDERTAKINGS BY OUR COMPANY AND THE SELLING SHAREHOLDERS

Our Company undertakes the following:

- That the complaints received in respect of this Issue shall be attended to by our Company expeditiously and satisfactorily;
- That all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within 12 Working Days of the Bid/Issue Closing Date;
- That funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by the Issuer;
- That where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within 12 working days of the Bid/Issue Closing Date, as the case may be, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- That the Promoters' contribution in full has already been brought in;
- That the certificates of the securities/ refund orders to the Eligible NRIs shall be despatched within specified time;

- That no further issue of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.; and

- That adequate arrangements shall be made to collect all ASBA Bid cum Application Forms and to consider them similar to non-ASBA applications while finalising the Basis of Allotment.

The Selling Shareholders, severally, undertake that:

- That the Equity Shares being sold pursuant to the Issue, have been held by them for a period of more than one year;

- The Equity Shares being sold pursuant to the Offer for Sale in the Issue are free and clear of any liens or encumbrances and shall be transferred to the eligible investors within the specified time;

- The funds required for despatch of refund orders or Allotment advice by registered post or speed post shall be made available to the Registrar to the Issue by the Selling Shareholders;

- That the complaints received in respect of this Issue shall be attended to by the Selling Shareholders expeditiously and satisfactorily. The Selling Shareholders have authorized the Compliance Officer and the Registrar to the Issue to redress complaints, if any, of the investors;

- That the refund orders or Allotment advice to the successful Bidders shall be dispatched within specified time;

- That the Selling Shareholders shall not have recourse to the proceeds of the Issue until approval for trading of the Equity Shares from all Stock Exchanges where listing is sought has been received; and

- No further offer of Equity Shares shall be made till the Equity Shares offered through the Red Herring Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.

Our Company shall not have recourse to the Issue proceeds until the approvals for trading of the Equity Shares from all the Stock Exchanges where listing is sought has been received. Our Company shall transfer to the Selling Shareholders, the proceeds from the Offer for Sale, on the same being permitted to be released in accordance with applicable laws.

Withdrawal of the Issue

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

Any further issue of Equity Shares by our Company and/or the Selling Shareholders shall be in compliance with applicable laws.

Utilisation 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 utilised out of Issue shall be disclosed, and continue to be disclosed till the time any part of the issue proceeds remains unutilised, under an appropriate head in our balance sheet indicating the purpose for which such monies have been utilised; and

- Details of all unutilised monies out of the Issue, if any shall be disclosed under an appropriate separate head in the balance sheet indicating the form in which such unutilised monies have been invested.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 ("Industrial Policy") of the GoI and FEMA. While the Industrial Policy, prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy applicable foreign investment up to 100% is permitted in our Company under the automatic route.

Subscription by foreign investors (NRIs/FIIs)

FIIs are permitted to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price of the shares is not less than the price at which the shares are issued to residents.

The transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended; (ii) the non-resident shareholding is within the sectoral limits under the FDI policy; and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

As per the existing policy of the Government of India, OCBs cannot participate in this Issue.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Company, the Selling Shareholders and the BRLMs are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the Bids are not in violation of laws or regulations applicable to them.

SECTION VIII – MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION

OF

VA TECH WABAG LIMITED

Capitalized terms used in this section have the meaning that has been given to such terms in the Articles of Association of our Company.

The Regulations contained in Table "A" in Schedule I of the Companies Act shall not apply to our Company, except in so far as the same are repeated, contained or expressly made applicable in these Articles of Association by the Companies Act.

Pursuant to Schedule II of the Companies Act and the SEBI Regulations, the main provisions of the Articles of Association of our Company are detailed below:

CAPITAL AND INCREASE AND REDUCTION OF CAPITAL

Amount of Capital

Article 1 provides that: "The authorized share capital of the Company shall be such amount as is given in Clause V of the Memorandum of Association."

Article 8 provides that: "Except so far as otherwise provided by the conditions of the issue or by these presents any capital raised by the creation of new shares, shall be considered as part of the existing capital and shall be subject to the provisions herein contained, with reference to the payment of calls and installments, forfeiture, lien, surrender, transfer and transmission, voting and otherwise."

Preference Shares

Article 10 provides that: "Subject to the provisions of Section 80 of the Act, the Company shall have the powers to issue preference shares which are liable to be redeemed and the resolution authorizing such issue shall prescribe the manner, terms and conditions of such redemption.

Buy back of shares

Article 66 provides that: "The Company shall be entitled to purchase its own shares or other securities, subject to such limits, upon such terms and conditions and subject to such approvals as required under Section 77 A and other applicable provisions of the Act, The Securities and Exchange Board of India Act, 1992 and the Securities and Exchange Board of India (Buy Back of Securities) Regulations 1998 and any amendments, modification(s), repromulgation (s) or re- enactment(s) thereof."

Increase of Capital by the Company and how carried into effect

Article 5 provides that: "The Company at its General Meeting may, from time to time, by an Ordinary Resolution increase the capital by the creation of new shares, such increase to be of such aggregate amount and to be divided into shares of such respective amounts as the resolution shall prescribe. The new shares shall be issued on such terms and conditions and with such rights and privileges annexed thereto as the resolution shall prescribe, and in particular, such shares may be issued with a preferential or qualified right to dividends, and in the distribution of assets of the Company and with a right of voting at General Meeting of the Company in conformity with Section 87 of the Companies Act, 1956. Whenever the capital of the Company has been increased under the provisions of the Articles, the Directors shall comply with the provisions of Section 97 of the Act."

Reduction of Capital

Article 6 provides that: "The Company may, subject to the provisions of Sections 78, 80, 100 to 105 (both inclusive) and other applicable provisions of the Act from time to time, by Special Resolution reduce its capital and any Capital Redemption Reserve Account or Share Premium Account in any manner for the time being authorized by law, and in particular, the capital may be paid off on the footing that it may be called up again or otherwise."

Sub-division consolidation and cancellation of Shares

Article 7 provides that: "Subject to the provisions of Section 94 of the Act, the Company in General Meeting, may by an ordinary resolution from time to time:

(a) Divide, sub-divide or consolidate its shares, or any of them, and the resolution whereby any share is sub-divided, may determine that as between the holders of the shares resulting from such sub-division one or more of such shares have some preference of special advantage as regards dividend capital or otherwise as compared with the others

(b) Cancel shares which at the date of such general meeting have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled."

Further Issue of Capital

Article 11 provides that:

"(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 offer within which the offer, if not accepted, will be deemed to have been declined.

 (c) The offer aforesaid shall be deemed to include a right exercisable by the person concerned to renounce the shares offered to him or any of them in favour of any other person and the notice referred to in sub clause (b) hereof shall contain a statement of this right.

 (d) After the expiry of the time specified in the aforesaid notice or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board may dispose of them in such manner as they 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 (1) hereof) in any manner whatsoever.

 (a) If a special resolution to that effect is passed by the Company in General Meeting, or

 (b) Where no such special resolution is passed, if the votes cast (whether on a show of hands or on a poll as the case may be) in favour of the proposal contained in the resolution moved in the general meeting (including the casting vote, if any, of the Chairman) by the members who, being entitled to do so, vote in person, or where proxies are allowed, by proxy, exceed the votes, if any, cast against the proposal by members so entitled and voting and the Central Government is satisfied, on an application made by the Board of Directors in this behalf that the proposal is most beneficial to the Company.

(3) Nothing in sub-clause (c) of (1) hereof shall be deemed:

(a) To extend the time within which the offer should be accepted; or

(b) To authorize any person to exercise the right of renunciation for a second time on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.

(4) Nothing in this Article shall apply to the increase of the subscribed capital of the Company caused by the exercise of an option attached to the debentures issued or loans raised by the Company:

(a) To convert such debentures or loans into shares in the Company; or

(b) To subscribe for shares in the Company.

PROVIDED THAT the terms of issue of such debentures or the terms of such loans include a term providing for such option and such term:

(i) Either has been approved by the Central Government before the issue of the debentures or the raising of the loans or is in conformity with Rules, if any, made by that Government in this behalf; and

(ii) In the case of debentures or loans 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 a special resolution passed by the Company in General Meeting before the issue of the debentures or raising of the loans."

UNDERWRITING AND BROKERAGE

Commission and brokerage may be paid

Article 23 provides that:

"(a) Subject to the provisions of the Act, the Company may at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares, debentures, or debenture-stock of the Company or underwriting or procuring or agreeing to procure subscriptions (whether absolute or conditional) for shares, debentures or debenture-stock of the Company.

(b) The Company may also, in any issue, pay such brokerage as may be lawful."

Board may make calls

Article 27 provides that: "The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the conditions of allotment, by a resolution passed at a meeting of the Board (and not by circular resolution), make such call as it thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him to the person or persons and the member(s) and place(s) appointed by the Board. A call may be made payable by installments.

Provided that the Board shall not give the option or right to call on shares to any person except with the sanction of the Company in General Meeting."

Call may be extended

Article 31 provides that: “The Board may, from time to time, at its discretion extend the time fixed for the payment of any call and may extend such time to all or any of the members. The Board may be fairly entitled to grant such extension, but no member shall be entitled to such extension, save as a matter of grace and favour.”

Amount payable at fixed time or by instalments as calls

Article 33 provides that: “Any sum, which as per the terms of issue of a share becomes payable on allotment or at a fixed date whether on account of the nominal value of the share or by way of premium, shall for the purposes of the Articles be deemed to be a call duly made and payable on the date on which by the terms of issue the same may become payable and in case of non payment all the relevant provisions of these Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.”

When interest on call or instalment payable

Article 32 provides that: “If a member fails to pay any call due from him on the day appointed for payment thereof, or any such extension thereof as aforesaid, he shall be liable to pay interest on the same from the day appointed for the payment thereof to the time of actual payment at 5% per annum or such lower rate as shall from time to time be fixed by the Board but nothing in this Article shall render it obligatory for the Board to demand or recover any interest from any such member.”

Payment in anticipation of calls may carry interest

Article 36 provides that:

“(a) The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same, whole or any part of the moneys due upon the shares held by him beyond the sums actually called for and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the Company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon, provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

(b) The member shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment become presently payable.

(c) The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.”

FORFEITURE, SURRENDER AND LIEN

Board to have right to forfeit shares

Article 37 provides that: “If any member fails to pay any call or installment of a call or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Board may at any time thereafter during such time as the call or installment remains unpaid, give notice to him requiring him to pay the same together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason of such non-payment.”

Forfeited shares to be property of the Company and may be sold etc.

Article 41 provides that: “Any share so forfeited shall be deemed to be the property of the Company and may be sold, re-allocated or otherwise disposed of either to the original holder thereof or to any other person upon such terms and in such manner as the Board shall think fit.”

Board may cancel forfeiture

Article 47 provides that: "The Board may, at any time before any share is so forfeited, have them sold, re-allotted or otherwise disposed of, cancel the forfeiture thereof upon such conditions at it thinks fit."

Company's lien on Shares / Debentures

Article 24 provides that: "The Company shall have a first and paramount lien upon all the shares /debentures (other than fully paid up shares/debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at fixed time in respect of such shares/debentures, and no equitable interest in any shares shall be created except upon the footing and condition that this Article will have full effect and such lien shall extend to all dividends and bonuses from time to time declared in respect of such shares/debentures. Unless otherwise agreed, the registration of a transfer of shares/debentures shall operate as a waiver of the Company's lien if any, on such shares/debentures. The Directors may at any time declare any shares/debentures wholly or in part to be exempt from provisions of this clause. The fully paid up shares shall be free from all lien and that in the case of partly paid shares the Issuer's lien shall be restricted to moneys called or payable at a fixed time in respect of such shares."

Enforcement of lien by sale

Article 25 provides that: "For the purpose of enforcing such lien, the Board may sell the shares subject thereto in such manner as they think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and may authorize one of their members to execute a transfer thereof on behalf of and in the name of such member. No sale shall be made until such period as aforesaid shall have arrived and until notice in writing of the intention to sell have been served on such member or his representative and default shall have been made by him or them in payment, fulfillment or discharge of such debts, liabilities or engagements for fourteen days after such notice."

<u>TRANSFER AND TRANSMISSION OF SHARES</u>

Instrument of Transfer

Article 50 provides that: "The instrument of transfer of any share shall be in writing and all the provisions of Section 108 of the Act, and of any statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof. The Company shall use a common form of transfer in all cases."

Directors May Refuse to Register Transfer

Article 53 provides that: "Subject to the provisions of Section 111A of the Act, these Articles and other applicable provisions of the Act or any other law for the time being in force, the 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 month from the date on which the instrument of transfer, or the intimation of such transfer, as the case may be, was delivered with the Company, send notice of refusal to the transferee and transferor or to the person giving notice of such transmission, as the case may be, giving reasons for such refusal. Provided that registration of a transfer shall not be refused on the ground of the transferor being either alone or jointly with any other person or persons indebted to the Company on any account whatsoever except where the Company has a lien on shares."

Nomination of Shares

Article 65 provides that:

"(I) Every holder of shares, or holder of debentures of the Company may at any time, nominate, in the prescribed manner a person to whom his shares in or debentures of the Company shall rest in the event of his death.

(II) Where the shares in or debentures of the Company or held by more than one person jointly, the joint holders may together nominate in the prescribed manner, a person to whom all the rights in the shares or debentures of the Company shall rest in the event of death of all the joint holders.

(III) Notwithstanding any thing contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise in respect of such shares in or debentures of the Company where a nomination made in the prescribed manner purports to confer on any person the right to vest the shares in or debentures of the Company, the nominee shall, on the death of the shareholder or debentures holder of the Company or as the case may be on the death of the joint holders become entitled to all the rights in the shares or debentures of the Company or as the case may be all the joint holders in relation to such shares in or debenture of the Company to the exclusion of all the other persons, unless the nomination is varied or cancelled in the prescribed manner.

(IV) Where the nominee is a minor it shall be lawful for the holder of shares or debentures, to make the nomination and to appoint in the prescribed manner any person to become entitled to shares in or debentures of the Company in the event of his death in the event of minority of the nominee.

Any person who becomes a nominee by virtue of the provisions of Section 109 A upon the production of such evidence as may be required by the Board and subject as hereinafter provided elect either

(a) To be registered himself as holder of the shares or debentures as the case may be, or

(b) To make such transfer of the share or debenture as the case may be, as the deceased shareholder or debenture holder, as the case may be could have made.

If the person being a nominee, so becoming entitled, elects to be registered himself as a holder of the share or debenture as the case may be, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects and such notice shall be accompanied with a Death Certificate of the deceased share holder or debenture holder as the case may be.

All the limitations, restrictions and provisions of this Act, relating to the right to transfer and registration of transfer of shares or debentures shall be applicable to any such notice or transfer as aforesaid as if the death of the member had not occurred and the notice or transfer where a transfer is signed by that shareholder or debenture holder, as the case may be.

A person being a nominee, becoming entitled to a share or debenture by reason of the death of the holder shall be entitled to same dividends and other advantages to which he would be entitled if he were the registered holder of the share or debenture, except that he shall not, before being registered a member in respect of his share of debenture, be entitled in respect of it to exercise any right conferred by membership in relation to the meetings of the Company.

Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the share or debenture and if the notice is not complied with within 90 days, the Board may thereafter withhold payments of all dividends, bonus, or other monies payable in respect of the share or debenture, until the requirements of the notice have been complied with.

A Depository may in terms of Section 58 A at any time, make a nomination and above provisions shall as far as may be, apply to such nomination."

Registration of persons entitled to shares otherwise than by transfer (transmission clause)

Article 58 provides that: "Subject to the provisions of these presents, any person becoming entitled to shares in consequence of the death, lunacy, bankruptcy or insolvency of any members, or by any lawful means other than by a transfer in accordance with these Articles may, with the consent of the Board (which it shall not be under any obligation to give), upon producing such evidence as the Board thinks sufficient, that he sustains the character in respect of which he proposes to act under this Articles, or of his title, either be registering himself as the holder of the shares or elect to have some person nominated by him and approved by the Board, registered as such holder, provided, nevertheless, if such person shall elect to have his nominee registered, he shall testify that election by executing in favour of his nominee an instrument of transfer in accordance with the provision herein contained and until he does so he shall not be freed from any liability in respect of the shares.

BORROWING POWERS

Power to Borrow

Article 128 provides that:

“(a) The Board of Directors may from time to time but with such consent of the Company in General Meeting as may be required under the Act raise any moneys or sums of money for the purpose of the Company provided that the moneys to be borrowed by the Company apart from temporary loans obtained from the Company’s bankers in the ordinary course of business shall not, without the sanction of the Company at a General Meeting, exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specifies purpose and in particular, but subject to the provisions of Section 292 of the Act, the Board may from time to time at their discretion raise or borrow or secure the payment of any such sum of money for the purpose of the Company, by the issue of debentures, perpetual or otherwise, including debenture convertible into shares of this or any other Company or perpetual annuities and to secure any such money so borrowed, raised or received mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company present or future, including its uncalled capital by special assignment or otherwise or to transfer or convey the same absolutely or in trust and to give the lenders powers of sale and other powers as may be expedient and to purchase, redeem or pay off any such securities.

Provided that every resolution passed by the Company in General Meeting in relation to the exercise of the power to borrow as stated shall specify the total amount up to which moneys may be borrowed by the Board Directors.

(b) The Directors may by resolution at a meeting of the Board delegate the above power to borrow money otherwise than on debentures to a committee of Directors or the Managing Director, if any, within the limits prescribed.

(c) Subject to provisions of the above sub-clause, the Directors may, from time to time, at their discretion, raise or borrow or secure the repayment of any sum or sums of money for the purposes of the Company, at such time and in such manner and upon such terms and conditions in all respects as they think, fit and in particular, by promissory notes or by receiving deposits and advances with or without security or by the issue of bonds, perpetual or redeemable debentures (both present and future) including its uncalled capital for the time being or by mortgaging or charging or pledging any lands, buildings, goods or other property and securities of the Company, or by such other means as they may seem expedient.

(d) To the extent permitted under the applicable law and subject to compliance with the requirements thereof, the Directors shall be empowered to grant loans to such entities at such terms as they may deem to be appropriate and the same shall be in the interests of the Company.”

CONVERSION OF SHARES INTO STOCK AND RECONVERSION

Shares may be converted into stock

Article 72 provides that: “The Company in General Meeting may, by an Ordinary Resolution, convert any fully paid-up shares into stock and when any shares shall have been converted into stock the several holders of such stock, may henceforth transfer their respective interest therein, or any part of such interest in the same manner and subject to the same Regulations as, and subject to which shares from which the stock arise might have been transferred, if no such conversion had taken place. The Company may, by an Ordinary Resolution reconvert any stock into fully paid up shares of any denomination. Provided that the Board may, from time to time, fix the minimum amount of stock transferable, so however such minimum shall not exceed the nominal amount of shares from which the stock arose."

GENERAL MEETINGS

Annual General Meeting

Article 74 provides that: "The Company shall, in addition to any other meetings hold a General Meeting which shall be called as its Annual General Meeting, at the intervals and in accordance with the provisions of the Act."

Calling of Extraordinary General Meeting on requisition

Article 76 provides that: "The Board shall on, the requisition of members convene an Extraordinary General Meeting of the Company in the circumstances and in the manner provided under Section 169 of the Act."

Postal Ballot

Article 89 provides that:

"(a) Notwithstanding any of the provisions of these Articles the Company may, and in the case of resolutions relating to such business as notified under the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001 to be passed by postal ballot, shall get any resolution passed by means of a postal ballot, instead of transacting the business in the general meeting of the Company.

(b) Where the Company decides to pass any resolution by resorting to postal ballot, it shall follow the procedures as prescribed under section 192A of the Act and the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, as amended from time."

PROCEEDINGS AT GENERAL MEETING

Presence of Quorum

Article 80 provides that: "Five members or such other number of members as the law for the time being in force prescribes, shall be entitled to be personally present shall be quorum for a General Meeting and no business shall be transacted at any General Meeting unless the requisite quorum is present at the commencement of the meeting."

Voting to be by show of hands

Article 85 provides that: "At any General Meeting, a resolution put to the vote at the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) is demanded in accordance with the provisions of Section 179 of the Act. Unless a poll is so demanded, a declaration by the Chairman that the resolution had, on a show of hands been carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against that resolution."

Casting vote of Chairman

Article 87 provides that: "In case of equal votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or a casting vote in addition to the vote or votes to which he may be entitled to as a member."

VOTES OF MEMBERS

Indebted members not to vote

Article 92 provides that: "No member shall be entitled to vote at any General Meeting unless all calls or other sums presently payable by him have been paid, or in regard to which the Company has lien and has exercised any right of lien."

Instrument of proxy to be in Writing

Article 94 provides that: "The instrument appointing a proxy shall be in writing under the hand of appointer or of his attorney duly authorized in writing or if appointed by a Corporation either under its common seal or under the hand of its attorney duly authorized in writing. Any person whether or not he is a member of the Company may be appointed as a proxy.

The instrument appointing a proxy and Power of Attorney or other authority (if any) under which it is signed must be deposited at the registered office of the Company not less than forty eight hours prior to the time fixed for holding the meeting at which the person named in the instrument proposed to vote, or, in case of a poll, not less than twenty four hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid."

DIRECTORS

Number of Directors

Article 98 provides that: "Unless otherwise determined by General Meeting, the number of Directors shall not be less than three and not more than twelve, including all kinds of Directors."

Appointment of Nominee Director

Article 99A provides that:

> "The Fund shall have the right to appoint one Director on the Board of Directors of the Company so long as the shareholding of the Fund and its Affiliates does not fall below 5 % of the paid up share capital of the Company.
>
> The term Affiliate, for the purpose of this clause, shall have the same meaning assigned to it in the agreement between the Fund and Mr. Rajiv Mittal, Mr. Shiv Narayan Saraf, Mr. Amit Sengupta and Mr. S. Varadarajan (the "**Management Team**") dated November 24, 2005."

Article 132 provides that:

"(a) So long as any moneys remain owing by the Company to any All India Financial Institutions, State Financial Corporation or any financial institution owned or controlled by the Central Government or State Government or any Non Banking Financial Company controlled by the Reserve Bank of India or any such Company from whom the Company has borrowed for the purpose of carrying on its objects or each of the above has granted any loans / or subscribes to the Debentures of the Company or so long as any of the aforementioned companies of financial institutions holds or continues to hold debentures /shares in the Company as a result of underwriting or by direct subscription or private placement or so long as any liability of the Company arising out of any guarantee furnished on behalf of the Company remains outstanding, and if the loan or other agreement with such corporation so provides, the corporation shall have a right to appoint from time to time any person or persons as a Director or Directors whole- time or non whole- time (which Director or Director/s is/are hereinafter referred to as "Nominee Directors/s) on the Board of the Company and to remove from such office any person or person so appointed and to appoint any person or persons in his /their place(s).

(b) The Board of Directors of the Company shall have no power to remove from office the Nominee Director/s. At the option of the Corporation such Nominee Director/s shall not be liable to retirement by rotation of Directors. Subject as aforesaid, the Nominee Director/s shall be entitled to the same rights and privileges and be subject to the same obligations as any other Director of the Company.

The Nominee Director/s so appointed shall hold the said office only so long as any moneys remain owing by the Company to the Corporation or so long as they holds or continues to hold Debentures/shares in the Company as result of underwriting or by direct subscription or private placement or the liability of the Company arising out of the Guarantee is outstanding and the Nominee Director/s so appointed in exercise of the said power shall vacate such office immediately on the moneys owing by the Company to the Corporation are paid off or they ceasing to hold Debentures/Shares in the Company or on the satisfaction of the liability of the Company arising out of the guarantee furnished.

(c) The Nominee Director/s appointed under this Article shall be entitled to receive all notices of and attend all General Meetings, Board Meetings and of the Meetings of the Committee of which Nominee Director/s is/are member/s as also the minutes of such Meetings. The Corporation shall also be entitled to receive all such notices and minutes.

(d) The Company shall pay the Nominee Director/s sitting fees and expenses to which the other Directors of the Company are entitled, but if any other fees commission, monies or remuneration in any form is payable to the Directors of the Company the fees, commission, monies and remuneration in relation to such Nominee Director/s shall accrue to the nominee appointer and same shall accordingly be paid by the Company directly to the Corporation.

(e) Provided that the sitting fees, in relation to such Nominee Director/s shall also accrue to the appointer and same shall accordingly be paid by the Company directly to the appointer."

Appointment of Alternate Director

Article 102 provides that: "The Board of Directors may appoint an Alternate Director to act for a Director (hereinafter called the original Director) during the absence of the original Director for a period of not less than 3 months from the state in which the meetings of the Board are ordinarily held. An Alternate Director so appointed shall vacate office if and when the original Director return to the state in which the meetings of the Board are ordinarily held. If the terms of the office of the original Director is determined before he so returns to the state aforesaid any provision for the automatic reappointment of retiring Director in default of another appointment shall apply to the original and not to the Alternate Director."

Directors' Power to add to the Board

Article 101 provides that: "The Board of Directors shall have power at any time and from time to time to appoint one or more persons as Additional Directors provided that the number of Directors and Additional Directors together shall not exceed the maximum number fixed. An additional Director so appointed shall hold office up to the date of the next Annual general Meeting of the Company and shall be eligible for re-election by the Company at that Meeting."

Debenture Director

Article 131 provides that: "Any Trust Deed for securing debentures or debenture stock may if so arranged provide for the appointment from time to time by the trustee thereof or by the holders of debentures or debenture stock of some person to be a Director of the Company and may empower such trustee or holders of debentures or debenture stock from time to time to remove any Directors so appointed. A Director appointed under this Article is herein referred to as a "Debenture Director" and the Debenture Director means a Director for the time being in office under this Article. A Debenture Director shall not be bound to hold any qualification shares, not be liable to retire by rotation or be removed by the Company. The Trust Deed may contain such ancillary provisions as may be arranged between the Company and the Trustees and all such provision shall have effect notwithstanding any of the other provisions herein contained."

Remuneration of Directors

Article 103 provides that: "Every Director other than the Managing Director and the Whole-time Director shall be paid a sitting fee not exceeding such sum as may be prescribed by the Act or the Central Government from time to time for each meeting of the Board of Directors or any Committee thereof attended by him and shall be paid in addition thereto all traveling, hotel and other expenses properly incurred by him in attending and returning from the meetings of the Board of Directors or any committee thereof or General Meeting of the Company or in connection with business of the Company to and from any place."

Article 104 provides that: "If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from the town in which the Registered Office of the Company may be situated for any purposes of the Company or in giving any special attention to the business of the Company or as member of the Board, then subject to the provisions of the Act the Board may remunerate the Director so doing either by a fixed sum, or by a percentage of profits or otherwise and such remuneration, may be either in addition to our in substitution for any other remuneration to which he may be entitled."

When office of Directors to become vacant

Article 106 provides that: "The Office of a Director shall be deemed to have been vacated under the circumstances enumerated under Section 283 of the Act."

Retirement and rotation of Directors

Article 108 provides that: "At the Annual General Meeting of the Company to be held in every year, one third of such of the Directors as are liable to retire by rotation for time being, or, if their number is not three or a multiple of three then the number nearest to one third shall retire from office, and they will be eligible for re-election. Provided nevertheless that the Managing Director or Whole time Director, appointed or the Directors appointed as a Debenture Director and Special Director under Articles hereto shall not retire by rotation under this Article nor shall they be included in calculating the total number of Directors of whom one third shall retire from office under this Article."

Managing Director

Article 137 provides that:

"(a) The Board may from time to time and with such sanction of the Central Government as may be required by the Act, appoint one or more of the Directors to the office of the Managing Director or whole-time Directors.

(b) The Directors may from time to time resolve that there shall be either one or more Managing Directors or Whole time Directors.

(c) In the event of any vacancy arising in the office of a Managing Director or Whole-time Director, the vacancy shall be filled by the Board of Directors subject to the approval of the members.

(d) If a Managing Director or whole time Director ceases to hold office as Director, he shall ipso facto and immediately cease to be Managing Director/whole time Director.

(e) The Managing Director or whole time Director shall not be liable to retirement by rotation as long as he holds office as Managing Director or whole-time Director."

Directors may contract with the Company

Article 115 provides that: "Subject to the provisions of Section 297, 299, 300, 302 and 314 of the Act , the Directors shall not be disqualified by reason of his or their office as such from contracting with the Company either as vendor, purchaser, lender, agent, broker, lessor or otherwise nor shall any such contract, or arrangement entered into by or on behalf of the Company with such Director or with any Company or partnership in which he shall be a member or otherwise interested be avoided nor shall any Director so contracting or being such member or so interested be liable to account to the Company for any profit realized by such contract or arrangement by reason only of such Director holding that office or of fiduciary relation thereby established but the nature of the interest must be disclosed by him or them at the meeting of Directors at which the contract or arrangement is determined if the interest then exists or in any other case at the first meeting of the Directors after the acquisition of the interest."

Quorum

Article 119 provides that: "The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher, provided that where at any time the number of interested Directors is equal to or exceeds two-thirds of total strength, the number of remaining Directors, that is to say the number of Directors who are not interested, present at the meeting being not less than two, shall be the quorum during such time, The total strength of the Board shall mean the number of Directors actually holding office as Directors on the date of the resolution or meeting, that is to say, the total strength of Board after deducting there from the number of Directors, if any, whose places are vacant at the time."

Powers of Board Meeting

Article 136 provides that:

"(a) The Board of Directors shall exercise the following powers on behalf of the Company and the said powers shall be exercised only by resolution passed at the meeting of the Board:

(i) Power to make calls on shareholders in respect of moneys unpaid on their shares;

(ii) Power to issue debentures;

(iii) Power to borrow money otherwise than on debentures:

(iv) Power to invest the funds of the Company;

(v) Power to make loans.

(b) The Board of Directors may by a meeting delegate to any committee or the Directors or to the Managing Director the powers specified in sub clauses (iii), (iv) and (v) above.

(c) Every resolution delegating the power set out in sub clause (iii) above shall specify the total amount up to which moneys may be borrowed by the said delegate.

(d) Every resolution delegating the power referred to in sub-clause (iv) above shall specify the total amount, up to which the fund may invested and the nature of the investments which may be made by the delegate.

(e) Every resolution delegating the power referred to in sub-clause (v) above shall specify the total amount up to which the loans may be made by the delegate, the purposes for which the loans may be made and the maximum amount of loans which may be made for each such purpose in individual cases."

Resolution by circulation

Article 127 provides that: "Save as otherwise expressly provided in the Act, a resolution in writing circulated in draft together with the necessary papers, if any, to all the Directors or to all the members of the committee then in India, not being less in number than the quorum fixed of the meeting of the Board or the Committee, as the case may be and to all other Directors or members at their usual address in India and approved by such of the Directors as are then in India or by a majority of such of them as are entitled to vote at the resolution shall be valid and effectual as it had been a resolution duly passed at a meeting of the Board or committee duly convened and held."

DIVIDENDS AND CAPITALISATION

The Company in General Meeting may declare a dividend

Article 145 provides that: “The Company in General Meeting may declare dividends but no dividend shall exceed the amount recommended by the Board.”

Dividends out of profits only

Article 147 provides that: “No dividend shall be payable except out of the profits of the year or any other undistributed profits except as provided by Section 205 of the Act.”

Ad-interim dividend

Article 146 provides that: “The Board may from time to time pay to the members such interim dividends as appear to them to be justified by the profits of the Company.”

Dividends not to carry interest

Article 153 provides that: “No dividends shall bear interest against the Company.”

Capitalisation

Article 156 provides that:

“(a) The Company in General Meeting, may, on recommendation of the Board resolve:

(i) That it is desirable 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

(ii) That such sum be accordingly set free for distribution in the manner specified in the sub-clause (b) amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion.

(b) The sum aforesaid shall not be paid in cash but shall be applied, either in or towards:

(i) Paying up any amounts for the time being unpaid on shares held by such members respectively

(ii) Paying up in full, unissued share of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportions aforesaid; or

(iii) Partly in the way specified in sub-clause (i) and partly that specified in sub clause (ii).

(c) The Board shall give effect to the resolution passed by the Company in pursuance of this regulation.

(d) A share premium account and a capital redemption reserve account may, only be applied in the paying up of unissued shares to be issued to members of the Company as fully paid bonus shares.”

WINDING UP

Liquidator may divide assets in specie

Article 176 provides that: “If the Company shall be wound up whether voluntarily or otherwise, the liquidators may with sanction of a special resolution divide among the contributories in specie or kind any part of the assets of the Company and any with like sanction vest any part of the assets of the Company in trustees upon such trusts for the benefit of the contributories of any of them, as the liquidators with the like sanction shall think fit, in case any share to be divided as aforesaid involve as liability to calls or otherwise any persons entitled under such division to any of the said shares may within ten days after the passing of the special resolution by notice in writing, direct the liquidators to sell his proportion and pay them the net proceeds, and the liquidators shall, if practicable, act accordingly."

INDEMNITY AND RESPONSIBILITY

Directors and others' right of indemnity

Article 177 provides that:

(a) "Subject to the provisions of the Act, the Managing Director and every Director, Manager, Secretary and other Officer or Employee of the Company shall be indemnified by the Company against any liability and it shall be the duty of Directors, out of the funds of the Company to pay, all costs and losses and expenses (including traveling expenses) which any such Director, Officer or Employee may incur or become liable to by reason of any contract entered into or act or deed done by him as such Managing Director, Director, Officer or Employee or in any way in the discharge of his duties.

(b) Subject as aforesaid the Managing Director and every Director, Manager, Secretary or other Officer or Employee of the Company shall be indemnified against any liability incurred by them or in defending any proceeding whether civil or criminal in which judgment is given in their or his favour or in which he is acquitted or discharged or in connection with any application under Sec. 633 of the Act in which relief is given to him by the Court.

Charge in favour of Director for Indemnity:

Article 135 provides that: "If the Director or any person, shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge or security over or affecting the whole or part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability."

SECRECY CLAUSE

Secrecy

Article 179 provides that: "No member shall be entitled to inspect the Company's works without the permission of the Managing Director or to require discovery of any information respectively any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, history of trade or secret process which may be related to the conduct of the business of the Company and which in the opinion of the Managing Director it will be inexpedient in the interest of the members of the Company to communicate to the public."

SECTION IX – OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts and documents (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two years before the date of this Red Herring Prospectus) which are or may be deemed material have been entered or will be entered into by our Company. These contracts and documents, copies of which will be attached to the copy of the Red Herring Prospectus to be delivered to the RoC, Tamil Nadu for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company from 10.00 am to 4.00 pm on working days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts to the Issue

1. Agreement amongst our Company, the Selling Shareholders, Enam and IDFC-SSKI Limited (now known as IDFC Capital) dated March 11, 2010.

2. Memorandum of Understanding amongst our Company, the Selling Shareholders and Registrar to the Issue dated March 12, 2010.

3. Escrow Agreement dated [•] among our Company, the Selling Shareholders, the BRLMs, the Escrow Banks and the Registrar to the Issue.

4. Syndicate Agreement dated [•] among our Company, the Selling Shareholders, the BRLMs and Syndicate Members.

5. Underwriting Agreement dated [•] among our Company, the Selling Shareholders, the BRLMs and Underwriters.

Material Documents

1. Our Memorandum and Articles of Association as amended till date.

2. Our certification of incorporation.

3. Fresh certificates of incorporation consequent on change of name of our Company.

4. Board resolution in relation to the Issue.

5. Shareholders' resolutions in relation to the Issue.

6. Board resolutions passed by the Selling Shareholders, India Advantage Fund I, Dynamic India Fund I, Rainbow Fund Trust, GLG Emerging Markets Fund and Passport India Investments (Mauritius) Limited in relation to the Offer for Sale.

7. Consents from the Selling Shareholders in relation to the Offer for Sale and letter of withdrawal from the Offer for Sale by Sattva India Opportunities Company Limited.

8. Resolutions of the shareholders for appointment and remuneration of our whole-time Directors and contract for appointment of Rajiv Mittal as Managing Director with effect from October 1, 2005.

9. Share purchase agreement between our Company, individual shareholders and Government of Singapore Investment Corporation Pte. Ltd. dated January 2, 2008.

10. Share subscription agreement between our Company and Government of Singapore Investment Corporation Pte. Ltd. dated January 2, 2008.

11. Share purchase agreement between our Company, individual shareholders and Passport India Investments (Mauritius) Ltd. dated December 31, 2007

12. Share subscription agreement between our Company and Passport India Investments (Mauritius) Limited dated January 2, 2008.

13. Share subscription agreement between our Company and Sattva India Opportunities Company Limited dated January 2, 2008.

14. Share subscription agreement between our Company and GLG Emerging Markets Fund dated February 23, 2007.

15. Share purchase agreement between Siemens Aktiengesellschaft Öesterreich and Wabag Singapore dated September 19, 2007 with closing memorandum dated November 6, 2007.

16. Share purchase agreement between Wabag Austria, I-Ven Water Treatment Technologies Limited, Western India Trustee and Executor Company Limited in its capacity as trustee for India Advantage Funds I represented by its Investment Manager ICICI Venture Funds Management Co. Limited and our Company dated April 7, 2005 with addenda dated June 24, 2005 and September 1, 2005 and an amendment dated October 24, 2007.

17. Brand usage and non-compete agreement entered into between our Company, I-Ven Water Treatment Technologies Limited and Wabag Austria dated April 7, 2005 as amended by an addendum dated September 1, 2005 and an amendment dated September 21, 2009.

18. Side letters between our Company, Rajiv Mittal, Amit Sengupta, Shiv Narayan Saraf and S. Varadarajan and India Advantage Fund I dated March 10, 2010 and August 23, 2010.

19. Joint venture agreement between our Company and IVRCL Infrastructure & Projects Limited dated October 26, 1999.

20. Joint venture agreement between VA Tech Wabag SA (PTY) LTD, Berlinwasser Holding Aktiengesellschaft (now renamed as “Berlinwasser International AG”) and Compagnie Generale des Eaux Societe en Commandite par Actions (SCA) (now renamed as “Veolia Eau-Compagnie Generale des Eaux”) dated July 6, 2001

21. Deed of sale between G. Meena and G. Balaji and our Company dated July 18, 2007.

22. Deed of gift between our Company and the Chennai Metropolitan Development Authority dated May 5, 2010.

23. Auditor’s Report dated August 12, 2010 with unconsolidated financial statements of our Company, as restated, under Indian GAAP for the financial years ended March 31, 2010, March 31, 2009, 2008 and 2007 and the fifteen month period ended March 31, 2006.

24. Auditor’s Report dated August 12, 2010, on consolidated financial statements of our Company, as restated, under Indian GAAP for the financial years ended March 31, 2010, March 31, 2009 and March 31, 2008.

25. Statement of Tax Benefits from Walker, Chandiok & Co. dated August 20, 2010.

26. Consent of Walker, Chandiok & Co., for inclusion of their audit reports on our restated audited financial statements in the form and context in which they appear in this Red Herring Prospectus.

27. Consents of Bankers to our Company, BRLMs, Registrar to the Issue, Bankers to the Issue, Domestic Legal Counsel to the Issue, Directors of our Company, Company Secretary and Compliance Officer, as referred to, in their respective capacities.

28. Initial listing applications dated March 15, 2010 filed with the NSE and the BSE.

29. In-principle listing approval dated May 27, 2010 and May 21, 2010 from the NSE and the BSE respectively.

30. Tripartite Agreement between NSDL, our Company and Integrated Enterprises (India) Limited dated April 27, 2005.

31. Tripartite Agreement between CDSL, our Company and Integrated Enterprises (India) Limited dated November 10, 2009.

32. Due diligence certificate dated March 12, 2010 to SEBI from Enam and IDFC Capital.

33. SEBI observation letter (no. CFD/DIL/ISSUES/SK/VT/11309/2010) dated July 7, 2010 and our in-seriatim reply dated August 30, 2010.

34. IPO Grading report by ICRA.

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 our Company or if required by the other parties, without reference to the shareholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

The undersigned Selling Shareholder, hereby certifies that all statements made in this Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

Signed by the Selling Shareholders

For India Advantage Fund I

[*Authorised Signatory*]

The undersigned Selling Shareholder, hereby certifies that all statements made in this Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

Signed by the Selling Shareholders

For Dynamic India Fund I

[*Authorised Signatory*]

The undersigned Selling Shareholder, hereby certifies that all statements made in this Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

Signed by the Selling Shareholders

For Rainbow Fund Trust

[*Authorised Signatory*]

The undersigned Selling Shareholder, hereby certifies that all statements made in this Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

Signed by the Selling Shareholders

For Passport India Investments (Mauritius) Limited

[*Authorised Signatory*]

The undersigned Selling Shareholder, hereby certifies that all statements made in this Red Herring Prospectus are true and correct, provided however, that the undersigned Selling Shareholder assumes no responsibility for any of the statements made by the Company or any other Selling Shareholder in this Red Herring Prospectus, except statements made by the undersigned Selling Shareholder in relation to itself as a Selling Shareholder.

Signed by the Selling Shareholders

For GLG Emerging Markets Fund

[*Authorised Signatory*]

We hereby certify that all relevant provisions of the Companies Act and the guidelines issued by the GoI and the regulations issued by the Securities and Exchange Board of India applicable, as the case may be, have been complied with and no statement made in this Red Herring Prospectus is contrary to the provisions of the Companies Act, the Securities and Exchange Board of India Act or the rules or regulations made thereunder or guidelines issued, as the case may be. We further certify that all the statements in this Red Herring Prospectus are true and correct.

Signed by the Directors of our Company

Bhagwan Dass Narang
(*Chairman, non-executive Independent Director*)

Rajiv Mittal
(*Managing Director*)

Sumit Chandwani
(*Non-executive non-Independent nominee Director*)

Dr. Guenter Heisler
(*Non-executive Independent Director*)

Jaithirth Rao
(*Non-executive Independent Director*)

Signed by the Chief Financial Officer

S. Varadarajan

Date: September 15, 2010
Place: Chennai

VA TECH WABAG LIMITED

Issue Details

VA Tech Wabag Limited (Wabag/ "the company") is proposing an Initial Public Offer consisting of a fresh issue aggregating to Rs 1.25 billion and an offer for sale of 27,03,383 equity shares of VA Tech Wabag Limited-. The Issue is being made through 100% book building process wherein not more than 50% of the Issue shall be available for allocation on a proportionate basis to Qualified institutional buyers (QIBs), 5% of the QIB Portion (excluding the Anchor Investor Portion) 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 QIB Bidders, including mutual funds, subject to valid bids being received at or above the Issue Price. Further, not less than 15% of the Issue will be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue will be available for allocation on a proportionate basis to Retail Individual Bidders, subject to valid Bids being received at or above the Issue Price.

Proposed Use of IPO Proceeds

The objects of the Fresh Issue are:

1. Funding working capital requirements of our Company;
2. Construction of a corporate office at Chennai;
3. Implementation of global IT systems; and
4. General corporate purposes.

IPO Grading

ICRA has assigned an IPO Grade 4 indicating above average fundamentals to the proposed initial public offering of VA Tech Wabag Limited (Wabag). ICRA assigns IPO grading on a scale of IPO Grade 5 through IPO Grade 1, with Grade 5 indicating strong fundamentals and Grade 1 indicating poor fundamentals.

An ICRA IPO Grade is a symbolic representation of ICRA's current assessment of the fundamentals of the issuer concerned. The fundamental factors assessed include inter alia business and competitive position, financial position and prospects, management quality, corporate governance and history of compliance and litigation.

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Strengths

- Overall favourable demand outlook for projects in water & waste treatment business.
- Company's established position in the above segments, , both in the domestic and international markets
- Healthy order book position providing visibility on future revenues
- Strong financial position characterised by healthy ROCE and growth in margins
- Technically qualified and experienced management team. Access to know-how / patents held by its subsidiary is also a positive

Concerns

- Increasing competitive pressures in the business and adverse price fluctuations in the basic raw materials could impact margins
- Execution risks that is typical in project business; ability to execute orders in a timely manner, meeting guaranteed performance requirements and within budgeted costs would be crucial
- Free cash flows could be impacted by the extended collection cycle

Grading Rationale

The IPO grade assigned by ICRA reflects Wabag's established position in the water/waste-water treatment project execution business, favourable demand prospects for the business driven by large investments in this sector and its comfortable financial position, characterised by growth in both revenues and profitability. The company's market position is also supported by its long track record both in the domestic and overseas operations, its strong technical capabilities arising out of experienced promoters & management, and the access to know-how/patents held by its subsidiary in various systems required in the business. The grading is however constrained by the fact that margins could be affected by the increasing competitive pressures in the business as well as adverse fluctuations in the prices of raw materials in case of 'fixed price' based contracts As is typical of projects business, ability to execute the projects on time, and within budgets is also critical to avoid any liquidated damages. Also , the working capital intensity in the is business is high, which could affect cash flows, though ICRA notes that the company has had minimal reliance on debt so far, indicating its ability to finance projects through advances received from the customers as well as back-to-back credit period from component suppliers . The company carries high contingent liabilities in its books, which includes corporate guarantee of Euro 38 million from Wabag, India towards the bank facilities of Wabag Austria. However, consolidated cash balance of Rs 2.18 billion as on 31st March 2010 provides comfort.

Company Profile

Incorporated in 1996, VA Tech Wabag Limited is in the business of providing turnkey solutions for water and waste water treatment to municipal and industrial users. The company has seen considerable changes in its ownership pattern since its inception as a 'water division' of Blacke Durr Cooling Towers Ltd – a part of Deutsche Babcock AG, Germany (DBAG) in October 1996. Following the acquisition of DBAG by VA Tech AG, Austria in April 1999, VA Tech Wabag GmbH, Austria (Wabag Austria) was incorporated and its Indian operations became known as VA Tech Wabag Limited, (Wabag) being a 100% subsidiary of Wabag Austria. Later, Wabag, Austria was taken over by Siemens AG, Germany in July 2005 and as a result, Wabag Austria (excluding India operations) became a part of Siemens AG, Germany. In September, 2005, the company's management team and ICICI Ventures bought out the majority stake (82.9%) in Wabag's India operations. Subsequently in September 2007, Wabag acquired its ex-parent, i.e., Wabag Austria from Siemens. With this acquisition Wabag Austria and its subsidiaries became subsidiaries of the company and

Wabag on a consolidated basis has presence across North Africa, Middle East, Fast East-China, and South East/Central/Eastern Europe.

The Company currently has 13 subsidiaries, all of which are incorporated outside India. Of the 13 subsidiaries two are direct subsidiary and the remaining are indirect subsidiaries.

Promoters and Management

Wabag is promoted by a team of professional having vast experience in the industry and are actively involved in our day to day activities. The team includes Mr. Rajiv Mittal, Managing Director (holding 21.60% of equity share capital); Mr. Amit Sengupta, Executive Director ; Mr. Shiv Narayan Saraf, Executive Director ; and Mr. S. Vardarajan, Executive Director.

Mr. Rajiv Mittal has a long association with the group and has over 25 years of experience in the water industry. Mr. Amit Gupta heads the international business group (IBG) and is associated with the company for over nine years; previously he was employed with Kirloskar AAF Limited and has over 32 years of work experience. Mr. Shiv Narayan who heads the operations is associated with the company for the close to a decade; previously he was employed with Ion Exchange India Limited and has over 38 years of work experience. Mr. S. Varadarajan is the chief financial officer and the head of the Operation Business Group (OBG and is associated with the company since 1997.

Table 1: Share holding Pattern

	Pre Issue	
Category	**Number of equity shares**	**% holding**
Promoter Group / Management team	35,03,669	37.45%
Institutions	22,96,796	24.55%
Non Institutions/ Employees/Bodies Corporates	35,31,628	38.01%
Public Issue	-	-
Total	**93,32,093**	**100%**

Corporate Governance

Wabag's board has five Directors, of which three are independent Directors. The board functions largely through the following committee: Audit Committee, Remuneration and compensation committee and Shareholders'/Investors' Grievance Committee. The overall governance structure and processes have been aided by the presence of institutional investors and their nominees on the board.

Business and Competitive Position

Wabag is primarily a turnkey contractor for water and wastewater treatment plants, which contributes to a majority of its revenues. The Company also provides operation and maintenance services for water and waste water treatment plants.

The overall business of the company can be divided into four strategic business units (SBU), namely:

Municipal Business Group (MBG)
Industrial Water Group (IWG)
Operations Business Group (OBG)
International Business Group (IBG)

Table 2: SBU Snapshot

	Services	FY 2009	FY 2010	Y-o-Y Growth	% Mix (FY 2010)
MBG	Water & waste water treatment to Municipal Corporations and Wastewater Treatment projects for Industrial clients in India	3643	4448	21%	63%
IWG	DM and desalination plants for industrial clients such as in refinery, power plants, metallurgy plants in India	850	863	0%	12%
OBG	Operation and Maintenance Services in India, South East Asia, Middle East and Neighboring countries	350	353	0%	5%
IBG	Mainly engineering & supply for water / waste treatment projects with focus on regions such as South-East Asian countries, Middle East and neighboring countries such as Sri-Lanka & Bangladesh	845	1361	66%	19%
TOTAL		**5688**	**7025**	**23%**	**100%**

Amounts in Rs Million
Source: Company and DRHP

The scope of orders in domestic market is generally EPC (i.e. engineering, procurement, supply and commissioning) in nature with or without O&M responsibility. In case of exports, the scope is largely restricted to engineering, procurement & supply or in some cases, would include civil/erection/commissioning works, which would be executed through project specific Joint Ventures with local civil contracting company.

Favourable demand outlook in the key markets

Indian water and waste water treatment market size which is estimated at $ 4 billion, is expected to grow at a rate of 10-12% per annum, with government related projects contributing for close to 50% of the revenues in this market (Source : IMaCS Virtus Global Partners/ industry reports). The domestic potential is expected to remain favorable, with Government of India's (GOI) growing thrust on improvement and augmentation of water/waste water treatment infrastructure. The total planned expenditure for urban water supply and sanitation, under the 11th five year plan (2007-2012) was estimated at Rs 1292 billion, which is more than 2 times of the planned expenditure of the 10th five year plan. Further, GOI is implementing the same through, various initiatives including Jawaharlal Nehru National Urban Renewal Mission (JNNURM) currently covering about 65 cities, with implementation of the same in another 28 cities under consideration.

The Wabag Group also has a long standing presence in the other key growth markets such as North Africa& Middle East, China, and Central & Eastern Europe, which are also expected to show healthy growth. The company also has presence in South East Asia countries in which the market size is expected to grow at a CAGR of 3- 7% over the period 2007-2016 Source: industry reports/DRHP). The overseas operations are largely conducted through the principal offices in Austria, the Czech Republic, China, Switzerland, Algeria, Romania, Tunisia, UAE, Libya and MacaoThus, Wabag is expected to benefit from both its strong track record as well as favorable demand outlook in these key growing markets, where it has established its presence over the period.

Established position in the water/waste treatment project execution business

The company is into turnkey project execution for water/waste treatment facilities including drinking water treatment, effluents treatment, sewage treatment, sludge treatment, desalination and de-mineralization, for both municipal and industrial customers. Wabag has executed more than 100 projects for clients which includes various municipal corporations and industrial units belonging to the power, steel and oil and gas sector. On an overall basis, the Wabag group has implemented close to 2250 projects over the last three decades in more than 19 countries. The subsidiary companies, Wabag Austria and Wabag Wassertechnik, Switzerland own 155 patents which include both process and product patents. Wabag Austria has also applied for 37 patents that are pending. The group's previous project references and technology support from the various subsidiaries thus helps the company to leverage its position in a highly competitive business environment.

Healthy order book position provides revenue visibility; however it faces customer concentration risk

Table 3: Movement in order book

Amount in Rs. million	FY 2007	FY 2008	FY 2009	FY2010
Opening order Backlog	4460	6640	11610	12310
Order Booking (New)	4770	8330	6780	13570
Growth in fresh orders booked	58%	75%	-19%	100%
Sales Booked/Revenue	2600	3350	5680	7030
Closing Order Backlog	6630	11610	12710	18850
Closing order balance / Sales booked	***2.6***	***3.5***	***2.2***	***2.7***

Source: Company

The company's order book provides reasonably strong visibility, given that the orders are expected to be executed over the period of next 18-24 month period. However, the order book position has been aided by of one large contract from the Chennai Metro Water Supply and Sewerage Board (CMWSSB), which involves setting up of a 100 million-litre-a-day desalination plant at an aggregate cost of Rs 10.33 billion. The DBO-based (design, build and operate) plant would come up at Nemmeli, near Chennai and is expected to be commissioned by December 2011. While the project value is high, the scope of the project includes a seven-year-contract for operations and maintenance that is estimated to cost an additional Rs 5.00 billion, which would be funded by grant from the State Government. The company has tied up with, IDE Technologies (IDE) of Israel for execution of the project. IDE provide engineering support for the implementation of the project, while the overall responsibility of project execution remains with the company.

The consolidated order book position of the subsidiaries as on 31st March 2010 which stood at Euro 157.70 million, also provide visibility on the future revenue for the subsidiaries.

Profitability vulnerable to adverse material price fluctuations especially in case of fixed price based contracts in Industrial segment

Project execution requires various raw materials including steel, cement and other electrical and mechanical components. The ability of the company to pass on the raw material cost variations may be limited, in case of lump sum or fixed price contracts, which could adversely affect the company's margins. . However, this risk is partially mitigated by the fact that projects with the municipal corporations, which account for about 63-65% of the revenues, generally carry a positive price escalation clause

Timely execution of the orders is critical

Table 4: Liquidated Damages

Amount in Rs. million	FY 2008	FY 2009	FY 2010
Liquidated Damages (LD)	98.7	198.9	18.8
Revenues	3399.1	5689.3	7023.9
LD booked as % of Operating income	2.9%	3.5%	0.3%

Source: Annual report

The projects undertaken have average an execution period of 18 – 24 months and ability to execute the projects in a timely manner without any cost over-runs is critical. Delays in project execution or shortfall in the quality and quantity of water/ waste water treated could lead to the liquidated damages (LD's), instances of LD's claims in the past had impacted the profitability of the company, specifically in FY2009. As a conscious strategy, the company is moving away from bidding for orders from segments where the incidence of LD clauses has been substantial

Financial position- Standalone

Profitability & Earnings:

Table 5: Profitability indicators

In Rs. Million	FY2007	FY2008	FY2009	FY2010
Operating Income	2618.0	3399.1	5689.3	7023.9
OPBDIT	158.0	111.9	336.6	860.1
OPBDIT / OI (%)	6.04%	3.29%	5.92%	12.25%
PAT	68.2	18.2	190.7	409.8
PAT / OI (%)	2.6%	0.5%	3.4%	5.8%
ROCE (%)	13.6%	5.1%	15.6%	33.7%
RONW (%)	7.3%	1.1%	10.0%	18.4%
EPS (Rs./ share)	17.2	4.4	45.9	43.8

Source: Annual report

Note: OPBDIT – Operating Profit before Depreciation, Interest and Tax, PAT – Profit after Tax, ROCE – Return on Capital Employed, RONW – Return on Net Worth, EPS- Earnings per share

The operating income of the company has shown a strong growth over the last four years, supported by a healthy order book and speedy execution. The operating margins have also been showing a rising trend due to economies of scale, softening of raw material prices in recent times and considerably lower LD claims. Going forward, the company's ability to execute the contracts in a timely manner and also within the budgeted costs remains crucial for sustaining the profitability levels

With growth in turnover and margins, profit after tax of the company has increased significantly from Rs. 68.2 million in FY2007 to Rs. 409.8 million in FY2010. Improvement in the profitability levels over the last two years has resulted in a healthy Return on capital employed of 33.7 % for FY2010. Section 80-IA was amended with retrospective effect by the Finance Act, 2009, following which the company would have higher tax liability going forward; this could have an adverse impact on the profitability figures.

Financial Leverage:

Table 6: Capitalization indicators

In Rs. Million	FY2007	FY2008	FY2009	FY2010
Total Debt	95.5	121.9	115.0	0.0
Net Worth	1426.5	1797.3	2009.9	2433.8
Total Debt / Net Worth	0.1	0.1	0.1	0.0

Source: Annual report

The infusion of equity over the years from the promoters and various private equity investors has resulted in a strong networth position for the company. The improvement in the profitability, especially in the past two financial years, leading to better accruals has also strengthened the net worth. The company's working capital is largely financed by advances from customers as well as credit period from suppliers, thus resulting in minimal reliance on debt.

Working capital intensity

Table 7: Working capital ratios

	FY 2007	FY 2008	FY 2009	FY2010
Debtor days	167	211	224	212
Inventory days	48	16	27	12
Creditor days	116	145	166	150
NWC/OI	25.2%	25.5%	15.0%	16.5%

Source: Annual report

Note: NWC/OI-Net working capital /operating income

The high working capital intensity is inherent in this business, the yearend figures are also skewed because of the seasonality in sales bookings, with a large proportion of sales booked in the last quarter of the financial year. However, as already mentioned, the company manages to get favorable credit terms and advances from the customers, which has enabled it to keep the working capital intensity within manageable levels.

CASH FLOWS:

Table 8: Cash flow indicators

In Rs. Million	FY2007	FY2008	FY2009	FY2010
Fund Flow from Operations (FFO)	42.0	-203.6	225.4	227.6
Gross Cash Flows	-44.2	-143.3	191.8	156.3
Retained Cash Flows	-44.2	-143.3	191.8	156.3
Free Cash Flows	-225.8	-414.4	172.3	88.8

Source: Annual report

Improvement in profitability and the reduction in the working capital intensity during FY2009 and FY2010 as compared to the previous years have resulted in comfortable fund flow from operation for the company. Going forward, the company's ability to complete projects in a timely manner and ensure faster collection of receivables would be key in maintaining cash flows.

CONTINGENT LIABILITIES

The contingent liabilities as on 31st March 2009 and 31st March 2010 are as given in the table below

Table 9: Contingent Liabilities

Particulars	31st March 2009	31st March 2010
Rs Million		
Sales Tax Matters	38.9	14.4
Income Tax Matters	57.8	407.8
Bank Guarantees/Letter of credit issued by banks on behalf of the company	3664.9	3305.5
Corporate Guarantees issued by the company for VA Tech Wabag Singapore (Pte) ltd.	4477.4	-
Corporate Guarantees issued by the company for VA Tech Wabag GmbH, Vienna	206.7	2301.3

Source: Annual report

Litigation History

The Company has taxation related litigations, largely towards income tax following the amendment of section 80 IA of the Income Tax Act, 1961, with retrospective effect from April 1, 2000. There are also pending litigations against subsidiary companies, largely related to civil, arbitration and taxation.

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