



VISHWANATH SUGAR AND STEEL INDUSTRIES LIMITED

Our Company was originally incorporated as a public limited company under the Companies Act, 1956 in the name of Vishwanath Sugars Limited at Bengaluru, Karnataka vide a Certificate of Incorporation dated May 2, 1995 now bearing CIN U85110KA1995PLC017730. Our Company was granted the Certificate of Commencement of Business by the RoC, Karnataka on December 21, 1999. The name of our Company was subsequently changed to Vishwanath Sugar and Steel Industries Limited and a Fresh Certificate of Incorporation dated December 28, 2010 was issued by the RoC, Karnataka.

Registered Office: Bellad Bagewadi, Taluka Hukkeri, Bellad Bagewadi 591 305, Karnataka, India.

For details of changes in the registered office, please refer to the section titled "History and Certain Corporate matters" beginning on page 140 of this Draft Red Herring Prospectus.

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Contact Person: Mr. Mukesh Kumar, **Executive Director & Compliance Officer;** **E-mail:** ipo@vssil.co.in; **Website:** www.vssil.co.in

PROMOTERS OF OUR COMPANY: MR. UMESH VISHWANATH KATTI; MR. RAMESH VISHWANATH KATTI; MR. NIKHIL UMESH KATTI; MS. SHEELA U. KATTI; MS. JAYASHREE R. KATTI; MR. LAVA R. KATTI; MR. KUSH R. KATTI; MR. PRAKASH S. KATTI AND MR. RAMAPPA B. KHEMLAPURE

PUBLIC ISSUE OF [●] EQUITY SHARES OF ₹ 10 EACH FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A SHARE PREMIUM OF ₹ [●] PER EQUITY SHARE) AGGREGATING UPTO ₹ 37,400 LAKHS (THE "ISSUE") BY [●] ("OUR COMPANY" OR THE "ISSUER"). THE ISSUE WILL CONSTITUTE [●]% OF THE POST ISSUE PAID-UP EQUITY CAPITAL OF OUR COMPANY.

THE FACE VALUE OF THE EQUITY SHARES IS ₹ 10 EACH. THE PRICE BAND AND THE MINIMUM BID LOT SIZE WILL BE DECIDED BY OUR COMPANY IN CONSULTATION WITH THE BOOK RUNNING LEAD MANAGER AND WILL BE ADVERTISED AT LEAST TWO WORKING DAYS PRIOR TO THE BID/ISSUE OPENING DATE.

In case of revision in the Price Band, the Bidding/Issue Period shall be extended for atleast three (3) additional Working Days after such revision, subject to the Bidding/Issue Period not exceeding ten (10) Working Days. Any revision in the Price Band, and the revised Bidding/Issue Period, if applicable, shall be widely disseminated by notification to the BSE Limited (the "BSE") and the National Stock Exchange of India Limited (the "NSE"), SCSBs, by issuing a press release and also by indicating the change on the website of the Book Running Lead Manager ("BRLM") and at the terminals of the Syndicate Members.

This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. Any Bidder (other than Anchor Investor) may participate in this Issue through the Application Supported by Blocked Amount ("ASBA") process by providing the details of their ASBA Accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks ("SCSBs"). It is mandatory for Non-Retail Investors i.e. QIBs and Non Institutional Investors to make an application through this process. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

RISKS 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 ₹ 10 each. The Floor Price is [●] times of the face value and the Cap Price is [●] times of the face value. The Issue Price (as determined by our Company, in consultation with the BRLM, on the basis of the assessment of market demand for the Equity Shares by way of the Book Building Process) should not be taken to be indicative of the market price of the Equity Shares after the Equity Shares are listed. No assurance can be given regarding an active and/or sustained trading in the Equity Shares of our Company or regarding the price at which the Equity Shares will be traded after listing.

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 our Company and the Issue, including the risks involved. The Equity Shares offered in the Issue have not been recommended or approved by the Securities and Exchange Board of India ("SEBI"), nor does SEBI guarantee the accuracy or adequacy of the contents of this Draft Red Herring Prospectus. Specific attention of the investors is invited to the statements in the section "Risk Factors" beginning on page 12 of this Draft Red Herring Prospectus.

COMPANY'S ABSOLUTE RESPONSIBILITY

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

IPO GRADING

This Issue has been graded by [●] and has been assigned the "IPO Grade [●]" indicating [●], through its letter dated [●]. 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. For details regarding the grading of the Issue, see the section titled "General Information" beginning on page 41 of this Draft Red Herring Prospectus.

LISTING

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

BOOK RUNNING LEAD MANAGER



ASHIKA CAPITAL LIMITED
1008, Raheja Centre, 10th Floor
214, Nariman Point,
Mumbai 400 021, India.
Telephone: +91 22 6611 1700
Facsimile: +91 22 6611 1710
Email: mbd@ashikagroup.com
Contact Person: Ms. Nimisha Joshi /Ms. Nupur Jain
Website: www.ashikagroup.com
SEBI registration number: INM 000010536

REGISTRAR TO THE ISSUE



LINK INTIME INDIA PRIVATE LIMITED
C-13, Pannalal Silk Mills Compound
L.B.S. Marg, Bhandup (West)
Mumbai 400 078, India.
Telephone: +91 22 2596 3838
Facsimile: +91 22 2594 6969
Email: vssil@linkintime.co.in
Contact Person: Mr. Sanjog Sud
Website: www.linkintime.co.in
SEBI registration number: INR000004058

BID/ISSUE PROGRAM

BID/ISSUE OPENS ON*

[●]

BID/ISSUE CLOSES ON**

[●]

*Our Company in consultation with the BRLM may consider participation by Anchor Investors. The Anchor Investor Bid/Issue Period shall be one (1) Working Day prior to the Bid/Issue Opening Date.

**Our Company in consultation with the BRLM, may consider closing the Bid/Issue Period for QIBs one (1) Working Day prior to the Bid/Issue Closing Date.

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SECTION I: GENERAL

DEFINITIONS AND ABBREVIATIONS

Unless the context otherwise indicates/implies, the terms and abbreviations stated hereunder shall have the meanings as assigned therewith. References to statutes, rules, regulations, guidelines and policies will be deemed to include all amendments and modifications notified thereto.

Company Related Terms

Term	Description
"VSSIL", "Vishwanath Sugar and Steel Industries Limited" or "our Company" or "Issuer"	Vishwanath Sugar and Steel Industries Limited, a public limited company incorporated under the provisions of the Companies Act, 1956.
"We" or "us" and "our"	Unless the context otherwise require, refers to Vishwanath Sugar and Steel Industries Limited.
AOA/Articles/ Articles of Association	The Articles of Association of our Company
Audit Committee	A Committee re-constituted in accordance with the Section 292A of the Companies Act, and Clause 49 of the Listing Agreement in the meeting of our Board of Directors held on April 5, 2011.
Board of Directors / Board/ Directors	The Board of Directors of our Company
Bankers to our Company	State Bank of India, Bank of India, Bellad Bagewadi Urban Souhardha Sahakari Bank Limited and the Belgaum District Central Co-operative Bank Limited
Equity Shares	Equity Shares of our Company of face value of ₹10 each unless otherwise specified in the context thereof
Group Companies/ Entities	Group companies shall mean companies, firms, ventures, etc promoted by the Promoters of our Company irrespective of whether such entities are covered under Section 370(1)(B) of the Companies Act, 1956 or not being i) Vishwaraj Infrastructure Private Limited; ii) U.R. Agro-fresh Private Limited and iii) M/s Vishwaraj Developers
Lenders of our Company	Bank of India, State Bank of India and the Belgaum District Central Co-operative Bank Limited
MOA/ Memorandum/ Memorandum of Association	Memorandum of Association of our Company
Promoters	Shall mean promoters of our Company i.e. i) Mr. Umesh Vishwanath Katti; ii) Mr. Ramesh Vishwanath Katti; iii) Mr. Nikhil Umesh Katti; iv) Ms. Sheela U. Katti; v) Ms. Jayashree R. Katti; vi) Mr. Lava R. Katti; vii) Mr. Kush R. Katti; viii) Mr. Prakash S. Katti and ix) Mr. Ramappa B. Khemlapure
Promoter Group Companies	Persons and entities covered under Regulation 2(1)(zb) of the SEBI (ICDR) Regulations as enlisted in the section titled "Our Promoters and Promoter Group" beginning on page 162 of this Draft Red Herring Prospectus.
Registered Office of our Company	Bellad Bagewadi, Taluka Hukkeri, Bellad Bagewadi 591 305, Karnataka, India.
RoC / Registrar of Companies	Registrar of Companies, Karnataka, located at 'E' Wing, 2 nd Floor Kendriya Sadana Koramangala, Bengaluru 560 034, India
Statutory Auditor/ Auditor	The statutory auditor of our Company being M/s P. G. Ghali & Co., Chartered Accountants, Belgaum

Issue Related Terms

Term	Description
Allot/ Allotment/ Allotment of Equity Shares	Unless the context otherwise requires, issue/allotment of Equity Shares pursuant to the Issue to successful Bidders.
Allottee	The successful bidder to whom the Equity Shares are being / have been issued /allotted.
Allotment Advice	In relation to Bidders other than Anchor Investors, the note or advice or intimation of Allotment of the Equity Shares, sent to each successful Bidder who have been or are to be allotted Equity Shares after discovery of the Issue Price, including any revision thereof.
Anchor Investor	A Qualified Institutional Buyer, applying under the Anchor Investor Portion, who has Bid for Equity Shares amounting to at least ₹1,000 lakhs.
Anchor Investor Bid/ Issue Period	The final price at which Equity Shares will be issued and allotted to Anchor Investors in terms of the Red Herring Prospectus and the Prospectus, which price will be equal to or higher than the Issue Price, but not higher than the Cap Price. One (1) Working Day prior to the Bid/Issue Opening Date, on which Bids by Anchor Investors shall be submitted and allocation to Anchor Investors shall be completed. The Anchor Investor Issue Price will be decided by our Company in consultation with the BRLM.
Anchor Investor Allocation Price	The price at which Equity Shares will be allocated in terms of the Red Herring Prospectus and Prospectus to the Anchor Investors, which will be decided by our Company in consultation with the BRLM prior to the Bid/Issue Opening Date.
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 the Prospectus, which price will be equal to or higher than the Issue Price but not higher than the Cap Price. The Issue Price will be decided by our Company in consultation with the BRLM
Anchor Investor Portion	Up to 30% of the QIB Portion which may be allocated by our Company in consultation with the BRLM 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.
Application Supported by Blocked Amount / ASBA	An application, whether physical or electronic, used by all Bidders other than the Anchor Investors to make a Bid authorizing a SCSB to block the Bid Amount in the ASBA Account maintained with the SCSB. ASBA is mandatory for QIBs (except Anchor Investors) and Non Institutional Bidders participating in the Issue.
ASBA Account	Account maintained by an ASBA Bidder with a SCSB which will be blocked by such SCSB to the extent of the Bid Amount of the ASBA Bidder.
ASBA Investors/ Bidder	Prospective investor other than Anchor Investor in the Issue who Bid/apply through ASBA with SCSB.
Basis of Allotment	The basis on which the Equity Shares will be allotted as described in the section titled "Issue Procedure-Basis of Allotment" beginning on page 272 of this Draft Red Herring Prospectus.
Bid	An indication to make an offer during the Bid/Issue Period by a Bidder (other than an Anchor Investor) or on the Anchor Investor Bidding Period by an Anchor Investor, pursuant to submission of a Bid-cum-Application Form to subscribe to the Equity Shares at a price within the Price Band, including all revisions and modifications thereto.
Bid Amount	The highest value of the optional Bids indicated in the Bid-cum-Application Form and payable by the Bidders on submission of the Bid for this Issue.
Bid/ Issue Closing Date	Except in relation to Anchor Investors, the date after which the Members of the Syndicate and the SCSBs will not accept any Bids for this Issue, which shall be notified in a English national newspaper, Hindi national newspaper and a Kannada regional newspaper each with wide circulation and in case of any revision, the extended Bid/Issue Closing Date also to be notified on the website and terminals of the Syndicate and SCSBs, as required under the SEBI (ICDR) Regulations. Further, the Bidding by QIBs may close one (1) Working Day prior to the Bid/Issue Closing

Term	Description
	Date.
Bid/ Issue Opening Date	Except in relation to Anchor Investors, the date on which the Members of the Syndicate and the SCSBs shall start accepting Bids for this Issue, which shall be the date notified in an English national newspaper, Hindi national newspaper and a Kannada regional newspaper each with wide circulation as required under the SEBI (ICDR) Regulations.
Bid-cum-Application Form	The form in terms of which the Bidder shall make an offer to subscribe to the Equity Shares of our Company and which will be considered as the application for allotment in terms of the Red Herring Prospectus and Prospectus.
Bidder	Any prospective investor including the ASBA Bidders and the Anchor Investor who makes a Bid pursuant to the terms of the Red Herring Prospectus and the Bid-cum-Application Form.
Bidding / Issue Period	The period between the Bid / Issue Opening Date and the Bid/Issue Closing Date inclusive of both days and during which prospective Bidders (excluding Anchor Investors) can submit their Bids, inclusive of any revisions thereof.
Book Building Process/ Method	Book building mechanism as provided under Schedule XI of the SEBI (ICDR) Regulations, in terms of which this Issue is made.
BRLM / Book Running Lead Manager	The Book Running Lead Manager for the Issue being Ashika Capital Limited.
CAN or Confirmation of Allocation Note	In relation to Anchor Investors, the note or advice or intimation including any revisions thereof, sent to each successful Anchor Investors indicating the Equity Shares allocated after discovery of the Anchor Investor Issue Price.
Cap Price	The upper end of the Price Band, above which the Issue Price will not be finalised and above which no Bids will be accepted.
Controlling Branches	Such branches of the SCSBs which co-ordinate Bids under this Issue made by the ASBA Bidders with the BRLM, the Registrar to the Issue and the Stock Exchanges, a list of which is provided on http://www.sebi.gov.in
Cut-Off / Cut-Off Price	The Issue Price finalised by our Company in consultation with the BRLM and it shall be any price within the Price Band. Only Retail Individual Bidders whose Bid Amount does not exceed ₹2,00,000 are entitled to Bid at the Cut-off Price. QIBs including Anchor Investors and Non-Institutional Bidders are not entitled to Bid at the Cut-off Price.
Depositories	NSDL and CDSL
Depository Participant	A depository participant as defined under the Depositories Act.
Designated Branches	Such branches of the SCSBs which shall collect the Bid-cum-Application Form from the ASBA Bidders and a list of which is available on http://www.sebi.gov.in .
Designated Date	The date on which the Escrow Collection Banks and the SCSBs transfer the funds from the Escrow Accounts and the ASBA Accounts, respectively, to the Public Issue Account, or the Refund Account, as appropriate, in terms of the Red Herring Prospectus.
Designated Stock Exchange	BSE Limited
Draft Red Herring Prospectus	This Draft Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, 1956 which does not have complete particulars on the price at which the Equity Shares are offered and size of this Issue.
Eligible NRI	NRIs 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 Draft Red Herring Prospectus constitutes an invitation to Bid on the basis of the terms thereof.
Equity Shares	Equity Shares of our Company of face value of ₹10 each unless otherwise specified in the context thereof.
Escrow Account(s)	Account(s) opened with Escrow Collection Bank(s) for the Issue and in whose favour the Bidder (including Anchor Investor and excluding the ASBA Bidders) will issue cheques or drafts in respect of the Bid Amount when submitting a Bid.
Escrow Agreement	Agreement to be entered into amongst our Company, the Registrar to this Issue, the Escrow Collection Banks, the Members of Syndicate in relation to the collection of

Term	Description
	the Bid Amounts and dispatch of the refunds (excluding the ASBA Bidders) of the amounts collected, to the Bidders.
Escrow Collection Bank(s)/Bankers to the Issue	The bank(s), which are clearing members and are registered with SEBI as Banker (s) to the Issue at which the Escrow Account for the Issue will be opened, in this case being [●].
First Bidder	The Bidder whose name appears first in the Bid-cum-Application Form or Revision Form.
Floor Price	The lower end of the Price Band, below which the Issue Price will not be finalised and below which no Bids will be accepted.
Issue Agreement	The agreement entered into on December 21, 2011 between our Company and BRLM pursuant to which certain arrangements are agreed in relation to the Issue.
Issue	Public Issue of equity shares of face value ₹10 each of Vishwanath Sugar and Steel Industries Limited for cash at a price of ₹[●] per Equity Share (the " Issue Price "), including a share premium of ₹[●] per equity share aggregating upto ₹37,400 lakhs.
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 BRLM on the Pricing Date.
IPO Grading Agency	[●]
Members of the Syndicate	Syndicate Members and/or sub-syndicate members.
Mutual Funds	Mutual funds registered with SEBI pursuant to the SEBI (Mutual Funds) Regulations, 1996, as amended.
Mutual Fund Portion	5% of the QIB portion (excluding the Anchor Investor Portion) or [●] Equity Shares available for allocation to domestic Mutual Funds only.
Net QIB Portion	The portion of the QIB Portion less the number of Equity Shares Allotted to the Anchor Investors on a discretionary basis.
Net Proceeds	The Issue Proceeds received from the Issue excluding Issue related expenses. For further information on the use of Issue Proceeds and Issue expenses, please refer to the section titled "Objects of the Issue" beginning on page 70 of this Draft Red Herring Prospectus.
Non Institutional Bidders	All Bidders that are not Qualified Institutional Buyers or Retail Individual Bidders and who have Bid for Equity Shares for an amount more than ₹2,00,000.
Non Institutional Portion	The portion of this Issue being not less than 15% of the Net Issue consisting of [●] Equity Shares aggregating ₹[●] lakhs, available for allocation to Non Institutional Bidders.
Pay-in-Date	With respect to Anchor Investors, the date no later than two days after the Bid/Issue Closing Date on which date the Anchor Investors would be required to provide such additional amount as may be required in the event the Issue Price is higher than the Anchor Investor Allocation Price
Price Band	Price Band of a minimum price of ₹[●] (Floor Price) and the maximum price of ₹[●] (Cap Price) and include revisions thereof. The Price Band and the minimum Bid Lot size for the Issue will be decided by our Company in consultation with the BRLM and advertised, at least two (2) Working Days prior to the Bid/Issue Opening Date, in all editions of English national daily [●], all editions of Hindi national daily [●] and [●] Kannada regional daily with wide circulation.
Pricing Date	The date on which our Company in consultation with the BRLM finalize the Issue Price.
Prospectus	The Prospectus, to be filed with the RoC in accordance with the provisions of the Companies Act containing, <i>inter alia</i> , the Issue Price that is determined at the end of the Book Building Process, the size of this Issue and certain other information.
Public Issue Account	The Bank Account opened with the Banker(s) to this Issue by our Company under Section 73, Sections 56, 60 and 60B of the Companies Act, 1956 and SEBI (ICDR) Regulations to receive monies from the Escrow Account for this Issue on the Designated Date and where the funds shall be transferred by SCSBs from the ASBA Accounts.

Term	Description
QIB Portion	The portion of the Issue being upto 50% of the Issue shall be available for allocation to QIB Bidders.
Red Herring Prospectus or RHP	The Red Herring Prospectus issued in accordance with Section 60B of the Companies Act, which does not have complete particulars on the price at which the Equity Shares are offered and size of the Offer. The Red Herring Prospectus will be filed with the RoC at least three (3) Working Days before the opening of the Issue.
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 Bidders) shall be made to the Bidders.
Refund Bankers	The bank(s) which is a/ are clearing member(s) and registered with the SEBI as Bankers to the Issue, at which the Refund Accounts will be opened, in this case being [●].
Refunds through electronic transfer of funds	Refunds through NECS, NEFT, Direct Credit, RTGS, as applicable.
Registrar/ Registrar to this Issue	Link Intime India Private Limited
Retail Individual Bidders	Individual Bidders (including HUFs in the name of Karta and Eligible NRIs) who have Bid for an amount less than or equal to ₹2,00,000 in any of the bidding options in this Issue.
Retail Portion	Consists of [●] Equity Shares aggregating ₹[●] lakhs, being not less than 35% of the Net Issue, available for allocation to Retail Individual Bidder(s).
Revised Anchor Investor Allocation Notice	Notice or intimation of Equity Shares sent to Anchor Investors who have been allocated Equity Shares after discovery of the Issue Price if the Issue Price is higher than the Anchor Investor Issue Price.
Revision Form	The form used by the Bidders to modify the quantity of Equity Shares or the Bid price in any of their Bid-cum-Application Forms or any previous Revision Form(s).
Self Certified Syndicate Bank or SCSB	A Bank which is registered with SEBI under SEBI (Bankers to an Issue) Regulations, 1994 and offers services of ASBA and a list of which is available on http://www.sebi.gov.in/pmd/scsb.pdf
Specified Cities	Cities as specified in the SEBI Circular No. CIR/CFD/DIL/1/2011 dated April 29, 2011, namely, Ahmedabad, Bangalore, Baroda, Chennai, Delhi, Hyderabad, Jaipur, Kolkata, Mumbai, Pune, Rajkot and Surat
Stock Exchanges	BSE Limited and the National Stock Exchange of India Limited
Syndicate Agreement	The agreement to be entered into between our Company and the Members of the Syndicate, in relation to the collection of Bids in this Issue.
Syndicate Members	Intermediaries registered with SEBI and eligible to act as underwriters. Syndicate Members are appointed by the BRLM and in this case, being [●].
TRS or Transaction Registration Slip	The slip or document issued by the members of the Syndicate or the SCSBs, as the case maybe, upon demand to a Bidder as proof of registration of the Bid.
Underwriters	The BRLM and the Syndicate Members.
Underwriting Agreement	The Agreement among the Underwriters and our Company to be entered into on or after the Pricing Date.
Working Days	All days except Sunday and any public holiday (except in relation to the Bid/ Issue Period where a working day means all days other than a Saturday, Sunday or a public holiday), on which commercial banks in Mumbai are open for business.

Conventional and General Terms

Term	Description
Companies Act	The Companies Act, 1956, as amended
Depositories Act	The Depositories Act, 1996, as amended
DGI	Director General of Investigation
FEMA	Foreign Exchange Management Act, 1999 and the rules and regulations issued thereunder, as amended.

Term	Description
FII / Foreign Institutional Investors	Foreign Institutional Investor (as defined under SEBI (Foreign Institutional Investors) Regulations, 1995, as amended) registered with SEBI under applicable laws in India.
Financial Year/ Fiscal/ F.Y.	The period of twelve (12) months ended on March 31 of that particular year.
FVCI	Foreign Venture Capital Investors registered with SEBI under the SEBI (Foreign Venture Capital Investor) Regulations, 2000.
GOK	Government of Karnataka.
Indian GAAP	Generally Accepted Accounting Principles in India
I. T. Act	The Income Tax Act, 1961, as amended.
I. T. Rules	The Income Tax Rules, 1962, as amended, except as stated otherwise.
MLA	Member of the Legislative Assembly.
MLC	Member of the Legislative Council.
NIF	National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of Government of India published in the Gazette of India.
Non Resident	A person resident outside India, as defined under FEMA and includes a Non Resident Indian, FIIs registered with SEBI and FVCIs registered with SEBI.
NRI/ Non-Resident Indian	A person resident outside India, as defined under FEMA and who is a citizen of India or a person of Indian origin, each such term as defined under the FEMA (Deposit) Regulations, 2000, as amended.
Overseas Corporate Body / OCB	OCB/Overseas Corporate Body – Overseas Corporate Body means and includes an entity defined in clause (xi) of Regulation 2 of the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies (OCB's) Regulations 2003 and which was in existence on the date of the commencement of these Regulations and immediately prior to such commencement was eligible to undertake transactions pursuant to the general permission granted under the Regulations. OCBs are not allowed to invest in this Issue.
Person(s)	Any individual, sole proprietorship, unincorporated association, unincorporated organization, body corporate, corporation, company, partnership, limited liability company, joint venture, or trust or any other entity or organization validly constituted and/or incorporated in the jurisdiction in which it exists and operates, as the context requires.
Qualified Institutional Buyers or QIBs	A Mutual Fund, Venture Capital Fund and Foreign Venture Capital investor registered with the Board, a foreign institutional investor and sub-account (other than a sub-account which is a foreign corporate or foreign individual), registered with the Board; a public financial institution as defined in section 4A of the Companies Act, 1956; a scheduled commercial bank; a multilateral and bilateral development financial institution; a state industrial development corporation; an insurance company registered with the Insurance Regulatory and Development Authority; a provident fund with minimum corpus of twenty five crore rupees; a pension fund with minimum corpus of twenty five crore rupees; National Investment Fund set up by resolution No. F. No. 2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India.
SCRR	Securities Contracts Regulations 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 (ICDR) Regulations	SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, as amended.
SEBI Takeover Regulations	Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011.
SEBI Insider Trading Regulations	The SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, including instructions and clarifications issued by SEBI from time to time.

Technical and Industry Terms

Term	Description
Acre	One Acre equals to 4046.86 Sq. Mtrs.
Bagasse	A fibrous residue obtained after the crushing and extraction of juice from sugarcane
Boxes	One carton of 48 bottles of 180 m.l. each or 24 bottles of 375 m.l. each or 12 bottles of 750 m.l. each
CSR	Corporate Social Responsibility
DCS	Distributed Control System
ENA	Extra Neutral Spirit
EPC	Engineering Construction and Procurement
ESP	Electro Static Precipitator
Ethanol	Ethyl alcohol produced from fermentation of molasses for industrial purposes
Free Sale Sugar	A portion of the production of a sugar mill, which can be sold in the open market
FRP	Fair and Remunerative Price
GOK	Government of Karnataka
KLPD	Kilo Litres Per Day
Levy Sugar	That portion of the production of a sugar mill that is procured by the Government of India appointed nominees at a fixed price that has to be sold as per Government direction through fair shops
MOEF	Ministry of Environment and Forest
Molasses	A thick liquid residue of sugar manufacturing process, which still contains around 30% sugar which cannot be crystallized
MW	Mega Watt
MRM	Monthly Release Mechanism
NS	Neutral Spirit
OGI	Open General License
PDS	Public Distribution System
SIA	Secretariat of Industrial Assistance
SMP	Statutory Minimum Price
Sugar Year	October-September
TCD	Tons crushed per day
TPD	Tons per day
TPH	Tons per hour
MT	Metric Tonne
HT	High Tension
KW	Kilo Watt
TPA	Tons Per Annum

Abbreviations

Term	Description
A/c	Account
AGM	Annual General Meeting
AS	Accounting Standards issued by the Institute of Chartered Accountants of India.
A.Y.	Assessment Year
ASBA	Application Supported by Blocked Amount
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDSL	Central Depository Services (India) Limited
DIN	Director Identification Number
DIPP	Department of Industrial Policy & Promotion
DP	Depository Participant
ECS	Electronic Clearing System
EBIDTA	Earnings before Interest, Depreciation, Tax and Amortisation

Term	Description
EGM	Extraordinary General Meeting of the shareholders
EPS	Earnings Per Share
ESIC	Employee's State Insurance Corporation
FCNR Account	Foreign Currency Non Resident Account
FIPB	Foreign Investment Promotion Board
FI's	Financial Institutions
F.Y.	Financial Year
GIR Number	General Index Registry Number
GoI/Government	Government of India
HESCOM	Hubli Electricity Supply Company Limited
HUF	Hindu Undivided Family
ICAI	Institute of Chartered Accountant of India
IMFL	Indian Made Foreign Liquor
IPO	Initial Public Offering
IT Authorities	Income Tax Authorities
IT	Information Technology
KSBCCL	Karnataka State Beverages Corporation Limited
MIS	Management Information System
MoU	Memorandum of Understanding
NAV	Net Asset Value
NoC	No Objection Certificate
NPV	Net Present Value
NRIs	Non Resident Indians
NRE Account	Non-Resident (External) Account
NRO Account	Non-Resident (Ordinary) Account
NSDL	National Securities Depository Limited
NSE	The National Stock Exchange of India Limited
OMCs	Oil Marketing Companies
P.A., p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
P/E Ratio	Price/Earnings Ratio
QIB	Qualified Institutional Buyer
RBI	Reserve Bank of India
ROE	Return on Equity
RoC	Registrar of Companies
RONW	Return on Net Worth
RS	Rectified Spirit
SBI	State Bank of India
SERC	State Electricity Regulatory Commission
STOA	Short Term Open Access
TPTCL	Tata Power Trading Company Limited
U.S. GAAP	Generally Accepted Accounting Principles in the United States of America
USD/US\$	United States Dollar
VAT	Value added tax
w.e.f	With effect from
YoY	Year on Year

CERTAIN CONVENTIONS, USE OF FINANCIAL INFORMATION & MARKET DATA AND CURRENCY OF PRESENTATION

Certain Conventions

Unless otherwise specified or the context otherwise requires, all references to "India" in this Draft Red Herring Prospectus are to the Republic of India, together with its territories and possessions and all references to the "US", the "USA", the "United States" or the "U.S." are to the United States of America, together with its territories and possessions.

Financial Data

Unless stated otherwise, the financial data in this Draft Red Herring Prospectus is derived from our restated financial statement for the quarter ended June 30, 2011 and for the F.Y. 2011, 2010, 2009, 2008, and 2007. Our restated and financial statements are based on our audited financial statements respectively prepared in accordance with Indian GAAP, the Accounting Standards and other applicable provisions of the Companies Act and are restated in accordance with the SEBI (ICDR) Regulations. Our fiscal year commences on April 1 and ends on March 31 of the next year, so all references to a particular fiscal year are to the twelve-month (12) period ended March 31 of that year. In this Draft Red Herring Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding-off.

All the numbers in this Draft Red Herring Prospectus have been presented in lakhs, millions and crores or in whole numbers where the numbers have been too small to present in lakhs.

There are significant differences between Indian GAAP, U.S. GAAP and the International Financial Reporting Standards (IFRS). Accordingly, the degree to which the Indian GAAP restated financial information included in this Draft Red Herring Prospectus will provide meaningful information is entirely dependent on the reader's level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Red Herring Prospectus should accordingly be limited. 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.

Any percentage amounts, as set forth in the sections titled "Risk Factors", "Our Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 12, 112 and 209 respectively of this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated on the basis of our restated financial information prepared in accordance with Indian GAAP.

For definitions, see the section titled "Definitions and Abbreviations" beginning on page 1 of this Draft Red Herring Prospectus. In the section entitled "Main Provisions of the Articles of Association" beginning on page **Error! Bookmark not defined.** of this Draft Red Herring Prospectus, defined terms have the meaning given to such terms in the Articles.

Use of Industry and Market data

The section titled "Industry Overview" beginning on page 97 has been derived from a report titled "Indian Sugar and IMFL Industry, May 2011" that the Company has commissioned Credit Analysis & Research Limited ("**CARE**") to prepare a report (the "**Report**"). CARE has obtained the information set forth in the Report from its databases and other sources available in the public domain identified in the Report. CARE's methodologies for collecting information and data, and therefore the information discussed in the "Industry Overview" section, may differ from those of other sources, and does not reflect all or even necessarily a comprehensive set of the actual transactions occurring in the industry. The "Industry Overview" section also includes certain projections and estimates that are based on certain assumptions regarding contingencies and other matters that are not within the control of the Company, the BRLM, CARE or any other person. These assumptions are inherently subject to significant uncertainties and actual results may differ, perhaps materially, from those projected. CARE has given and has not withdrawn its written consent to the issue of this Draft Red Herring Prospectus with the inclusion herein of its name and all references thereto and to the inclusion of the Report, including extracts of the Report, in this Draft Red Herring Prospectus, in the form and context in which it appears in this

Draft Red Herring Prospectus. While the Company has taken reasonable actions to ensure that the Report and the market share and industry data and forecasts have been extracted accurately and in their proper context, neither the Company nor the BRLM have independently verified any of the data and forecasts from CARE or from third party sources or ascertained the underlying assumptions relied upon. As a result, you are cautioned against placing undue reliance on such information.

Although we believe that industry data used in this Draft Red Herring Prospectus is reliable, it has not been independently verified.

Additionally, the extent to which the market and industry data presented in this Draft Red Herring Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data. There are no standard data gathering methodologies in the industry in which we conduct our business and methodologies and assumptions may vary widely among different industry sources.

Currency of Presentation

All references to "Rupees" or "₹" or "INR" are to Indian Rupees, the official currency of the Republic of India. Throughout this Draft Red Herring Prospectus all figures have been expressed in Lakhs, Million and Crores. The word "Lakhs" or "Lakh" or "Lakhs" means "One hundred thousand", "Million" means "Ten Lakhs" and "Crores" means "Ten Million".

Any percentage amounts, as set forth in "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Conditions and Results of Operation" in this Draft Red Herring Prospectus, unless otherwise indicated, have been calculated based on our restated financial statement prepared in accordance with Indian GAAP.

FORWARD LOOKING STATEMENTS

All statements contained in this Draft Red Herring Prospectus that are not statements of historical fact constitute forward-looking statements. All statements regarding our expected financial condition and results of operations, business, plans and prospects are forward-looking statements. We have included statements in this Draft Red Herring Prospectus which contain words or phrases such as "will", "aim", "is likely to result", "believe", "expect", "will continue", "anticipate", "estimate", "intend", "plan", "contemplate", "seek to", "future", "objective", "goal", "project", "should", "will pursue" and similar expressions or variations of such expressions, that are "forward-looking statements".

All forward looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. 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. Important factors that could cause actual results to differ materially from our expectations include but are not limited to:

1. General economic and business conditions in India;
2. Our ability to successfully implement our growth strategy and expansion plans for which funds are being raised through this Issue;
3. Prices of raw materials we consume and the products we produce.
4. Increased competition in these sectors/areas in which we operate;
5. Changes in laws and regulations relating to the industry in which we operate;
6. Changes in political, economic and social conditions in India;
7. Cyclical or seasonal fluctuations in the operating results;
8. Changes in the foreign exchange control regulations, interest rates and tax laws in India;
9. Our ability to meet our capital expenditure requirements; and
10. Any adverse outcome in the legal proceedings in which we may be involved.

For a further discussion of factors that could cause our actual results to differ from our expectations, please refer to the sections titled "Risk Factors", "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 12, 112 and 209 respectively, of this Draft Red Herring Prospectus. By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated.

Forward looking statements speak only as of the date of this Draft Red Herring Prospectus. Neither our Company, our Directors and officers, the Underwriters, nor any of our respective affiliates or associates has any obligation to update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. In accordance with SEBI requirements, our Company and the BRLM will ensure that investors in India are informed of material developments until the final listing and commencement of trading of the Equity Shares allotted pursuant to the Issue on the Stock Exchanges.

SECTION II: RISK FACTORS

The risks and uncertainties described below, together with the other information contained in this Draft Red Herring Prospectus, should be carefully considered before making an investment decision in our Equity Shares. These risks are not the only ones relevant to our Company and our business, but also include risk relevant to the industry and geographic regions in which we operate. Additional risks, not presently known to us or that we currently deem immaterial may also impair our business and operations. To obtain a complete understanding of our Company and prior to making an investment decision, prospective investors should read this section in conjunction with the sections titled "Our Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on pages 112 and 209, respectively, as well as the other financial and statistical information contained in this Draft Red Herring Prospectus. If any of the risks described below actually occur, our business prospects, financial condition and results of operations could be materially affected, the trading price of our Equity Shares could decline, and investors could lose all or part of their investment.

Prospective investors should pay particular attention to the fact that we are incorporated under the laws of India and are subject to a legal and regulatory environment that differs in certain respects from that of other countries.

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

Internal Risk Factors

1. ***Two of our Promoters are politicians. One is an MLA in the State Legislature of Karnataka and the other is a Member of Parliament (Lok Sabha). Any adverse incidence in their political lives may affect the business growth of our Company and/or the price of our scrip.***

Two of our Promoters i.e. Mr. Umesh Vishwanath Katti and Mr. Ramesh Vishwanath Katti are politicians. Mr. Umesh Vishwanath Katti is a M.L.A. of the Karnataka Legislature and has been elected six (6) times from Hukkeri legislative assembly constituency. He was a Cabinet Minister in the Government of Karnataka between 1996-1999 holding the portfolio of the Sugar Ministry and later Public Works. He has held various positions in the Government of Karnataka over the years being Minister-in-Charge of Belgaum District, Minister-in-Charge of Prisons, Horticulture etc. Currently, he is holding the rank of a Cabinet Minister in charge of the Ministry of Agriculture and District Incharge Minister, Belgaum. His political career spans over two and a half decades and he is currently a Member of the ruling Bharatiya Janata Party (BJP) in the State of Karnataka. Mr. Ramesh Vishwanath Katti, the younger brother of Mr. Umesh Vishwanath Katti has actively participated in the co-operative movement in the State of Karnataka and is also a social activist. Currently he is a Member of Parliament (Lok Sabha) elected from Chikkodi parliamentary constituency in the State of Karnataka in the year 2009 and having his allegiance to the BJP. The father of Mr. Umesh Vishwanath Katti and Mr. Ramesh Vishwanath Katti, Late Shri Vishwanath M Katti was also a politician and was an MLC during the period 1972-1978. He was subsequently elected as an MLA from Hukkeri legislative assembly constituency in the year 1984 on a Janata Party ticket.

Due to the political affiliations of our Promoters, Mr. Umesh V. Katti and Mr. Ramesh V. Katti, the investors may perceive that any adverse incidences in their political career such as loss of power by the political party with whom they are affiliated, loss of cabinet seat, their political rivals or parties coming to power, defeat in elections and such other political reasons, may affect the business growth of our Company and/or the price of our scrip.

2. ***Our Company, Promoters and Directors are involved in certain litigations, the outcome of which could adversely affect our business prospects, financial condition and results of operations.***

We set out below the summary of litigation by and against our Company, Promoters and Directors:

No.	Particulars	No. of cases / disputes	Amount involved where quantifiable (₹ in Lakhs)
LITIGATION BY AND AGAINST OUR COMPANY			
<i>Litigation against our Company</i>			
1.	Civil Cases	1	Not ascertainable.
<i>Litigation by our Company</i>			
1.	Civil Cases	1	Not ascertainable.
2.	Criminal Cases	48	106.2
<i>Revenue Proceedings filed against our Company</i>			
1.	Appeals preferred by our Company	5	Not ascertainable
2.	Appeals preferred by the Department	3	Not ascertainable
3.	Show Cause Notices issued against our Company	16	712.97
<i>Cases filed by and against our Promoters</i>			
1.	Cases filed against our Promoter	1	Not ascertainable.
<i>Compounding application filed by our Company</i>			
1.	Compounding application filed by our Company	1	Not ascertainable

For further details of the above litigation, please refer to the section titled "Outstanding Litigation and Material Developments" beginning on page 232 of this Draft Red Herring Prospectus.

3. ***Sugarcane is the principal raw material used for the production of sugar. Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our business and results of operations.***

We do not own any land for cultivation of sugarcane and we purchase our entire sugarcane requirement directly from over 14,000 independent farmers from within and outside our reserved area. A farmer growing sugarcane within the reserved forty nine (49) villages around our manufacturing facility, known as our reserved area, is required to sell the sugarcane to our Company and we are under an obligation to purchase the sugarcane from these farmers. However, the farmers within our reserved area have no legal or contractual obligation to cultivate sugarcane and may instead grow other crops. If the farmers within our reserved area cultivate other crops, or otherwise limit their cultivation of sugarcane, we may have a shortage of the raw material.

While, as per the notification dated May 6, 1999 of the GoK wherein every grower of sugarcane falling under the specified command area is required to supply atleast ninety five percent (95%) of the sugarcane grown to our Company, however balance five percent (5%) of the sugarcane may be sold to other sugar factories instead of us. We work with the farmers to determine the harvesting schedule. However, if the farmers are able to realize a higher price for sales of sugarcane from other sugar factories or other users, the farmer may have an incentive to sell the the sugarcane to parties other than us. Further, farmers may want to harvest the crop earlier than we have scheduled or grow other crops thereby disrupting our operations. To ensure that the farmers stay interested in selling sugarcane to our Company, we need to provide financial and other incentives to the farmers. Diversion of sugarcane within our cane area to other users or other sugar factories may reduce the sugarcane available to us and may adversely affect our financial condition and results of operation.

In addition, adverse weather conditions, crop disease, pest attacks may adversely affect sugarcane crop yields and sugar recovery rates for any given harvest. Our sugar production depends on the volume and sucrose content of the sugarcane that is supplied to us. Crop yields and sucrose content depends primarily on the variety of sugarcane grown, the presence of any crop disease, weather conditions such as adequate rainfall and temperature which may vary even in a particular season. Adverse weather conditions may adversely affect our manufacturing operations. Flood or drought can adversely affect the supply and pricing of the sugarcane procured by us from the farmers. There can be no assurance that weather patterns, crop disease or the cultivation of certain sugarcane crop varieties will not reduce the amount of sugar that we can recover in any given harvest. Any reduction in the amount of sugar recovered from sugarcane could have a material adverse effect on our business and results of operations.

4. ***Our profitability depends significantly on the cost of procurement of sugarcane and the selling price of sugar. Since, sugar is a regulated industry, our margins are dependent on the policies of the government with respect to the price of sugarcane, sugar produced by the industry and the quantity of sugar that may be fixed for release in the market under the Monthly Release Mechanism (MRM).***

Sugar is an essential commodity falling within the purview of the Essential Commodities Act, 1955. Thus, the production, supply and distribution of sugar are regulated by the State and Central Government.

The Central Government regulates the purchase price of sugarcane and fixes the Fair and Remunerative Price (FRP), being the minimum price of sugarcane that the sugar producers must pay to the sugarcane growers within a specified time. The Sugar Directorate functioning under the auspices of the Central Government also has the power to fix the quantity and quality of sugar which may be produced in a factory during any year. The sale of sugar is regulated as per the Sugar Control Order, 1966. Ten percent (10%) of the sugar produced is sold through fair price shops and the public distribution system at government notified price, which at times may be below the cost of commercial production and is known as "Levy Sugar". The percentage of "Levy sugar" may vary depending upon the aggregate production of sugar during the year throughout the country. The Central Government fixes the Monthly Release Mechanism (MRM) which determines the amount of sugar that each factory may release every month. Further, the balance ninety percent (90%) of the sugar produced by our Company may reach the free market for sale and is termed as "Free Sale Sugar" which is again regulated under the MRM. We may be adversely affected if the Free Sale Sugar prices decline.

Various taxes and levies are also imposed on the purchase, use, consumption and sale of sugarcane. For further details, please refer to section titled "Regulations and Policies" beginning on page 132 of this Draft Red Herring Prospectus. Any change in governmental or legal policies or the applicability of the present regulations and policies to our detriment, or cheap import of sugar can adversely affect our business, operations and profitability.

Further, the price of sugar fluctuates due to various factors such as weather, natural disasters, domestic and foreign trade policies, shifts in supply and demand and other factors beyond our control. Sugar is also traded on the commodity exchanges under derivative instruments like forward contracts. These speculative practices may have an adverse impact on the price of sugar leading to a material adverse effect on our business and financial results.

5. ***We operate in an industry where the market price for our products is cyclical and affected by general economic conditions.***

The production cycle in the sugar industry is sensitive to changes in the domestic market prices, supply and demand. The sugar industry in India has often witnessed periods of limited supply of sugar because of various reasons. This has had an impact on the price of sugar and profit margins of the various players in the industry. Further, any decrease in the prevailing duty rates on the import of sugar by the Central Government may make the import of sugar an attractive proposition, thereby severely affecting the price of domestic sugar and consequently affecting the financial condition of our Company. Further, years of low production and declining sugar stocks may be followed by years of excess production that result in oversupply of sugar in the domestic markets, causing a decline in sugar prices and industry profit margins.

6. ***Bagasse, a by-product of sugarcane, is the basic raw material for our co-generation unit. Any constraint in the availability or the price of sugarcane may affect our co-generation business.***

Bagasse is the basic raw material for the co-generation business. Availability of this primary fuel, bagasse is dependent on the supply of sugarcane. Further, this raw material is also used in some industries such as paper and paperboard. The availability of Bagasse for our co-generation unit is subject to changes in the consumption patterns and market forces affecting such other industries. Additionally, these industries may offer higher prices which may lead to the diversion of the supply of Bagasse which may adversely affect the availability or pricing of these raw materials effecting our co-generation business and its profitability.

7. ***We procure imported coal which is used as a raw material for generating power after the stocks of bagasse are exhausted. Non-availability of imported coal at competitive prices may adversely affect the business and results of operation of our Company.***

Bagasse, an ideal renewable source of energy, is burnt to generate steam in high pressure boilers to run turbines for generating electricity and steam for sugar processing. Bagasse is produced during the period of six (6) months of the Sugarcane Season. Some portion of the Bagasse produced is consumed and the excess is stored for generation of power after the cane crushing season is over. However, in the event where the stored Bagasse is exhausted, our Company has to rely on imported coal, which has low ash content, for generation of power. Non-availability of imported coal at competitive prices may adversely affect the business and results of operation of our Company.

8. ***Molasses, a by-product of sugarcane, is the basic raw material for our distillery unit. Non-availability of sugarcane may affect the current or future capacity utilization of the distillery unit.***

Molasses, a by-product of sugarcane, is the primary raw material for making rectified spirit which is further re-distilled to produce neutral spirit, the basic raw material for manufacturing IMFL products. We produce the entire requirement of Molasses for running the operations of our distillery unit from our sugar operations. However, any adverse effect on the supply of sugarcane may have an adverse impact on the production of the Molasses. Any shortage or non-availability of Molasses for our distillery unit may adversely affect the business and results of operations of our Company.


9. ***We manufacture and sell IMFL products only in the State of Karnataka which is characterized by regulatory restrictions. We are dependent on government agencies for distribution and sale of our IMFL products and any change in government policies will adversely affect our business operations.***

Generally, IMFL products can be distributed by way of auctions, government canalized markets, licensed shops, etc.. However, in the State of Karnataka, the distribution of liquor is controlled only through government agency viz. Karnataka State Beverages Corporation Limited (KSBCL). We are dependent on various depots of KSBCL for sale of our IMFL products. Since, KSBCL is the sole distributor in the State, it also has a say in the distribution patterns in the State. Any change in government policies in respect of production, distribution or marketing of IMFL products may materially and adversely affect our business operations and in turn adversely affect the financials of our Company. Any material failure or inability, financial or otherwise, on the part of KSBCL to fulfill its obligations in respect of sales and payments towards our products would have a material adverse affect on the business and operations of our Company.

10. ***Our IMFL products are registered with the Excise Department of the State of Karnataka. We have not obtained registrations of our IMFL brands under the Trade Marks Act, 1999 for the protection of our intellectual property. Unauthorized parties may infringe our intellectual property by selling their products under our brands, which could have a material adverse effect on our business, financial condition and results of operations.***

Our Company sells its IMFL products under the brand "Our Choice Whisky" and "Our Choice Rum" which are registered with the Excise Department of the State of Karnataka. However, our Company has not made an application under the Trademarks Act, 1999 for registration of the aforementioned brands. Though registration of our brands with the Excise department offer certain protection, any failure to protect our intellectual property rights may adversely affect our competitive business position, financial condition and profitability. If any of our unregistered trademark or propriety rights are registered by a third party, we may not be able to make use of such trademark or propriety rights in connection with our business and consequently, we may be unable to capitalize on our brand recognition.

11. ***We have made an application for registration of our logo  and the same is pending for registration.***

As of the date of this Draft Red Herring Prospectus, our logo  is not registered. We have made an application for the registration of the same with the Registrar of Trade Marks and registration is

pending. We cannot assure that such application will be approved by the trade marks registry. Till such time our logo is registered, we can only protect our logo through an action under common laws, including seeking any relief against "passing off". If we fail to successfully obtain registration of our logo, we may have to change our logo leading to loss of recognition created by this logo.

12. ***Our Company's IMFL products lack adequate brand presence and awareness and also have geographical presence limited to the State of Karnataka.***

Our Company's IMFL products and brand presence is limited to the State of Karnataka. Our Company's failure or inability to continue its presence in the State of Karnataka and establish ourselves in other southern states like Kerala may impede its growth and business prospects as compared to established players.

13. ***The IMFL industry is heavily regulated and the excise duty and other levies on IMFL products is generally very high. Any increase in the levies or duties may affect the consumption patterns of our consumers which may materially affect our financials.***

The IMFL industry is subject to the State Government policies. This industry is subject to heavy levy of excise and other duties which is above three hundred percent (300%). Any increase in the excise levies of the State Government may have an adverse effect on the consumption patterns of the consumer of our IMFL products leading to reduced sales of our products which may adversely affect our financials.

14. ***The IMFL industry has negative perception in the Indian cultural context, leading to circumstances like ban on liquor consumption, advertising of alcoholic beverages etc., which is not conducive to business development.***

The IMFL industry has a negative perception in the Indian cultural context, leading to circumstances like ban on liquor consumption, advertising of alcoholic beverages etc which is not conducive to business development. The State of Gujarat has imposed prohibition. In Maharashtra, the Government has imposed restrictions on the legal drinking age of its residents. It is possible that similar curbs may be imposed by the State of Karnataka which may have an adverse effect on the distillery business of our Company. The IMFL industry also faces a ban on advertising of alcoholic beverages through the mass media and brand promotion is more through conservative means.

15. ***We are exposed to the risk associated with the use of highly inflammable chemicals in our production facilities.***

We are using chemicals such as hydrochloric acid and sodium hydroxide which are highly inflammable. We are susceptible to the risk of fire and/ or other accidents while dealing with or storing the aforesaid chemicals. We have taken insurance for each of our units against fire and other risks. While, there have been no such incidents in the past, occurrence of a major accident could damage our inventories or our existing production facilities leading to disruptions in our operations that may adversely affect our business and results of operations.

16. ***Our Company has filed compounding application before the Company Law Board for non-compliance under Section 383A of the Companies Act, 1956 for non-appointment of Company Secretary. In the event of any unfavourable order, our Company may be subjected to imposition of penalty.***

Our Company has filed a petition before the Company Law Board on April 21, 2011 for compounding of non-compliance under Section 383A of the Companies Act for not appointing a Whole Time Company Secretary for a period commencing from December 11, 2000 till February 28, 2011. Our Company and Mr. Nikhil Umesh Katti, Managing Director of our Company have filed an application under Section 621A of the Companies Act with the Registrar of Companies, Bengaluru, for compounding of non-compliance by our Company under the Section 383A as mentioned above. The application is pending for necessary orders and our Company may be subject to imposition of penalty.

17. ***We require government approvals and sanctions for expansion of capacity of our existing sugar, co-generation and distillery forming a part of our Objects of the Issue.***

We intend to increase our sugarcane crushing capacity and the co-generation capacity from the existing 5500 TCD to 11000 TCD and from 36.4 MW to 66.4 MW respectively. We also intend to expand capacity of the existing distillery from 35 KLPD to 100 KLPD and expand the capacity of our IMFL unit from the existing 2,500 boxes per day to 5,000 boxes per day to be partly funded from the proceeds of the Issue. We have already received environmental clearance for the proposed expansion of sugar, co-generation and distillery units. Pursuant to receipt of such approval, we are in the process of applying to the appropriate authorities for the other licenses and approvals. For further details, please refer to the section titled "Government and Other Approvals" beginning on page 241 of this Draft Red Herring Prospectus. In the event, that we do not receive these approvals in a timely manner or at all or subject to conditions, it may affect our expansion plans and consequently the deployment of the Net Proceeds may be delayed.

18. ***Our Company is yet to place orders for the plant and machinery required by us for the proposed expansion.***

We have estimated the requirement of plant and machinery based on quotations received at the prevailing market prices from manufacturers/ suppliers of equipment. However, as on date of filing this Draft Red Herring Prospectus, we have not placed any orders for plant and machinery to be financed from the proceeds of the Issue. We cannot assure that we would be able to acquire the plant and machinery required for the expansion at the prices as quoted/estimated. Any delay in acquisition of the plant and/or machinery required for the expansion could lead to time and cost overruns, and may have a material adverse effect on our business, results of operations and financial condition.

19. ***Our funding requirements are based on management estimates and have not been independently appraised.***

Our funding requirements are based on management estimates and have not been appraised by any bank or financial institution. In view of the competitive nature of the industry in which we operate, we may have to revise our management estimates from time to time and, consequently, our funding requirements may also change. This may result in the rescheduling of our expenditure programs and an increase or decrease in our proposed expenditure for a particular matter.

20. ***There is no monitoring agency appointed by our Company, though it shall be monitored by the Audit Committee formed under Corporate Governance norms.***

As per the SEBI (ICDR) Regulations, appointment of monitoring agency is required only for Issue size above ₹50,000 Lakhs. Hence, we have not appointed a monitoring agency to monitor the utilization of Issue proceeds. However, the Audit Committee will monitor the utilization of Issue proceeds. Further, our Company shall inform about material deviations in the utilization of issue proceeds to the Stock Exchanges and shall also simultaneously make the material deviations / adverse comments of the Audit Committee to the public as required under law.

21. ***Our expansion plans require significant capital and working capital expenditure and if we are unable to obtain the necessary funds for expansion, our business may be adversely affected.***

We will need significant additional working capital and long-term capital to finance our future business plans. We have been sanctioned a term loan of ₹7,000 lakhs and expect to process the balance funds for expansion to the tune of ₹37,400 lakhs from this Issue, after an infusion of ₹600 lakhs from internal accruals. Due to various factors, including certain extraneous factors such as changes in tariff regulations, interest rates, insurance and other costs or borrowing and lending restrictions, if any, we may not be able to finance our expansion plans, or secure other financing requirement when needed, on acceptable commercial terms. Any such situation would adversely affect our business and growth prospects.

22. ***Downgrading of our credit ratings (debt) would increase our cost of borrowing funds and make our ability to raise additional funds in the future or renew maturing debt more difficult.***

Our term loan and fund based facilities aggregating to ₹12,572 Lakhs are rated LBBB- (Pronounced L Triple B Minus) i.e. Long Term Stable in March 2011 by ICRA. Further, in April 2011, additional term loan to the tune of ₹1,898 Lakhs has also been accorded similar rating by ICRA. Downgrading of our credit rating may not only increase our cost of raising funds but also affect our ability to renew maturing debt, if required at a competitive rate. A downgrade in our credit ratings and our inability to renew maturing debt, if required, at a competitive rate may also adversely affect the perception of our financial stability.

23. ***Our indebtedness and the conditions and restrictions imposed by our financing arrangements could adversely affect our ability to conduct our business and operations.***

The agreements entered with banks and financial institutions by our Company contain certain restrictive covenants and we shall require the prior written approval from lenders for matters such as:

- ❖ Change in the capital structure;
- ❖ Effect scheme of Amalgamation/ reconstruction/ expansion/ diversification;
- ❖ Withdraw moneys brought in by promoters/ directors/ friends and relatives;
- ❖ Declare payment of dividend;
- ❖ Invest by way of deposits/ loans/ share capital in any other concern;
- ❖ Obtain credit facilities from any other Bank/ Financial Institution etc;
- ❖ Implement any scheme of expansion or diversification or capital expenditure except normal replacements indicated in funds flow statement submitted to and approved by the bank;
- ❖ Enter into any borrowing or non-borrowing arrangements either secured or unsecured with any other bank, financial institution, company, firm or otherwise or accept deposits in excess of the limits laid down by Reserve Bank of India;
- ❖ Undertake guarantee obligations on behalf of any other company/firm/ person;
- ❖ Make any drastic changes(s) in its management set-up;
- ❖ Approach capital market for mobilising additional resources either in the form of debts or equity;
- ❖ Sell or dispose off or create security or encumbrances on the assets charged to the bank in favour of any other bank, financial institution, company, firm, individual;
- ❖ Repay monies brought in by the promoters, partners, directors, shareholders, their relatives and friends in the business of the company/ firm by way of deposits/ loans/ share application money etc.;
- ❖ Prepay any loan availed by the Company from any other party;
- ❖ Pay any commission to its promoters, directors, managers or other persons for furnishing guarantees, counter guarantees, or indemnities or for undertaking any other liability in connection with any financial assistance obtained for by the Company or in connection with any other obligation undertaken for by the Company for the purpose of the project;
- ❖ Create any subsidiary or permit any company to become subsidiary;
- ❖ Revalue its assets at any time during the currency of the loan; and
- ❖ Carry on any general trading activity other than the sale of its own products;

There can be no assurance that we will be able to comply with the above covenants or that we will be able to obtain the consents necessary to take the actions we believe are required to operate and grow our business. Repayment of certain loans may be demanded at any time by our lenders pursuant to terms of the agreements. An event of default under any of these loan arrangements, if not cured or waived, could have a material adverse effect on the financial condition of our Company. For further details, please refer to section titled "Financial Indebtedness" beginning on page 223 of this Draft Red Herring Prospectus.

24. ***Our business is seasonal in nature.***

Our sugar and co-generation units are operational during the sugar season i.e. October to April. Further, any disturbances or disruptions caused due to extreme climatic conditions in a particular season may

lead to a drop in availability and supply of sugarcane to our Company which in turn reduces the number of days of operation leading to reduction in revenues.

25. ***Our costs of compliance with health, safety and environmental laws are significant and failure to comply with existing and new health, safety and environmental laws could adversely affect our results of operations.***

Our business is subject to national and State laws and regulations, which govern the discharge, emission, storage, handling and disposal of a variety of substances that may be used in or result from our production facilities. Health, safety and environmental regulation in India may become more stringent, and the scope and extent of new regulations, including their effect on our operations, cannot be predicted with any certainty. In case of any change in health, safety or environmental regulations, we may be required to incur significant costs on, amongst other things, health, safety and environmental audits and monitoring, pollution control equipment and emissions management. We could also be subject to substantial civil and criminal liability and other regulatory consequences in the event that a health or environmental hazard occurs at our production facilities, or if any of our operations results in contamination of the environment, including the spread of any infection or disease. If such incidences are determined against us leading to civil and criminal liability and other regulatory consequences, our business and operations may be adversely affected.

26. ***Any failure to adhere to our standard operating procedures and effective quality control systems at our production facilities may adversely affect the results of operations or financials of our Company.***

The quality of our products is critical to the success of our business. These factors depend significantly on the effectiveness of our quality control systems and standard operating procedures which in turn, depend on the skills and experience of our personnel, the quality training program, and our ability to ensure that such personnel adhere to our policies and guidelines. Since, the products of our Company are edible and potable, any failure or deterioration of our quality control systems could have an adverse effect on business, results of operations and financial condition of our Company.

27. ***Any inability to manage our growth or implementing our business strategies effectively could disrupt our growth prospects, business and reduce our profitability.***

We have experienced good growth in recent years and expect our business to continue to grow significantly. Although, we plan to continue to expand our scale of operations, we may not grow at a rate comparable to our growth rate in the past, either in terms of income or profit. We expect our future growth to place significant demands on our management and operations, and require us to continuously evolve and improve our financial, operational and other internal controls across the organization.

Even if we have successfully executed our business strategies in the past, there can be no assurance that we will be able to execute our strategies on time and within the available financial resources, or that we will meet the expectations of our targeted customers. Our inability to manage our business and strategies could have an adverse effect on our business, financial condition and profitability.

28. ***Our operations are subject to hazard and other risks, and could expose us to liabilities, loss in income and increased expenses.***

Our business operations are subject to hazards such as work accidents, fire or explosion that may cause injury and loss of life, severe loss, damage of our production facilities and environment. Even while some of such incidents which may or may not be caused as a result of our negligence or fault, could result in imposition of civil or criminal penalties on us. In addition, such events could affect our business, reputation and results of operations.

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

We maintain insurance for various risks, including risks relating to fire, plant & machinery, stocks, building and other similar risks. However, in some cases, we may not have obtained the required

insurance coverage or such insurance policies may have lapsed. Our manufacturing facilities may be subject to damage resulting from earthquakes and other natural disasters. Should an uninsured loss or a loss in excess of insured limits occur, or our insurers decline to fully compensate us for our losses, we could incur liabilities, lose capital invested in building our manufacturing facilities or lose the anticipated future income, while remaining obligated for any indebtedness or other financial obligations related to our business. Any such loss could result in an adverse effect to our financial condition.

30. ***Our lenders have charge over our movable and immovable assets in respect of the financial facilities availed from them.***

We had been sanctioned term loans to the tune of ₹9,420.50 Lakhs and working capital loans to the tune of ₹14,325 Lakhs by various banks and financial institutions as on June 30, 2011. Our lenders have a charge over our movable and immovable assets to secure the repayment of loans and other facilities granted to us by them. In the event of any default in repayment of the loans and any interest thereof availed by our Company, the lenders may take the possession of our assets, both movable and immovable, charged by our Company in favour of these lenders. For further details on the financing and loan agreements, please refer to section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.

31. ***Contingent liabilities, if it materializes, could adversely affect the financial condition of our Company since we have made no provision in the books of accounts of our Company.***

Our contingent liabilities as on June 30, 2011 were as follows:

Nature of Liability	Amount (₹ in Lakhs)
High Court, Karnataka, Appeal for Purchase Tax	290.05
High Court, Karnataka, Appeal for Cenvat Input Credit	145.29
Central Excise, Belgaum Show Cause Notice	117.32
Central Excise, Mangalore (Appeals)	15.96
Central Excise, Bengaluru (Appeals)	4.50
Addl. Commissioner Income Tax, Belgaum Rectification of Assessment Order A.Y 2008-09	2.62
Bank of India, Shahapur Branch, Belgaum - Bank Guarantee (IOCL)	54.00
State Bank of India, Commercial Branch, Belgaum - Bank Guarantee (HPCL)	16.75
State Bank of India, Commercial Branch, Belgaum - Bank Guarantee (BPCL)	42.60

If any of these contingent liabilities materialise, fully or partly, the financial condition of our Company could be adversely affected. For more information regarding our contingent liabilities, please refer to the section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.

32. ***We have experienced negative cash flow from operating, investing and financing activities in the past five (5) years. Sustained negative cash flow could impact our growth and business***

We have experienced negative cash flow from operating activities, investing activities and financing activities for the quarter ended June 30, 2011 and the financial years ended March 31, 2011, 2010, 2009, 2008 and 2007 as indicated in the table below:

(₹ in Lakhs)						
Particulars	For the quarter ended June 30, 2011	For the years ended March 31				
		2011	2010	2009	2008	2007
Net Cash Flow	#	#	(672.36)	#	#	#

Particulars	For the quarter ended June 30, 2011	For the years ended March 31				
		2011	2010	2009	2008	2007
from Operating Activities						
Net Cash Flow from Investing Activities	(204.04)	(1,013.10)	(3,617.65)	(8,506.84)	(491.09)	(724.33)
Net Cash Flow from Financing Activities	(1791.89)	(4,987.38)	#	#	(1,438.86)	#

indicates positive cash flow

Due to increase in capital expenditure every year for expansion of our operations, our Company experienced negative cash flow from investing activities. We expect that these investments will help us to grow in future. Cash flow of a company is a key indicator to show the extent of cash generated from operations to meet capital expenditure, pay dividends, repay loans and make new investments without raising finance from external resources. If we are not able to generate sufficient cash flows, it may adversely affect our business and financial operations. For further details please refer to the section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.

33. ***We have high working capital requirements. If we experience insufficient cash flows to allow us to make required payments on our debt or fund working capital requirements, there may be an adverse effect on our results of operations.***

Our business requires a significant infusion of working capital. Significant amount of working capital are required to finance the purchase of raw materials and processing of sugarcane before our products are sold and payments are received from customers.

Our working capital requirements may increase if, under certain contracts, payment terms do not include advance payments or such contracts have payment schedules that shift payments toward the end of a contract or otherwise increases our working capital burdens. In addition, our working capital requirements have increased in recent years due to the growth of our Company's business. All of these factors may result and have resulted in increase in our working capital needs.

34. ***We may not be able to secure additional funding in the future. In the event our Company is unable to obtain sufficient funding, it may delay our growth plans and have a material adverse effect on our business and financial results.***

From time to time, our plans may change due to changing circumstances, new business developments, new business or investment opportunities or unforeseen contingencies. If our plans do change, we may need to obtain additional external financing to meet capital expenditure plans, which may include commercial bank borrowings or issue further equity shares or other securities. If we raise additional funds through the incurrence of debt, our interest and debt repayment obligations will increase, and we may be subject to additional covenants, which could limit our ability to access cash flow from operations and/or other means of financing. We cannot assure that we will be able to raise adequate financing to fund future capital requirements on acceptable terms, in time. In addition, any adverse credit ratings by the debt rating agencies for the debt availed by our Company may adversely impact our Company's ability to raise further financing. Any failure to obtain sufficient funding could result in the delay or abandonment of our growth plans and have a material adverse effect on our business and financial results.

35. ***We derive a significant portion of our revenues from a limited number of customers. The loss of or a significant reduction in the revenues we receive from, one or more of these customers, may adversely affect our business.***

For each of our products namely sugar, Ethanol, IMFL products and power generated by us, we derive

a significant portion of our revenues from a limited number of customers.

Sugar sale is controlled by the Government of India through the Sugar Directorate. The Sugar Directorate controls the sale of sugar by factories by issuing orders every month specifying the quantity of sugar that should be released for sale in the open market known as the "Free Sale" quantity entitlement of the factory. Our Company has to sell the allotted "Free Sale" quantity during the month of the order only failing which the balance unsold quantity gets converted into "Levy Sugar" which is sold to the government at a fixed price for the Public Distribution System (PDS). Of the total sugar produced by a factory ten percent (10%) is earmarked for the purpose of "Levy Sugar" which is sold as and when the release orders are issued by the Sugar Directorate. We sell our "Free Sale" sugar primarily through wholesalers. All the sugar sold by our Company is on an ex-factory basis and against advance payment.

Our co-generation business is currently dependent on two (2) customers' viz. Tata Power Trading Company Limited (TPTCL) and Hubli Electricity Supply Company (HESCOM). Their ability to purchase power from us and make timely payments determines the revenues and profitability of our business. We sell power on a merchant sale basis under a Short Term Open Access (STOA) arrangement to TPTCL and the balance is presently being sold to HESCOM. Hence, any default by TPTCL and/or HESCOM and/or any inability on their part to pay us for the power supplied to them, would impact our business and profitability.

We derive our Ethanol revenues from three (3) Oil Marketing Companies (OMCs) i.e. Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited. Since there are a number of suppliers for Ethanol and supply contracts are generally awarded through competitive tender process, the revenues from these customers could vary from year to year and further there is no certainty that we will be awarded these contracts. The loss of, or a significant reduction in sales to these customers, may adversely affect our business and profitability.

We are dependent on KSBCL for sale of our IMFL products in Karnataka. Any change in government policies in respect of production, distribution or marketing of IMFL products would materially adversely affect our business operations and in turn adversely affect the financials of our Company.

36. ***We are dependent upon the experience and skill of our management team and key employees for running our business and operations. Failure to attract and retain qualified personnel, may adversely affect our results of operations.***

We are dependent on our management team and key employees for the smooth running of our business and operations. We may not be able to continuously attract qualified personnel or retain such personnel on acceptable terms, given the rising demand for such personnel and compensation levels by other companies. If we are unable to attract and retain qualified personnel, our results of operations may be adversely affected.

37. ***Although, our Company has multiple production facilities, they are all located at a single and integrated production facility, and all of our Company's manufactured products are produced from such facility located in village Bellad Bagewadi. Any delay in production or shutdown at these facilities may in turn adversely affect our business, financial condition and results of operations***

Although, our Company has multiple production facilities, they are all located at a single and integrated production facility, and all of our Company's manufactured products are produced from such facility in Bellad Bagewadi, Karnataka. If our Company experiences delays in production or shutdowns at these units due to any reason, including disruptions caused by dispute with its workforce or due to its employees forming a trade union, our Company's operations will be significantly affected, which in turn would have a material adverse effect on its business, financial condition and results of operations.

38. ***We may be subject to strikes, work stoppages and increased labour costs. Any strikes or work stoppages or increased labour cost may materially and adversely impact our operations and financial condition.***

As on November 30, 2011, our Company had 1,119 full time employees. While, we believe that we maintain good relationship with our employees and that we have not experienced any labour disputes and unrests in the past, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may materially and adversely affect our business and results of operations.

39. ***We may be unable to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business. Any delay / failure in obtaining the required permits or approvals may result in the interruption of our operations.***

We require certain statutory and regulatory permits and approvals for our business operations. Some activities related to our production facilities may be subject to granting of licenses or permits. In the future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed expansion. There can be no assurance that the relevant authorities will issue any of such permits or approvals in the time-frame anticipated by us or at all. Failure by us to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations. For further information, please refer to the section titled "Government and other Approvals" beginning on page 241 of this Draft Red Herring Prospectus.

40. ***Our Company is exposed to foreign exchange related risks. The fluctuations on foreign exchange rates may adversely affect our business and results of operations of our Company.***

Our Company currently imports 'imported coal' to the tune of 50,000 MTs per annum that may increase on account of the subsequent increase in capacity expansions of our production facilities, which subjects it to volatilities in the foreign exchange market. The fluctuations on foreign exchange rates may adversely affect our business and results of operations of our Company.

41. ***Our ability to pay dividends in future will depend upon future earnings, financial condition, cash flows, working capital requirements and capital expenditure.***

We have not paid any dividends in the past. The amount of our future dividend payments, if any, will depend upon our future earnings, financial condition, cash flows, working capital requirements and capital expenditure. There can be no assurance that we will be able to pay dividends. Additionally, we may be restricted in our ability to make dividend payments by the terms of any debt financing we may obtain in the future.

External Risk Factors

42. ***Global downturn and market conditions could cause our business to suffer. A slowdown in economic growth in India could cause our business to suffer***

The developed economies of the world viz. U.S., Europe, Japan and others are in midst of a downturn affecting their economic condition and markets. General business and consumer sentiment has been adversely affected due to the global slowdown and there can be no assurance whether the developed economies or the emerging market economies will see good economic growth in the near future. Consequently, this has also affected the global stock and commodity markets. Our performance and growth is directly related to the performance of the Indian economy. The performance of the Indian economy is dependent among other things on the interest rate, political and regulatory actions, liberalization policies, commodity and energy prices etc. A change in any of the factors would affect the growth prospects of the Indian economy, which may in turn adversely impact our results of operations, and consequently the price of our Equity Shares.

43. ***The Indian economy has sustained varying levels of inflation in the recent past which lead to increased costs which shall have an adverse effect on our profitability and financial condition.***

India has experienced very high levels of inflation during the period between 2008 and 2009, with inflation peaking at 12.91% in August 2008. The inflation rate based on WPI (Wholesale Price Index)

was 9.36% in October 2011. In the event of a high rate of inflation, our costs, such as salaries, price of transportation, wages, raw materials or any other of our expenses may increase. Accordingly, high rates of inflation in India could increase our costs, could have an adverse effect on our profitability and, if significant, on our financial condition.

44. ***Increasing employee compensation in India may turn down some of our competitive advantage and may reduce our profit margins, which may have a material adverse effect on our business, financial condition and results of operations.***

Employee compensation in India has historically been significantly lower than employee compensation in the regulated markets for comparably skilled professionals, which has been one of our competitive strengths. However, the increase in compensation in India may turn down some of this competitive advantage. We may need to continue to increase the levels of our employee compensation to remain competitive and manage attrition. Compensation increases may have a material adverse effect on our business, financial condition and results of operations.

45. ***Terrorist attacks, civil unrest and other acts of violence or war involving India and other countries could adversely affect financial markets and our business.***

Terrorist attacks and other acts of violence or war may adversely affect the Indian markets on which our Equity Shares trade and also adversely affect the worldwide financial markets. These acts may also result in a loss of business confidence, making travel and other services more difficult and ultimately adversely affecting our business.

Adverse social, economic and political events in India could have an adverse impact on our business. Such incidents could also create a greater perception that investment in Indian companies involves a higher degree of risk and could have an adverse impact on our business and the price of our Equity Shares.

Other acts of violence or war outside India, including those involving the United States, the United Kingdom or other countries, may adversely affect worldwide financial markets and could adversely affect the world economic environment, which could adversely affect our business, financial condition, results of operations and cash flows, and more generally, any of these events could lower confidence in India.

46. ***Hostilities and civil unrest with neighbouring countries may raise security concerns in the region which have a material adverse effect on the market for securities in India.***

Regional conflicts in South Asia could adversely affect the Indian economy, disrupt our operations and cause our business to suffer. South Asia has from time to time experienced instances of hostilities among neighboring countries. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult. Such terrorist acts could de-stabilise India and increase internal divisions within the government as it considers responses to such instability and unrest, thereby adversely affecting investors' confidence in India and the Indian economy. Any terrorist attack, including damage to our infrastructure or that of our customers, could cause interruption to parts of our businesses and materially and adversely affect our financial condition, results of operations and prospects. Such political tensions could create a greater perception that investments in Indian companies involve a higher degree of risk. This, in turn, could have a material adverse effect on the market for securities of Indian companies, including our Equity Shares, and on the business of our Company.

47. ***Any downgrading of India's debt rating by an international rating agency could have an adverse impact on our business.***

Any adverse revision by international rating agencies to the credit ratings of the Indian national government's sovereign domestic and international debt may adversely affect our ability to raise financing by resulting in a change in the interest rates and other commercial terms at which we may obtain such financing. This could have a material adverse effect on our business and financial

performance, our ability to obtain financing to fund our future expansion and growth and the trading price of our Equity Shares. A downgrading of the Indian national government's debt rating may occur, for example, upon a change of government tax or fiscal policy, which are outside our control.

48. ***A slowdown in economic growth in India could cause our business to suffer.***

Our performance and the quality and growth of our business are necessarily dependent on the health of the overall Indian economy. The Indian economy has grown significantly over the past few years. However, there have been periods of slowdown in economic growth during the 1990s. In the past, such economic slowdowns have harmed manufacturing industries including the industries where we operate or propose to operate. India's economy could be adversely affected by a general rise in interest rates, inflation, natural calamities, such as earthquakes, tsunamis, floods and drought, increases in commodity and energy prices, and protectionist efforts in other countries or various other factors. In addition, the Indian economy is in a state of transition. It is difficult to gauge the impact of these fundamental economic changes on our business. Any future slowdown in the Indian economy could harm us, our customers and other contractual counter-parties.

49. ***We are subject to risks arising from interest rate fluctuations, which could adversely affect our business, financial condition and results of operations.***

Changes in interest rates could significantly affect our financial condition and results of operations. If the interest rates for our existing or future borrowings increase significantly, our cost of servicing such debt will increase. This may adversely impact our results of operations, planned capital expenditures and cash flows.

50. ***Our Company's revenue and profits are difficult to predict and can vary significantly from quarter to quarter. This could cause our share price to fluctuate.***

Our operating results may vary significantly from quarter to quarter due to various reasons, including availability and prices of raw materials, changing crop pattern, unanticipated changes in regulatory policies in the jurisdictions in which we operate, delays in receipt of payment from customers or level of bad debts, any adverse impact on alcohol/distillery business in India, changes in pricing policies of our competitors etc. Therefore, we believe that our historical results should not be relied upon as an indication of our future performance. It is possible that in future some of our quarterly results of operations may be below the expectations of market analysts and our investors, which could lead to a corresponding decline in the price of our Equity Shares.

51. ***A change in accounting or tax policies applicable to our Company could result in an adverse effect on our Company's income and reported results of operations.***

New or revised accounting or tax policies promulgated from time to time may significantly affect our Company's reported results of operations. Any current or future Government revisions to tax policies, in particular with respect to tax incentives, could have a material adverse effect on our Company's income and results of operations.

Risk Factors to an Investment in our Equity Shares

52. ***Conditions in the Indian securities market may affect the price or liquidity of the Equity Shares.***

The Indian securities markets are smaller than securities markets in more developed economies. Indian stock exchanges in the past have experienced substantial fluctuations in the prices of listed securities. These stock exchanges have also experienced problems that have affected the market price and liquidity of the securities of Indian companies, such as temporary exchange closures, broker defaults, settlement delays etc.. In addition, the governing bodies of the Indian stock exchanges have from time to time restricted securities from trading, limited price movements and restricted margin requirements. Further, disputes have occurred on occasion between listed companies and the Indian stock exchanges and other regulatory bodies that, in some cases, have had a negative effect on market sentiment. If similar problems occur in the future, the market price and liquidity of the Equity Shares could be

adversely affected.

53. ***After this Issue, the Equity Shares may experience price and volume fluctuations or an active trading market for the Equity Shares may not develop.***

The price of the Equity Shares may fluctuate after this Issue as a result of several factors, including volatility in the Indian and global securities markets, the results of our Company's operations, the performance of our Company's competitors, developments in the sugar industry and changing perceptions in the market about investments in the sugar industry, adverse media reports on our Company or the sugar industry, changes in the estimates of our Company's performance or recommendations by financial analysts, significant developments in India's economic liberalisation and deregulation policies, and significant developments in India's fiscal regulations. In addition, no assurance can be given that an active trading market for the Equity Shares will develop or as to the liquidity or sustainability of any such market, the ability of holders of the Equity Shares. If an active market for the Equity Shares fails to develop or be sustained, the trading price of the Equity Shares could fall.

54. ***Investors will not be able to sell the Equity Shares on an Indian stock exchange until the Issue receives trading approvals.***

The Equity Shares will be listed on BSE and NSE. Pursuant to Indian Regulations, certain actions must be completed before the Equity Shares can be listed and trading may commence. Investors' book entry, or "demat", accounts with depository participants in India are expected to be credited within two (2) Working Days of the date on which the Basis of Allotment is approved by the Designated Stock Exchange. Thereafter, upon receipt of final approval from the Designated Stock Exchange, trading in the Equity Shares is expected to commence within two (2) Working Days of the date on which the Basis of Allotment is approved by the Designated Stock Exchange. Our Company cannot assure that the Equity Shares will be credited to investor's 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 your ability to dispose of the Equity Shares. Any failure or delay in obtaining the approval would restrict your ability to dispose of the Equity Shares. In accordance with Section 73 of the Companies Act, in the event that the permission of listing the Equity Shares is denied by the Stock Exchanges, we are required to refund all monies collected to investors.

55. ***There is no guarantee that the Equity Shares will be listed on the BSE and NSE in a timely manner.***

In accordance with Indian law and practice, approval for listing of the Equity Shares will not be granted until after those Equity Shares have been issued and allotted. Approval will require all other relevant documents authorising the issuing of our Equity Shares to be submitted to the stock exchanges. There could be a failure or delay in listing our Equity Shares on the BSE and NSE. Any failure or delay in obtaining the approval would restrict your ability to own or dispose of your Equity Shares.

56. ***Future issues or sales of our Equity Shares may significantly affect the trading price of the Equity Shares.***

Future issue of Equity Shares /convertible instruments by us or the disposal of Equity Shares by any of the major shareholders or the perception that such issues or sales may occur may significantly affect trading price of the Equity Shares. Other than the lock-in of pre-issue capital as prescribed under SEBI (ICDR) Regulations, none of our shareholders are subject to any lock-in arrangements restricting their ability to issue Equity Shares or the shareholders' ability to dispose of their Equity Shares, and there can be no assurance that any shareholder will not dispose of, encumber, or pledge, its shares. For details of lock in of pre-issue Equity Share capital, please refer to the section titled "Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus.

57. ***Any future issuance of Equity Shares may dilute your shareholding and sale of our Equity Shares by our Promoter or other major shareholders and dilution in net tangible book value may adversely affect the trading price of Equity Shares.***

Any future issuance of our Equity Shares by our Company could dilute your shareholding. Any such future issuance of our Equity Shares or sales of our Equity Shares by any of our significant shareholders may also adversely affect the trading price of our Equity Shares, and could impact our ability to raise capital through an offering of our securities. In addition, any perception by investors that such issuances or sales might occur could also affect the trading price of our Equity Shares. Upon completion of the Issue, the entire post-Issue paid-up capital held by our Promoter will be locked-in for a period of one (1) year and 20% of our post-Issue paid-up capital held by our Promoter will be locked-in for a period of three (3) years from the date of allotment of Equity Shares in the Issue. For further information relating to such Equity Shares that will be locked-in, please refer to the sub-section titled "Notes to the Capital Structure" under the section titled "Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus.

58. ***There are restrictions on daily movements in the price of our 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.***

The price of our Equity Shares will be subject to a daily circuit breaker imposed by all stock exchanges in India which does not allow transactions beyond a certain level of volatility in the price of the Equity Shares. This circuit breaker operates independently of the index-based market-wide circuit breakers generally imposed by the SEBI on Indian stock exchanges. The percentage limit on our 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 do not inform us of the percentage limit of the circuit breaker from time to time, and may change it without our knowledge. This circuit breaker effectively limits upward and downward movements in the price of the Equity Shares. As a result, shareholders' ability to sell the Equity Shares, or the price at which they can sell the Equity Shares, may be adversely affected at a particular point in time.

Prominent Notes:

1. Public Issue of [●] equity shares of face value ₹10 each ("**Equity Shares**") of Vishwanath Sugar and Steel Industries Limited ("**Company/Issuer**") for cash at a price of ₹[●] per Equity Share (the "**Issue Price**"), including a share premium of ₹[●] per Equity Share, aggregating upto ₹37,400 lakhs (the "**Issue**"). The Issue will constitute [●]% of the fully diluted post-issue paid up equity share capital of our Company.
2. The net worth of our Company as per our restated financial statements for the quarter ended June 30, 2011 and for the year ended as on March 31, 2011 is ₹15,738.87 lakhs and ₹15,442.01 lakhs respectively. The book value of each Equity Share as per our restated financial statements for the quarter ended June 30, 2011 and for the year ended as on March 31, 2011 is ₹45.55 and ₹45.69 respectively. For details, please refer to section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.
3. The average cost of acquisition of the Equity Shares by our Promoters, Mr. Umesh Vishwanath Katti; ii) Mr. Ramesh Vishwanath Katti; iii) Mr. Nikhil Umesh Katti; iv) Ms. Sheela U. Katti; v) Ms. Jayashree R. Katti; vi) Mr. Lava R. Katti; vii) Mr. Kush R. Katti; viii) Mr. Prakash S. Katti and ix) Mr. Ramappa B. Khemlapure is ₹12.28, ₹12.40, ₹10.10, ₹11.02, ₹10.89, ₹10.93, ₹10.69, ₹10.00 and ₹10.00 per Equity Share respectively. The average cost of acquisition of Equity Shares by our Promoters have been calculated by taking the simple average of the price paid by them to acquire the Equity Shares issued by our Company. For details, please refer to section titled "Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus.
4. For further details regarding our related party transactions and business interest, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in the section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.
5. Except for allotment of 40,195 Equity Shares to Mr. Prakash Shrishaillappa Katti, Ms. Rajeshwari Vishwanath Katti (*Promoter Group*) and others, our Company has not issued any Equity Shares for consideration other than cash. For further details, please refer to section titled "Capital Structure"

beginning on page 49 of this Draft Red Herring Prospectus.

6. For details of transactions in the securities of our Company by our Promoters, our Promoter Group and Directors in the last six (6) months, please refer the section titled "Capital Structure - Notes to the Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus.
7. For information on changes in our Company's name, registered office and objects clause of the Memorandum of Association of our Company, please refer to the section titled "History and Certain Corporate Matters" beginning on page 140 of this Draft Red Herring Prospectus.
8. Except as disclosed in the sections titled "Capital Structure", "Our Promoters AND Promoter Group", "Our Group Entities" and "Our Management" beginning on pages 49,162,165 and 144 respectively, of this Draft Red Herring Prospectus, none of our Promoters, Directors or Key Managerial Personnel have any interest in our Company.
9. This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.
10. Under-subscription, if any, in the Qualified Institutional, Non-Institutional and Retail categories would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of our Company, in consultation with the BRLM and the Designated Stock Exchange. Such inter-se spill over, if any, would be effected in accordance with applicable laws, rules, regulations and guidelines. For further details, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.
11. Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For details, please refer to the section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.
12. Investors may contact the BRLM for any clarification, complaints or information relating to the Issue, which shall be made available by the BRLM to the investors at large. No selective or additional information will be available for a section of investors in any manner whatsoever.
13. Investors are advised to refer to the section titled "Basis for Issue Price" beginning on page 86 of this Draft Red Herring Prospectus.
14. Trading in Equity Shares for all investors shall be in dematerialized form only.
15. There has been no financing arrangement whereby our Promoter Group, Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six (6) months immediately preceeding the date of filing of this Draft Red Herring Prospectus with SEBI.

SECTION III: INTRODUCTION

SUMMARY OF INDUSTRY

Indian Sugar Industry

India is the second largest producers and largest consumer of sugar and sugarcane in the world. It is the second largest agro-based industry in India, only next to the textile industry. The sugar industry is highly fragmented in nature, with a large number of players operating in the states of Maharashtra, Uttar Pradesh, Tamil Nadu and Karnataka. 490 factories (271 private and 219 cooperative) were operational in FY10.

The sugarcane and sugar production primarily depends on the area under the sugarcane cultivation. The area under the sugarcane cultivation depends on the prompt payments made by the factories to the farmers. For example, the sugar prices peaked in Sugar Season (“SS”) 2005-06 on account of lower inventory levels, thereby enabling the mill owners to make prompt and higher payments to the farmers. This led to a rise in the area under sugarcane cultivation in SS2006-07, and also improved the yield due to the availability of funds with the farmers to use fertilizers for improving the yield. This led to a higher crop in SS2006-07, thereby leading to a peak in sugar production and higher inventory levels. Higher inventory levels led to a substantial rise in cane arrears in the SS2006-07, thereby discouraging the farmers to reduce the area under the cultivation of sugarcane. However, there was a jump in sugar consumption during the SS2005-06 and SS2008-09 period, thereby driving up the prices.

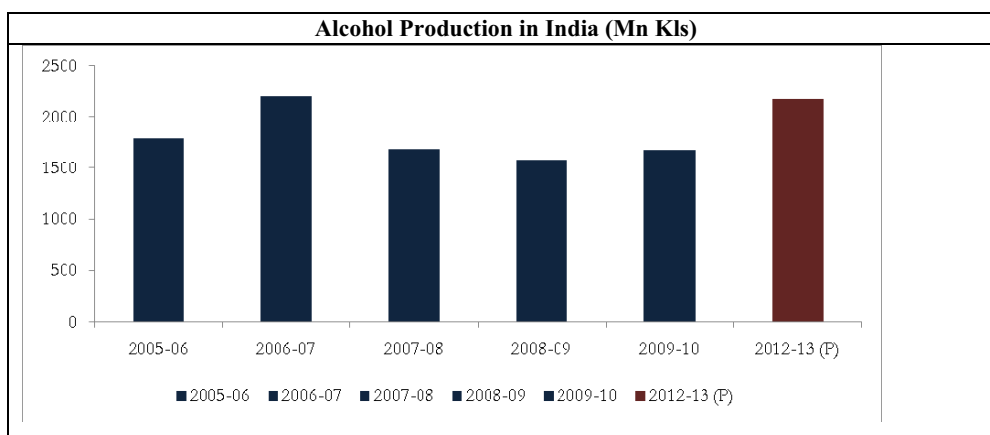
In the early estimates of SS2009-10, the sugar production was estimated at 16-17 million tonnes, thereby leading the sugar prices to a peak, but later, the estimates were revised upwards to 18.9 million tonnes, thereby pulling down the prices. The numbers were revised due to an improvement in yield, an increase in the quantity of sugarcane crushed and better sugar recovery levels.

India Sugarcane and Sugar – Area, Yield and Production (Sugar Season – October – September)					
	2005-06	2006-07	2007-08	2008-09	2009-10*
Area Under Sugarcane (Mn Hectares)	4.20	5.15	5.05	4.41	4.20
Production of Sugarcane (Mn Tonnes)	281.17	355.52	348.18	285.02	277.75
Yield of Sugarcane (Tonnes per Hectare)	66.90	69.00	68.90	64.60	66.10
Number of Factories in operation	455.00	504.00	516.00	489.00	490.00
Total Cane Crushed (Mn Tonnes)	188.67	279.29	249.90	144.98	185.54
Total Sugar Produced (Mn Tonnes)	19.26	28.36	26.35	14.53	18.91
Sugar Recovery (%)	10.21	10.16	10.55	10.03	10.19
Molasses Production (Mn Tonnes)	8.54	13.11	11.31	6.54	8.40
Molasses (% cane)	4.53	4.69	4.53	4.51	4.53
*Provisional					

Source: National Federation of Cooperative Sugar Factories

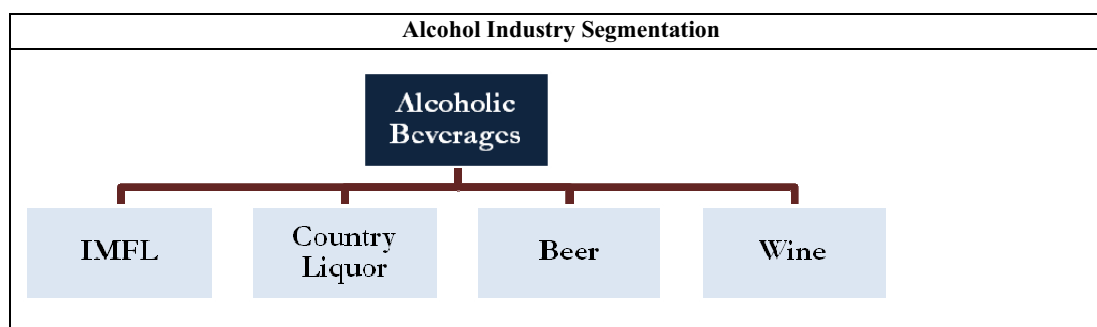
Alcohol Industry Overview

The alcohol production in India is estimated at 1,680 million kls in FY10. The changing perception of the people towards alcohol, rising youth population in the country coupled with rising acceptability of alcohol consumption among the female population is driving the growth story of alcohol in India. CARE Research expects the Indian alcoholic beverage industry to grow at a CAGR of 9 percent to 2,175 million kls, during the period of FY10-13. Currently, there are about 325 distilleries in the country with the total production capacity of 3,540 mn litres. However, the licensed capacity is majorily concentrated in three states of U.P., Maharashtra and Tamil Nadu.



Source: Business Brains, CARE Research

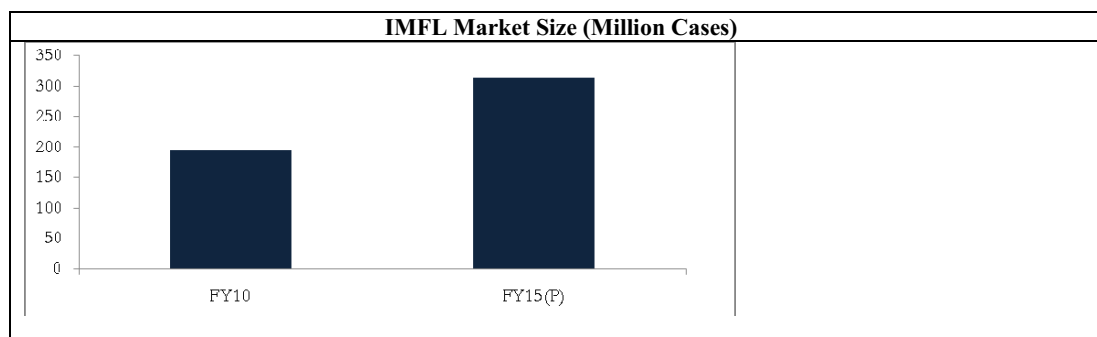
The Alcoholic Beverage Industry in India can be broadly classified into four segments - Beer, wine, Indian Made Foreign Liquor (“IMFL”) and country liquor.



Source: CARE Research

Outlook on India Made Foreign Liquor (IMFL)

The IMFL segment comprising almost half of the Indian Alcoholic Beverages Industry is estimated at around 190 million cases. It comprises five products – **Brown** - Whisky, Rum and Brandy and **White** – Vodka and Gin. CARE Research expects the IMFL market-size to grow at a CAGR of 10 per cent from 194.5 million cases in FY10 to 313 million cases in FY15. The growth in the segment is driven across smaller town and cities primarily due to increasing income levels, growing urbanization, increasing consumerism and changing lifestyles and adoption of western culture.



Source: CARE Research

Note: A case has 12 bottles each, constituting 9 litres.

SUMMARY OF OUR BUSINESS

We are primarily into the business of production of sugar, alcoholic spirits by distillation including ethanol, blending and bottling of Indian Made Foreign Liquor (IMFL) and generation of power. Our Company has an integrated sugar production facility located at Bellad Bagewadi, Belgaum District in North West Karnataka, which has been classified as a High Recovery Zone for sugar production by the Government of India.

In the process of sugar production, by-products such as bagasse and molasses are produced which are used as raw materials to generate power and Ethanol/IMFL production respectively. The sugar unit of our integrated production facility first crushes the sugarcane to extract sugarcane juice which is then further processed to produce sugar. After the sugarcane juice is extracted for further processing, the residual fibre i.e. Bagasse is utilized as fuel in the boilers to produce steam for running the turbines of our co-generation unit to generate power. The molasses produced in the process of sugar production is fermented and distilled to manufacture Ethanol and IMFL in the distillery unit of our integrated production facility.

Bagasse, an ideal renewable source of energy, is burnt to generate steam in high pressure boilers to run turbines for generating electricity and steam for sugar processing. Our co-generation unit having an installed capacity of 36.4 MW generates upto 29 MW of which 7 MW (approx.) is used for captive consumption. Out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Power Purchase Agreement with Tata Power Trading Company Limited and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM) under a long-term Power Purchase Agreement.

Molasses, a by-product of sugarcane, is the primary raw material for making rectified spirit which is further re-distilled to produce neutral spirit, the basic raw material for manufacturing IMFL products. The neutral spirit is then blended to manufacture whisky and rum which is sold by our Company under the brand "*Our Choice*" in Karnataka. We are in the process of launching our brand "*Your Choice*" whisky which shall cater to the relatively upper segment of consumers in Karnataka. We launched the brand "*Our Choice*" in the year 2008 and in a short span of three (3) years our brand has established a preference with the consumers in the State of Karnataka. To further add to the sales of our IMFL products, in March 2009, we entered into an arrangement with M/s. SV Distilleries, Yelahanka, Bengaluru, a manufacturer of IMFL, to manufacture and sell our IMFL products in and around Bengaluru. This arrangement along with sale of IMFL products from our integrated production facility has lead to an increase in sale of our IMFL products from 2,56,100 Boxes in F.Y.2008-2009 to 4,49,400 Boxes in F.Y. 2010-2011. As on the date of this Draft Redherring Prospectus, we are manufacturing and selling more than 100,000 boxes a month of our IMFL products.

We also distill rectified spirit for manufacturing industrial Ethanol. We supply this Ethanol for blending with motor spirit/petrol to oil marketing companies such as Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited. We have entered into an arrangement in the year 2010 with these companies for supply of approximately 4,200 KLs of Ethanol per annum and renewed the same for a further period of one (1) year in 2011.

We initially commenced distillery operations in the year 2001 with a capacity of 35 KLPD. The sugar production and co-generation facility started operations in the year 2006 with a capacity of 2500 TCD and 14 MW respectively. With the continued support of the farming community in the area we were able to expand our sugar unit capacity from 2500 TCD to 5500 TCD in the year 2009. This further led to the enhancement in our power generation capacity from 14 MW to 36.4 MW.

We now propose to expand our integrated production facility situated in Belgaum District by increasing the sugarcane crushing capacity from 5500 TCD to 11000 TCD. We further propose to install a new boiler of 150 TPH capacity of 110 kg/cm² pressure and a suitable turbine to our co-generation unit to enable us have a total installed power generation capacity of 66.40 MW. From the proceeds of the Issue, we also propose to deploy a part of the funds as capital expenditure to expand the capacity of our distillery from the present 35 KLPD to 100 KLPD leading to a n increase in our IMFL production capacity from 2500 Boxes per day to 5000 Boxes per day.

Our income from the sugar business formed approximately 54%, 42% and 35% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively, income from the co-generation business formed 9%, 7% and 27% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively income from the Distilliary business formed 4%, 2% and 8% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively and whereas

income from the IMFL business formed 32%, 43% and 27% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively.

For the year ended March 31, 2011, we had a total income of ₹47,496.13 lakhs and net profit after tax of ₹4,300.32 lakhs as compared to total income of ₹41,528.53 lakhs and net profit after tax of ₹1,795.32 lakhs for the year ended March 31, 2010.

Our total sales have grown at CAGR of above 62.65% from ₹5,168.91 lakhs in F.Y. 2007 to ₹36,171.98 lakhs in F.Y.2011. Our PAT has grown at CAGR of 57% from ₹707.59 lakhs in F.Y. 2007 to ₹4,300.32 lakhs in F.Y.2011.

Our Competitive Strengths

The following are our key strengths which we believe enable us to be competitive in our business:

- i) ***We have a cane growing area of 49 villages reserved for supply of sugarcane to our integrated production facility.***

Sugarcane is the principal raw material used for the production of sugar. Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our results of operations. The Government of Karnataka (GoK) by a notification dated May 6, 1999 called as the Karnataka Sugarcane (Regulation of Distribution) Vishwanath Sugars Limited, Bellad Bagewadi Order, 1999 ("**VSL Order**") requires every grower of sugarcane in the area reserved to supply ninety five percent (95%) of the sugarcane grown by the grower co-operative society operating in the reserved area to our factory. The VSL Order has reserved 28 villages in Taluka Hukkeri, 12 villages in Taluka Chikkodi and 9 villages in Taluka Gokak in Belgaum District for the supply of sugarcane to our production facility.

Over a period of time, these villages are projected to increase the acreage of sugarcane cultivation from 39100 Acres in F.Y.2011-2012 to 61150 Acres by F.Y.2013-2014 and yield per Acre from 32 tons per Acre in F.Y.2011-2012 to 34 tons per Acre in the F.Y.2013-2014 because of various irrigation schemes implemented by the GoK leading to an increased supply of sugarcane to our manufacturing facility. Our Company has accordingly increased its sugarcane crushing capacity from 2500 TCD to 5500 TCD in the year 2009.

Having a large sugarcane crushing capacity ensures that in times of cane shortage, our Company gets a considerable share of the cane available in and around the command area of our factory. A larger sugarcane crushing capacity also ensures a larger stock of Bagasse for the co-generation of power, as also a substantial increase in the Molasses available for our distillation business.

- ii) ***Our consumption of power per ton of sugarcane crushed is low leading to higher availability of exportable power.***

We have installed various energy saving devices at our production facilities such as planetary gear boxes, variable frequency drives, swing type fibrizor, high efficiency pumps and energy efficient motors which help us reducing the consumption of energy in our crushing operations. We have also installed planetary gear boxes in our boiling house section and have further introduced energy efficient condensers and unforced cooling tower as power saving measures. Similarly, in the co-generation unit, our power consumption has been reduced due to installation of a spray pond instead of forced draught cooling tower. Due to the implementation of the above measures our power consumption per ton of sugarcane processed has come down from an average of 36 KWH to 29 KWH leading to higher availability of exportable power.

- iii) ***We sell a major portion of our surplus power on merchant power sale basis.***

Our co-generation unit has an installed capacity of 36.4 MW which generates upto 29 MW of which 7 MW (approx.) is used for captive consumption. Out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Power Purchase Agreement (PPA) with Tata Power Trading Company

Limited (TPTCL) and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM) under a long-term Power Purchase Agreement. The revenue generated for the F.Y. 2011 from sale of power on merchant sale basis to TPTCL was Rs. 5.30 per unit whereas the revenue generated for the same period was ₹ 3.10 per unit from sale to HESCOM under the PPA.

- iv) ***We have installed Distributed Control System (DCS) at our sugarcane milling and co-generation facilities for precision system management.***

The Distributed Control System (DCS) is a type of automated control system that is distributed throughout a machine to provide instructions to different parts of the machine. Instead of having a centrally located device controlling all machines each section of a machine has its own computer that controls the operation. DCS is commonly used in manufacturing equipment and utilizes input and output protocols to control the machine. The entire system of controllers is connected by networks for communication and monitoring. We have successfully installed the DCS which enables us to achieve reduced costs, reduced environmental effect, higher efficiency and reduced response time, reliability of equipment, ease of maintenance and conservation of energy.

- v) ***Integrated operations and economies of scale.***

We have integrated operations enabling us to meet the time, cost efficiency and quality requirements. Our integrated sugar production facility crushes the sugarcane to extract sugarcane juice which is then further processed to produce sugar. After the sugarcane juice is extracted for further processing, the residual fibre i.e. Bagasse is utilized as fuel in the boilers to produce steam for running the turbines of our co-generation unit. The Molasses produced in the process of sugar production is used to further manufacture Ethanol and IMFL in our distillery. The electricity generated by the steam is used for captive consumption and surplus power is supplied to the grid for sale.

- vi) ***In-house availability of raw materials and power leads to reduction in cost of production and dependence on third parties.***

In the process of sugar production, by-products such as Molasses and Bagasse are produced which are used as raw materials to produce Ethanol/IMFL and generate power. In-house availability of these raw materials not only reduces our cost of production but also our dependence on third parties for supply of such raw materials. Due to availability of power from our co-generation unit, we are not dependent on any public or private supplier of electricity thereby ensuring uninterrupted supply of power for our integrated production facility.

- vii) ***Established presence of our IMFL products.***

The IMFL products of our Company i.e. whisky and rum are sold under the brand "Our Choice" in Karnataka. We launched the brand "Our Choice" in the year 2008 and in a short span of three (3) years our brand has established a preference with the consumers in North Karnataka for this brand. To further add to the sales of our IMFL products, in March 2009, we entered into an arrangement with M/s. S.V. Distilleries, Yelahanka, Bengaluru, a manufacturer of IMFL, to manufacture and sell our IMFL product in and around Bengaluru and other parts of South Karnataka thereby covering most of the State of Karnataka. This arrangement along with sale of IMFL product from our Belgaum unit has led to an increase in sale of our IMFL product from 2,56,100 Boxes in F.Y.2008-2009 to 4,49,400 Boxes in F.Y. 2010-2011. As on the date of this Draft Red Herring Prospectus, we are manufacturing and selling more than 1,00,000 Boxes a month of our IMFL products. While, IMFL contributes nearly 32% to the revenues of our Company, sale of our IMFL products through M/s. S.V. Distilleries in and around Bengaluru has doubled the sales volume of our Company.

- viii) ***Integrated sugar production facility leading to diversified business segments.***

Our integrated production facility has facilitated our presence in various business segments such as sugar, industrial spirits, IMFL and power generation. Our diversified but integrated business model provides necessary raw materials in-house for the above business segments products leading to reduced costs and control over the input material. Our efficiency and margins are enhanced due to the integrated

nature of our businesses.

ix) ***Experienced and qualified management and executives.***

As on November 30, 2011, our Company had 1,119 employees. Our team includes senior executives and managers, a majority of whom are having over 15-20 years experience in the engineering and sugar industry. We believe our management and executive team has the long-term vision to provide stability and continuity to our businesses. We also believe that the understanding and expertise of our management and executive team in sugar, distillery and power generation will enable all our business verticals to grow in a focused and constructive manner. As of November 30, 2011, more than 100 of our employees were technically qualified out of a total of 1,119 employees.

Key Business Strategies

Our business objective is to grow our revenues and profits. Our business strategy focuses on the following elements:

1. ***Increasing our revenues from sugar, power and distillery products in the State of Karnataka.***

We propose to increase the capacity of our sugar unit from the present 5500 TCD to 11000 TCD. We believe this increase in the sugarcane crushing capacity will enable us to become one of the largest sugarcane crushers in the State of Karnataka at a single location thereby leading to increase in revenues from all our business segments. Our Company also proposes to increase its co-generation licensed capacity from the existing 39 MW (installed capacity of 36.4 MW) to 69 MW. Pursuant to this increase in the capacity, we believe our Company shall become one of the largest power generating company from a single location in the State of Karnataka.

2. ***Sale of surplus power generated by the co-generation unit.***

We have installed a power generation unit with two boilers and two turbines. We utilize bagasse from the sugar unit as fuel in the boilers to generate steam for running the turbines which generate an aggregate power of approximately 29 MW. Our co-generation unit having an installed capacity of 36.4 MW generates upto 29 MW of which 7 MW is used for captive consumption. Out of the surplus of around 22 MW, 14 MW is sold on a merchant sale basis under a Short Term Open Access (STOA) arrangement under a Power Purchase Agreement (PPA) through Tata Power Trading Company Limited and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM). The proposed expansion of our integrated facility includes the installation of a new boiler with 150 TPH capacity of 110 kg/cm² pressure and a turbine 30 MW. These additional installations will enable our Company to increased capacity of 69MW which will generate around 58-59 MW of power during the sugar season. Our co-generation unit having an installed capacity of 36.4 MW presently generates upto 29 MW of which 7 MW is used for captive consumption. Post expansion of our co-generation facility to 66.40 MW, 14 MW will be used for captive consumption, 7 MW will continue to be sold to HESCOM as per the executed PPA and surplus power of upto 37 MW will be available for sale on merchant sale basis under a STOA arrangement through TATA Power Trading Company Limited. The revenues from merchant power sale by our Company in FY 2011 has been ₹5.30 per unit whereas the revenues from sale of power on long term PPA basis to HESCOM was ₹3.10 per unit during the same period.

3. ***The proposed expansion of the co-generation unit of our integrated production facility will lead to cost effective power generation.***

Our Company proposes to install a 150 TPH boiler with operating parameters of 110 kg/cm² pressure and temperature of 540 +/- 5C. This high pressure boiler is much more efficient than the existing 67 kg/cm² pressure boilers being operated by our Company. The proposed boiler will lead to lower consumption of fuel by more than 10% for steam generation as compared to the existing boilers. Over and above the fuel savings, the steam temperature from this boiler is higher than the existing boiler which will generate more power per ton of steam consumed in the turbine.

4. ***Expansion of our distillery unit will enable higher production and sale of our IMFL products.***

Presently, our IMFL products sold by our Company under the brand "*Our Choice*" are available in almost the whole of the State of Karnataka. With the expansion of our distillery unit, we will be able to produce around 24,00,000 Boxes of IMFL products, subject to successful completion of our proposed expansion plans, as compared to 4,49,400 Boxes in F.Y.2010-2011, aggregating to more than two hundred percent (200%) increase in sales of IMFL products *vis-à-vis* the present sales. With the increase in production capacity, our Company intends to sell and distribute the IMFL products under its own brands throughout the State of Karnataka initially and then explore and expand our reach to the State of Kerala, which is a larger market for IMFL products by itself.

5. ***Increase the sale of IMFL products by entering into contract manufacturing arrangements with licensed manufacturers.***

Our existing business segments or revenue verticals include sugar, distillation (*alcoholic spirits, IMFL and ethanol*) and co-generation. Presently, IMFL contributes nearly 32% to the revenues of our Company. Our Company currently sells the whisky and rum under the brand "*Our Choice*". We intend to launch our brand "*Your Choice*" whisky catering to relatively upper segment of consumers in Karnataka. To further add to the sales of our IMFL products, in March 2009, we entered into an arrangement with M/s. S.V. Distilleries, Yelahanka, Bengaluru, a licensed manufacturer of IMFL, to manufacture and sell our IMFL products in and around Bengaluru. This arrangement along with sale of IMFL products from our Belgaum facility has lead to an increase in sale of our IMFL products from 2,56,100 Boxes in F.Y.2008-2009 to 4,49,400 Boxes in F.Y. 2010-2011. While, IMFL contributes nearly 32% to the revenues of our Company, sale of our IMFL products through M/s. S.V. Distilleries in and around Bengaluru has doubled the sales volume of our Company. While, we cater to most parts of the State of Karnataka, the increase in the capacity of our distillery will enable us to cater to the remaining parts of Karnataka and expanding our reach to the neighbouring states.

SUMMARY OF FINANCIAL INFORMATION

The following summary financial statements have been prepared in accordance with Indian GAAP, the Companies Act and the SEBI (ICDR) Regulations 2009 and restated as described in the Auditor's Report (Peer Review) of M/s. P G Ghali & Co. dated December 12, 2011 in the Section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus. The summary financial information presented below should be read in conjunction with our restated consolidated financial statements for the year ended March 31, 2007, 2008, 2009, 2010, 2011 and quarter ended June 30, 2011 including the notes thereto and the Section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 209 of this Draft Red Herring Prospectus.

Restated Summary statement of Assets & Liabilities

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
FIXED ASSETS						
Gross Block						
a) Tangible	22,970.22	22,811.27	21,830.86	18,007.96	9,655.74	9,128.82
b) Intangible	-	-	-	-	-	-
Total	22,970.22	22,811.27	21,830.86	18,007.96	9,655.74	9,128.82
Less: Depreciation	3,859.66	3,574.72	2,466.88	1,699.05	1,246.62	809.30
NET BLOCK	19,110.56	19,236.55	19,363.98	16,308.91	8,409.12	8,319.52
Capital work in progress				196.60		
NET FIXED ASSETS (A)	19,110.56	19,236.55	19,363.98	16,505.51	8,409.12	8,319.52
INVESTMENT (B)	10.15	10.15	10.15	10.15	10.15	10.15
Current Assets, Loans & Advances						
Inventories	15,618.64	18,602.54	15,224.14	7,292.89	3,478.08	2,544.85
Sundry debtors	1,028.26	1,008.61	1,102.39	746.51	246.05	53.51
Cash & Bank Balances	254.09	194.48	573.83	67.98	487.60	168.19
Other Current Assets	1,261.27	1,374.48	1,860.94	1,446.29	1,439.80	695.69
Loans and Advances	1,404.03	1,758.61	1,435.54	1,642.41	1,184.26	758.43
TOTAL (C)	19,566.29	22,938.72	20,196.84	11,196.08	6,835.79	4,220.67
Liabilities and Provisions						
Secured Loans	15,572.46	16,807.23	19,710.52	13,300.98	6,380.64	5,823.81
Unsecured Loans	19.20	8.20	368.49	232.43	0.00	1,612.18
Deferred Tax Liabilities	34.78	34.78	34.78	34.78	34.78	8.44
Current Liabilities and Provisions	7,321.69	9,893.20	9,326.00	5,808.98	2,758.58	1,753.48
TOTAL (D)	22,948.13	26,743.41	29,439.79	19,377.17	9,174.00	9,197.91
NET WORTH (A+B+C-D)	15,738.87	15,442.01	10,131.18	8,334.57	6,081.06	3,352.43
Represented by:						
Equity Share Capital	3,455.60	3,455.60	3,403.59	3,403.59	3,403.59	3,307.95
Preference Share Capital		-	-	-	-	-
Share Application Money		-	-	-	-	11.76
Reserves and Surplus	12,368.12	12,026.17	6,735.77	4,941.21	2,689.41	46.36
Less: Miscellaneous Expenditure	84.85	39.76	8.18	10.23	11.94	13.64
Net Worth	15,738.87	15,442.01	10,131.18	8,334.57	6,081.06	3,352.43

Notes:

- The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses and Significant Accounting Policies as appearing in annexure (IV), and (V).

Restated Summary Statement of Profits & Losses

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
INCOME						
Sales	8,373.01	36,171.98	28,036.50	11,607.05	9,428.78	5,168.91
Other income	1,326.48	7,945.75	5,560.78	3,613.38	2,384.47	2,025.45
Increase/(Decrease) in Inventories	(2,983.89)	3,378.40	7,931.24	3,849.33	1,013.20	2,130.82
TOTAL INCOME	6,715.60	47,496.13	41,528.52	19,069.76	12,826.45	9,325.18
EXPENSES						
Raw Material Consumed	3,229.71	24,908.72	23,369.04	10,306.56	7,458.95	6,415.36
Manufacturing Expenses	509.97	3,460.58	3,564.99	1,878.58	984.32	810.34
Administrative / Other Expenses	1,695.38	9,837.34	9,946.44	2,989.60	527.37	280.94
Interest Expenses	568.12	2,764.01	1,749.75	930.01	945.59	687.36
Depreciation	284.93	1,119.81	773.64	452.89	437.32	422.50
TOTAL EXPENSES	6,288.11	42,090.46	39,403.86	16,557.64	10,353.55	8,616.50
Total Profit	427.49	5,405.67	2,124.66	2,512.12	2,472.90	708.68
Less: Preliminary Expenses	0.00	2.05	2.04	1.71	1.71	1.71
Profit Before Tax	427.49	5,403.62	2,122.62	2,510.41	2,471.19	706.97
Less: Provision for Taxation						
Current Tax	85.54	1,101.41	328.06	258.61	280.00	0.00
Deferred Tax Liability					26.34	0.00
Profit After Tax	341.95	4,302.21	1,794.56	2,251.80	2,164.85	706.97
Add: Opening Balance of Profit & Loss	10,559.78	6,257.57	4,463.01	2,211.21	46.36	(660.61)
Amount carried to Balance Sheet	10,901.73	10,559.78	6,257.57	4,463.01	2,211.21	46.36

Notes:

- The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses and Significant Accounting Policies as appearing in annexure (IV) and (V).
- Other Income includes inter segment transfer of productions.

Restated Summary of Cash Flow

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Cash Flow from Operating Activities						
Net Profit/(Loss) before Taxation & extraordinary items	427.49	5,403.62	2,122.62	2,510.41	2,471.19	706.97
Adjustments for :						
Depreciation	284.93	1,119.81	773.64	452.89	437.32	422.50
Interest charged to P&L A/c	568.12	2,764.01	1,749.75	930.01	945.59	687.36
Dividend		(0.02)	(0.02)	(0.06)	0.00	(0.03)
Interest / Other Income		(0.92)	(8.64)	(41.91)	(35.83)	(41.25)
Depreciation Written Back		(11.97)	(5.81)	(0.46)	0.00	(673.06)
Preliminary expenses written off		2.05	2.05	1.71	1.70	1.70
Operating Profit before Working Capital Changes	1,280.54	9,276.58	4,633.59	3,852.59	3,819.97	1,104.19
Adjustment for:						
Trade & other receivable	93.56	580.24	(770.53)	(506.95)	(936.65)	694.71
Loans & Advances	354.58	(323.07)	206.87	(458.15)	(425.83)	(444.46)
Inventories	2,983.90	(3,378.40)	(7,931.25)	(3,814.81)	(933.23)	(2,134.60)
Trade payables	(2,657.04)	(206.15)	3,447.57	3,071.79	725.10	1,301.83
Current Tax (MAT)	-	(328.06)	(258.61)	(280.00)	0.00	0.00
Net Cash from Operating Activities (A)	2,055.54	5,621.14	(672.36)	1,864.47	2,249.36	521.67
Cash Flow from Investing Activities						
Purchase of Fixed Assets (including Capital WIP)	(158.95)	(980.41)	(3,626.30)	(8,548.82)	(526.92)	(765.61)
Preliminary Expenses Incurred	(45.09)	(33.63)				
Interest Received	-	0.92	8.64	41.91	35.83	41.25
Dividend	-	0.02	0.02	0.06	0.00	0.03
Net Cash used in Investing Activities (B)	(204.04)	(1,013.10)	(3,617.64)	(8,506.85)	(491.09)	(724.33)
Cash Flow from Financing Activities.						
Proceeds from Unsecured Loans (Net)	11.00	(360.29)	136.06	232.43	(1,612.18)	(931.04)
Proceeds from Bank borrowings (Net)	(1,234.77)	(2,903.29)	6,409.54	6,920.34	556.83	1,920.24
Share Capital	-	52.01	0.00	0.00	95.64	0.00
Share Premium	-	988.19	0.00	0.00	478.20	0.00
Interest Paid	(568.12)	(2,764.01)	(1,749.75)	(930.01)	(945.59)	(687.36)
Share Application money Converted in to Shares					(11.76)	0.00
Net Cash Receipt/ Used in Financing Activities (C)	(1,791.89)	(4,987.39)	4,795.85	6,222.76	(1,438.86)	301.84
Net Increase/ Decrease in Cash & Cash Equivalents (A + B + C)	59.61	(379.35)	505.85	(419.62)	319.41	99.18

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
C)						
Cash & Cash Equivalents As on beginning of year	194.48	573.83	67.98	487.60	168.19	69.01
Cash & Cash Equivalents As on end of year	254.09	194.48	573.83	67.98	487.60	168.19

THE ISSUE

A. Issue	[●] Equity Shares
B. The Issue to the Public	[●] Equity Shares
C. QIB Portion ⁽¹⁾⁽²⁾ Out of which: Mutual Fund Portion (5% of the Net QIB Portion) Balance for all QIBs including Mutual Funds	Upto [●] Equity Shares [●] Equity Shares [●] Equity Shares
D. Non-Institutional Portion ⁽²⁾	Not less than [●] Equity Shares available for allocation.
E. Retail Portion ⁽²⁾	Not less than [●] Equity Shares available for allocation.
Equity Shares outstanding prior to the Issue*	3,45,56,000 Equity Shares of Rs. 10 each.
Equity Shares outstanding after the Issue	[●] Equity Shares
Objects of the Issue	Please refer to the section titled "Objects of the Issue" on page 70 of this Draft Red Herring Prospectus.

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

- (1) *Our Company may consider participation by Anchor Investors for upto [●] Equity Shares in accordance with applicable SEBI (ICDR) Regulations.*

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 refer to Section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

- (2) *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, in consultation with the BRLM and the Designated Stock Exchange.*

Investors may note that in case of over-subscription in the Issue, allotment to Qualified Institutional Bidders, Non-Institutional Bidders and Retail Individual Bidders shall be on a proportionate basis. For details, please refer to the section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

GENERAL INFORMATION

Our Company was originally incorporated as a public limited company under the Companies Act, 1956 in the name of Vishwanath Sugars Limited at Bengaluru, Karnataka vide a Certificate of Incorporation dated May 2, 1995 now bearing CIN U85110KA1995PLC017730. Our Company was granted the Certificate of Commencement of Business by the RoC, Karnataka on December 21, 1999. The name of our Company was subsequently changed to Vishwanath Sugar and Steel Industries Limited and a Fresh Certificate of Incorporation dated December 28, 2010 was issued by the RoC, Karnataka.

Registered Office of our Company

Bellad Bagewadi, Taluka Hukkeri
Bellad Bagewadi 591 305, Karnataka, India.
Telephone: + 91 08333 267243
Facsimile: +91 08333 267211
E-mail: ipo@vssil.co.in
Website: www.vssil.co.in
Corporate Identity Number: U85110KA1995PLC017730

Registrar of Companies

Our Company is registered at the Registrar of Companies, Karnataka, located at 'E' Wing, 2nd Floor Kendriya Sadana Koramangala, Bengaluru 560 034, India.

Board of Directors

Our Company's board comprises of the following Directors:

Name, Nature of Directorship and DIN	Age	Residential Address
Mr. Umesh Vishwanath Katti Non-Executive Chairman DIN: 01461050	51 years	341, Town/Vill: Bellad Bagewadi, Taluka: Hukkeri, Belgaum, 591 305, Karnataka, India
Mr. Nikhil Umesh Katti Managing Director DIN: 02505734	28 years	No. 828 Vaccine Depot Road, Tilakwadi, Belgaum 590 006, Karnataka, India.
Mr. Mukesh Kumar Executive Director DIN: 02827073	48 years	F-201, Mantri Paradise, Araker Gate, Bannerghatta Road, Bengaluru 560 076, Karnataka, India.
Mr. Mallikarjun Pujar Whole Time Director DIN: 00508939	49 years	458, Bellad-Bagewadi, Hukkeri, Belgaum, 591 305, Karnataka, India.
Mr. Kiran Ganapatrao Kore Independent and Non-Executive Director DIN: 01492643	50 years	1028 Ankali, Tal: Chikodi, Belgaum, 591 247, Karnataka, India.
Mr. Shrinivas Ranganath Koujalgi Independent and Non-Executive Director DIN: 03504808	61 years	A/P 307, Balaji Enclave, 5 th Main, ITI Layout, Kattriguppe Banashankari, 3 rd stage, Bengaluru 560 085, Karnataka, India.
Mr. Surendra Shantaveer Khot Independent and Non-Executive Director DIN: 03504813	66 years	Plot No. 116, Ramthirth Nagar, Belgaum 590 015, Karnataka, India.
Mr. Jibu Cherian Independent and Non-Executive Director DIN: 03433340	54 years	B- 72 / 725 MIG Colony, Bandra East, Mumbai, 400 051, Maharashtra, India.

For further details of our Board of Directors, please refer to the section titled "Our Management" beginning on page 144 of this Draft Red Herring Prospectus.

Company Secretary

Mr. B.V.Saravana Kumar
Vishwanath Sugar and Steel Industries Limited
Bellad Bagewadi, Taluka Hukkeri
Bellad Bagewadi 591 305, Karnataka, India.
Telephone: + 91 08333 267243
Facsimile: +91 08333 267211
E-mail: ipo@vssil.co.in

Compliance Officer

Mr. Mukesh Kumar, Executive Director
Vishwanath Sugar and Steel Industries Limited
Bellad Bagewadi, Taluka Hukkeri
Bellad Bagewadi 591 305, Karnataka, India.
Telephone: + 91 08333 267243
Facsimile: +91 08333 267211
E-mail: ipo@vssil.co.in

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts 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 the applicant, number of Equity Shares applied for, Bid Amount blocked, ASBA Account number and the Designated Branch of the SCSBs where the Bid-cum-Application Form was submitted by the ASBA Bidders.

For all Issue related queries and for redressal of complaints, investors may also write to the BRLM. All complaints, queries or comments received by SEBI shall be forwarded to the BRLM, who shall respond to the same.

Book Running Lead Manager

Ashika Capital Limited
1008, Raheja Centre
214 Nariman Point, 10th Floor
Mumbai 400 021, India
Telephone: +91 22 6611 1700
Facsimile: +91 22 6611 1710
Email: mbd@ashikagroup.com
Contact Person: Ms. Nimisha Joshi / Ms. Nupur Jain
Website: www.ashikagroup.com
SEBI registration number: INM 000010536

Legal Counsel to the Issue

Rajani Associates
Advocates & Solicitors
204-207 Krishna Chambers
59, New Marine Lines
Mumbai 400 020, India
Telephone: +91 22 4096 1000
Facsimile: +91 22 4096 1010
Email: info@rajaniassociates.net

Registrar to the Issue

Link Intime India Private Limited
C-13, Pannalal Silk Mills Compound
LBS Marg, Bhandup (West)
Mumbai 400 078, India.
Telephone: +91 22 2596 0320
Facsimile: +91 22 2596 0329
Email: vssil@linkintime.co.in
Contact Person: Mr. Sanjog Sud
Website: www.linkintime.co.in
SEBI registration number: INR000004058

Statutory Auditors

P. G. Ghali & Co., Chartered Accountants
102, Hari Apartments, College Road
Belgaum 590 001, India
Telephone: +91 0831 240 920
Facsimile: +91 0831 240 920
Email: pgghalico@gmail.com
Contact Person: Mr. P. G. Ghali
Membership No.: 13132
Peer Review Certificate No.: 005298

Advisors to the Company

M/s. P. K. Shishodiya & Co.
Chartered Accountants
206, Airen Heights,
Opp. C-21 Mall, A.B. Road,
Indore 452 010, Madhya Pradesh, India.
Telephone: +91 731 255 5022/ 255 5922
Facsimile: +91 731 255 5722
E-mail: pkshishodiya@yahoo.com
Contact Person: Mr. P. K. Shishodiya

Syndicate Members

The Syndicate Member(s) will be appointed prior to filing the Red Herring Prospectus with ROC.

Bankers to the Issue and Escrow Collection Banks

The Banker(s) to the Issue and Escrow Collection Banks will be appointed prior to filing the Red Herring Prospectus with ROC.

Self Certified Syndicate Banks

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

Refund Bankers

The Refund Bankers will be appointed prior to filing the Red Herring Prospectus with RoC.

Bankers to our Company

State Bank of India
Commercial Branch-Belgaum
Halgekar Building, Opp Mahaveer Bhavan
Goa ves, Hindwadi
Belgaum 590 011, India.
Telephone: +91 0831 240 5023
Facsimile: +91 0831 240 3390
Email: sbi.04160@sbi.co.in
Contact Person: Mr. Gururaj Mutalik

Bank of India
Mid Corporate Branch
1st Floor, Star house, K.G. Road
Bengaluru 560 009, India.
Telephone: +91 80 2295 9454
Facsimile: +91 80 2295 9450
Email: mcb.bangalore@bankofindia.co.in
Contact Person: Mr. Shiv Prakash

Bellad Bagewadi Urban Souhardha Sahakari Bank Limited

Main Branch, Bellad Bagewadi
Hukkeri 591 305, India.
Telephone: +91 08333 267 026
Facsimile: +91 08333 267 362
Email: bbucbankbank@rediffmail.com
Contact Person: Mr. A. T. Munnoli

The Belgaum District Central Co-operative Bank Limited

Head Office Branch, Near Central Bus Stand
Belgaum 590016, India.
Telephone: +91 0831 246 6896
Facsimile: +91 0831 242 5803
Email: bgmdccbk@rediffmail.com
Contact Person: Mr. Shivanand B. Tubchi

Statement of *inter-se* allocation of responsibilities for the Issue

Ashika Capital Limited is the sole BRLM to the Issue and all the responsibilities relating to co-ordination and other activities in relation to the Issue shall be performed by them.

Monitoring Agency

In terms of Regulation 16(1) of the SEBI (ICDR) Regulations, we are not required to appoint a monitoring agency for the purposes of this Issue as the Issue size shall not exceed ₹50,000 Lakhs. As required under the

listing agreements with the Stock Exchanges, the Audit Committee appointed by our Board of Directors will monitor the utilization of the Net proceeds. We will disclose the utilization of the proceeds of the Issue, including interim use, under a separate head in our quarterly financial disclosures and annual audited financial statements until the Net proceeds remain unutilized, to the extent required under the applicable law and regulation.

IPO Grading Agency

[●]
[●], India
Telephone: +91 [●]
Facsimile: +91 [●]
Email: [●]
Contact Person: [●]

IPO Grading

This Issue has been graded by [●], a SEBI registered credit rating agency, and has been assigned the "IPO Grade [●]" indicating [●] by its letter dated [●], which is valid for a period of [●] 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. The rationale furnished by the grading agency for its grading will be updated at the time of filing of the Red Herring Prospectus with the RoC/ Designated Stock Exchange.

A copy of the report provided by [●], furnishing the rationale for its grading will be annexed to the 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 the Red Herring Prospectus until the Bid/Issue Closing Date. The rationale/ description furnished by the IPO grading agency will be updated at the time of filing the Red Herring Prospectus with the RoC.

Credit Rating

As the Issue comprises only of Equity Shares, credit rating is not required.

Brokers to the Issue

All members of the recognized Stock Exchanges would be eligible to act as Brokers to the Issue.

Trustees

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

Experts

Except for the report of [●] in respect of the IPO Grading of this Issue (a copy of which will be annexed to the Red Herring Prospectus as Annexure I), furnishing the rationale for its grading which will be provided to the Designated Stock Exchange, to be included in the Red Herring Prospectus, our Company has not obtained any expert opinions.

Book Building Process

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

- i) Our Company;
- ii) BRLM;
- iii) Syndicate Members;
- iv) Registrar to the Issue;

- v) Escrow Collection Bank(s);
- vi) SCSB.

This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus. Any Bidder may participate in this Issue through the Application Supported by Blocked Amount ("**ASBA**") process by providing the details of their ASBA Accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks ("**SCSBs**"). It is mandatory for QIBs and Non Institutional Investors to make an application through this process. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

Our Company shall comply with the SEBI (ICDR) Regulations issued by SEBI for this Issue. In this regard, our Company has appointed the BRLM to manage the Issue and to procure subscription to the Issue.

QIBs are not allowed to withdraw their Bid(s) after the Bid/Issue Closing Date. In addition, QIBs are required to pay Bid Amount upon submission of their Bid and allotment to QIBs will be on a proportionate basis. For further details, please refer to the section titled "Terms of the Issue" beginning on page 262 of this Draft Red Herring Prospectus.

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

Steps to be taken by the Bidders for bidding:

- Check eligibility for making a Bid. Please refer to the section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus;
- Ensure that you have a demat account and the demat account details are correctly mentioned in the Bid-cum-Application Form;
- Except for Bids (i) on behalf of the Central or State Governments and the officials appointed by the courts, who, in terms of a SEBI circular dated June 30, 2008, may be exempt from specifying their PAN for transacting in the securities market, and (ii) Bids by persons resident in the state of Sikkim, who, in terms of a SEBI circular dated July 20, 2006, may be exempted from specifying their PAN for transacting in the securities market, for Bids of all values, ensure that you have mentioned your PAN allotted under the IT Act in the Bid-cum-Application Form. In accordance with the SEBI (ICDR) Regulations, the PAN would be the sole identification number for participants transacting in the securities market, irrespective of the amount of transaction. For details, please refer to the section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus;
- Ensure that the Bid-cum-Application Form is duly completed as per the instructions given in the Red Herring Prospectus and in the Bid-cum-Application Form;
- Ensure the correctness of your demographic details (as defined in the "Issue Procedure - Bidders Depository Account Details" beginning on page 272) given in the Bid-cum-Application Form, with the details recorded with your Depository Participant;

- Bids by QIBs shall be submitted only to the BRLM, other than Bids by QIBs who Bid through the ASBA process, who shall submit the Bids to the Designated Branch of the SCSBs/ Members of Syndicate; and
- Bids by ASBA Bidders will have to be submitted to the Designated Branches of the SCSBs / Members of Syndicate. ASBA Bidders should ensure that their bank accounts have adequate credit balance at the time of submission to the SCSB/Members of Syndicate to ensure that the Bid-cum-Application Form is not rejected.

Illustration of Book Building and the Price Discovery Process

(Investors should note that the following is solely for the purpose of illustration and is not specific to the Issue)

Bidders can bid at any price within the price band. For instance, assuming a price band of ₹20 to ₹24 per equity share, an issue size of 3,000 equity shares and receipt of five bids from bidders, details of which are shown in the table below, the illustrative book would be as given below. A graphical representation of the consolidated demand and price would be made available at the bidding centers during the Bidding/Issue Period. The illustrative book as shown below indicates the demand for the equity shares of our Company at various prices and is collated from bids from various investors.

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

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

Withdrawal of the Issue

Our Company in consultation with the BRLM, 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, a public notice would be issued in the newspapers, in which the pre-issue advertisements were published, within two (2) Working Days of such withdrawal in English national newspaper, Hindi national newspaper and a Kannada regional newspaper each with wide circulation. The BRLM through the Registrar to the Issue, shall notify the SCSBs to unblock the bank account of the ASBA Bidders within one (1) Working Day from the day of receipt of such notification and the Stock Exchanges shall be informed promptly. Further, in the event of withdrawal of the Issue and subsequently, plans of an Initial Public Offering by our Company, a fresh offer document will be submitted again for observations of SEBI.

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

In the event of withdrawal of the Issue anytime after the Bid/Issue Opening Date but before the allotment of Equity Shares, our Company will forthwith repay, without interest, all monies received from the applicants in pursuance of the Red Herring Prospectus. If such money is not repaid within eight (8) Working Days after our Company become liable to repay it, i.e. from the date of withdrawal, then our Company and every Director of our Company who is an officer in default shall, on and from such expiry of eight (8) Working Days, be liable to repay the money, with interest at the rate of 15% per annum on application money, in proportion to the Equity

Shares offered under the Issue, as prescribed under Section 73 of the Companies Act.

Bid/Issue Program

BID/ISSUE OPENS ON	[●]
BID/ISSUE CLOSES ON*	[●]

**Our Company in consultation with the BRLM may consider closing QIB Book a day before the Bid/Issue Closing Date.*

Our Company in consultation with the BRLM may consider participation by Anchor Investor. The Anchor Investor Bid/Issue Period shall be one (1) Working Day prior to the Bid/Issue Opening Date. Our Company, in consultation with the BRLM, may allocate upto 30% of the QIB Portion, i.e. [●] Equity Shares, to Anchor Investors on a discretionary basis in accordance with the SEBI (ICDR) Regulations on the Anchor Investor Bid/Issue Date. For details, please refer to the section titled "Issue Procedure - Anchor Investor Portion" beginning on page 272 of this Draft Red Herring Prospectus.

Except in relation to the Bids received from the Anchor Investors, Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) (excluding ASBA Bidders) (10.00 a.m. and 1.00 p.m. (IST) if Bids are open only for the Retail Individual Bidders on the Bid/Issue Closing Date) and shall be uploaded until (i) 4.00 p.m. (Indian Standard Time) in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of ₹2,00,000 and (ii) until 5:00 p.m. (Indian Standard Time), in case of Bids by Retail Individual Bidders, where the Bid Amount is up to ₹2,00,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by BRLM to the Stock Exchanges within half an hour of such closure. 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 (1) Working Day prior to the Bid/ Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in initial public offers, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, Syndicate Member, BRLM and SCSB shall not be responsible. Bids will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Bids by ASBA Bidders shall be uploaded by the SCSBs and Members of Syndicate, as applicable, in the electronic system to be provided by the Stock Exchanges.

It is clarified that Bids not uploaded in the book, would be rejected.

In order that the data captured by the brokers in the electronic book is accurate, the Members of Syndicate and the SCSBs may be permitted one (1) additional day, post the Bid/Issue Closing Date, to amend some of the data fields entered by them in the electronic bidding system.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that 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/ Members of Syndicate.

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

Our Company in consultation with the BRLM, reserves the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price.

In case of revision of the Price Band, the Issue Period will be extended for three (3) additional Working Days

after revision of the Price Band subject to the total Bid /Issue Period not exceeding ten (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 BSE and the NSE, by issuing a press release and also by indicating the changes on the web sites of the BRLM, at the terminals of the Members of Syndicate and informing SCSB.

Underwriting Agreement

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

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

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

Name and Address of the Underwriters	Indicative Number of Equity Shares to be Underwritten	Indicative Amount Underwritten (₹ in Lakhs)
[•]	[•]	[•]

The amounts mentioned above are indicative and this would be finalised after determination of Issue Price and actual allocation of the Equity Shares. The Underwriting Agreement is dated [•] and has been approved by the Board of Directors on [•].

In the opinion of our Board (based on a certificate given to them by BRLM and the Syndicate Members), the resources of the Underwriters are sufficient to enable them to discharge their respective underwriting obligations in full. All the above-mentioned Underwriters are registered with SEBI under Section 12(1) of the SEBI Act or registered as brokers with the stock exchanges.

Allocation among the Underwriters may not necessarily be in proportion to their underwriting commitments. Notwithstanding the above table, the Underwriters shall be severally responsible for ensuring payment with respect to the Equity Shares allocated to investors procured by them. In the event of any default, the respective Underwriter, in addition to other obligations to be defined in the Underwriting Agreement, will be also required to procure/ subscribe to the extent of the defaulted amount in accordance with the Underwriting Agreement. If the Syndicate Member(s) fails to fulfill its underwriting obligations as set out in the Underwriting Agreement, the BRLM shall fulfill the underwriting obligations in accordance with the provisions of the Underwriting Agreement.

The underwriting arrangements mentioned above shall not apply to the subscription by the ASBA Bidders in the Issue. The underwriting agreement shall list out the role and obligations of each Syndicate Member.

In case of under-subscription in the Issue, the BRLM, responsible for underwriting arrangements shall be responsible for invoking underwriting obligations and ensuring that the notice for devolvement containing the obligations of the Underwriters is issued in terms of the SEBI (ICDR) Regulations.

CAPITAL STRUCTURE

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

No.	Particulars	Nominal Value (₹)	Aggregate value at Issue Price (₹)
A	Authorised Share Capital		
	6,00,00,000 Equity Shares of ₹10 each	60,00,00,000	
B	Issued, Subscribed and Paid Up Capital before the Issue		
	3,45,56,000 Equity Shares of ₹10 each	34,55,60,000	
C	Present Issue in terms of this Draft Red Herring Prospectus		
	[●] Equity Shares of ₹10 each	[●]	[●]
	Which comprises:		
	1. QIB Portion of not more than [●] Equity Shares, of which the:		[●]
	▪ Anchor Investor Portion is upto [●] Equity Shares*		[●]
	▪ Net QIB Portion of not more than [●] Equity Shares*, of which the:		[●]
	▪ Mutual Fund Portion is [●] Equity Shares**		[●]
	▪ Other QIBs (including Mutual Funds) is [●] Equity Shares		[●]
	2. Non-Institutional Portion - Not less than [●] Equity Shares		[●]
	3. Retail Portion - Not less than [●] Equity Shares		[●]
D	Paid Up Equity Capital after the Issue		
	[●] Equity Shares of ₹10 each	[●]	[●]
E	Share Premium Account		
	Before the Issue		14,66,39,000
	After the Issue***		[●]

*Out of the QIB Portion, our Company may consider participation by Anchor Investors for upto [●] Equity Shares in accordance with the SEBI (ICDR) Regulations at the Anchor Investor Issue Price of ₹ [●] per Equity Share, out of which at least one third shall be allocated to domestic Mutual Funds.

** The Mutual Fund Portion would be 5% of the Net QIB Portion.

***The share premium account shall be determined after the Book-building process.

For further details, please refer to the section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

Our Company does not have any outstanding convertible instruments as on the date of this Draft Red Herring Prospectus

1. Details of changes in Authorised Share Capital

No.	Date of Shareholders approval	Details of change
1.	On Incorporation	Incorporated with an Authorised Share Capital of ₹50,00,000 comprising of 5,000 Equity Shares of ₹1,000 each.
2.	December 11, 2000	Increase in Authorised Share Capital from ₹50,00,000 to ₹10,00,00,000 divided into 1,00,000 Equity Shares of ₹1,000 each.
3.	February 15, 2002	Increase in Authorised Share Capital from ₹10,00,00,000 to ₹20,00,00,000 divided into 2,00,000 Equity Shares of ₹1,000 each.
4.	January 18, 2003	Increase in Authorised Share Capital from ₹20,00,00,000 to

No.	Date of Shareholders approval	Details of change
		₹30,00,00,000 divided into 3,00,000 Equity Shares of ₹1,000 each.
5.	July 5, 2005	Increase in Authorised Share Capital from ₹30,00,00,000 to ₹35,00,00,000 divided into 3,50,000 Equity Shares of ₹1,000 each.
6.	<i>At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.</i>	
7.	May 13, 2010	Increase in Authorised Share Capital from ₹35,00,00,000 to ₹50,00,00,000 divided into 5,00,00,000 Equity Shares of ₹10 each.
8.	February 15, 2011	Increase in Authorised Share Capital from ₹50,00,00,000 to ₹60,00,00,000 divided into 6,00,00,000 Equity Shares of ₹10 each.

Notes to the Capital Structure

2. Share Capital History of our Company

(a) Equity Share capital history

The following is the history of the Equity Share capital of our Company:

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (₹)	Issue Price per Equity Share (₹)	Nature of Consideration	Nature of allotment	Cumulative Number of Equity Shares	Cumulative Share Capital (₹)	Cumulative Share Premium (₹)
May 2, 1995	35	1,000	1,000	Cash	Allotment to the initial subscribers to the MoA	35	35,000	Nil
December 11, 2000	60,007	1,000	1,000	Cash	Preferential allotment to others	60,042	6,00,42,000	Nil
February 23, 2002	40,195	1,000	1,000	Other than Cash#	Preferential allotment to Mr. Prakash Shrishailappa Katti, Ms. Rajeshwari Vishwanath Katti* (<i>Promoter Group</i>) and others	1,00,237	10,02,37,000	Nil
March 31, 2002	46,467	1,000	1,000	Cash	Preferential allotment to Vishwanath Distilleries Limited**	1,46,704	14,67,04,000	Nil
March 28, 2003	53,296	1,000	1,000	Cash	Preferential allotment to Mr. Umesh Vishwanath Katti (<i>Promoter</i>) and Others	2,00,000	20,00,00,000	Nil
September 2, 2003	41,570	1,000	1,000	Cash	Preferential allotment to Mr. Umesh Vishwanath Katti,	2,41,570	24,15,70,000	Nil

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (₹)	Issue Price per Equity Share (₹)	Nature of Consideration	Nature of allotment	Cumulative Number of Equity Shares	Cumulative Share Capital (₹)	Cumulative Share Premium (₹)
					Mr. Prakash Shrishailappa Katti, Mr. Ramappa Bharappa Khemlapure (Promoters) and others			
October 28, 2004	32,040	1,000	1,000	Cash	Preferential allotment to Mr. Ramesh Vishwanath Katti, Ms. Sheela Umesh Katti, Mr. Nikhil Umesh Katti, Ms. Jayashree Ramesh Katti (Promoters), Ms. Rajeshwari Vishwanath Katti (promoter group) and others	2,73,610	27,36,10,000	Nil
December 27, 2004	23,615	1,000	1,000	Cash	Preferential allotment to others	2,97,225	29,72,25,000	Nil
August 8, 2005	33,570	1,000	1,000	Cash	Preferential allotment to Vishwanath Co-Generation Limited**	3,30,795	33,07,95,000	Nil
October 1, 2007	174	1,000	6,000	Cash	Preferential allotment to others	3,30,969	33,09,69,000	8,70,000
October 6, 2007	184	1,000	6,000	Cash	Preferential allotment to others	3,31,153	33,11,53,000	17,90,000
October 11, 2007	179	1,000	6,000	Cash	Preferential allotment to others	3,31,332	33,13,32,000	26,85,000
October 16, 2007	192	1,000	6,000	Cash	Preferential allotment to others	3,31,524	33,15,24,000	36,45,000
October 21, 2007	196	1,000	6,000	Cash	Preferential allotment to others	3,31,720	33,17,20,000	46,25,000

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (₹)	Issue Price per Equity Share (₹)	Nature of Consideration	Nature of allotment	Cumulative Number of Equity Shares	Cumulative Share Capital (₹)	Cumulative Share Premium (₹)
October 26, 2007	192	1,000	6,000	Cash	Preferential allotment to others	3,31,912	33,19,12,000	55,85,000
October 31, 2007	195	1,000	6,000	Cash	Preferential allotment to others	3,32,107	33,21,07,000	65,60,000
November 5, 2007	240	1,000	6,000	Cash	Preferential allotment to others	3,32,347	33,23,47,000	77,60,000
November 10, 2007	240	1,000	6,000	Cash	Preferential allotment to others	3,32,587	33,25,87,000	89,60,000
November 15, 2007	220	1,000	6,000	Cash	Preferential allotment to others	3,32,807	33,28,07,000	1,00,60,000
November 20, 2007	177	1,000	6,000	Cash	Preferential allotment to others	3,32,984	33,29,84,000	1,09,45,000
November 25, 2007	210	1,000	6,000	Cash	Preferential allotment to others	3,33,194	33,31,94,000	1,19,95,000
November 30, 2007	1,105	1,000	6,000	Cash	Preferential allotment to others	3,34,299	33,42,99,000	1,75,20,000
December 5, 2007	1,225	1,000	6,000	Cash	Preferential allotment to others	3,35,524	33,55,24,000	2,36,45,000
December 10, 2007	842	1,000	6,000	Cash	Preferential allotment to others	3,36,366	33,63,66,000	2,78,55,000
December 15, 2007	169	1,000	6,000	Cash	Preferential allotment to others	3,36,535	33,65,35,000	2,87,00,000
December 20, 2007	162	1,000	6,000	Cash	Preferential allotment to others	3,36,697	33,66,97,000	2,95,10,000
December 25, 2007	157	1,000	6,000	Cash	Preferential allotment to others	3,36,854	33,68,54,000	3,02,95,000
December 30, 2007	158	1,000	6,000	Cash	Preferential allotment to others	3,37,012	33,70,12,000	3,10,85,000
January 4, 2008	166	1,000	6,000	Cash	Preferential allotment to others	3,37,178	33,71,78,000	3,19,15,000
January 9, 2008	171	1,000	6,000	Cash	Preferential allotment to others	3,37,349	33,73,49,000	3,27,70,000
January 14, 2008	167	1,000	6,000	Cash	Preferential allotment to others	3,37,516	33,75,16,000	3,36,05,000

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (₹)	Issue Price per Equity Share (₹)	Nature of Consideration	Nature of allotment	Cumulative Number of Equity Shares	Cumulative Share Capital (₹)	Cumulative Share Premium (₹)
January 19, 2008	274	1,000	6,000	Cash	Preferential allotment to others	3,37,790	33,77,90,000	3,49,75,000
January 24, 2008	55	1,000	6,000	Cash	Preferential allotment to others	3,37,845	33,78,45,000	3,52,50,000
February 11, 2008	157	1,000	6,000	Cash	Preferential allotment to others	3,38,002	33,80,02,000	3,60,35,000
February 13, 2008	132	1,000	6,000	Cash	Preferential allotment to others	3,38,134	33,81,34,000	3,66,95,000
February 15, 2008	115	1,000	6,000	Cash	Preferential allotment to others	3,38,249	33,82,49,000	3,72,70,000
February 18, 2008	142	1,000	6,000	Cash	Preferential allotment to others	3,38,391	33,83,91,000	3,79,80,000
February 20, 2008	132	1,000	6,000	Cash	Preferential allotment to others	3,38,523	33,85,23,000	3,86,40,000
February 22, 2008	134	1,000	6,000	Cash	Preferential allotment to others	3,38,657	33,86,57,000	3,93,10,000
February 23, 2008	136	1,000	6,000	Cash	Preferential allotment to others	3,38,793	33,87,93,000	3,99,90,000
February 25, 2008	121	1,000	6,000	Cash	Preferential allotment to others	3,38,914	33,89,14,000	4,05,95,000
February 27, 2008	115	1,000	6,000	Cash	Preferential allotment to others	3,39,029	33,90,29,000	4,11,70,000
February 28, 2008	94	1,000	6,000	Cash	Preferential allotment to others	3,39,123	33,91,23,000	4,16,40,000
February 29, 2008	75	1,000	6,000	Cash	Preferential allotment to others	3,39,198	33,91,98,000	4,20,15,000
March 3, 2008	91	1,000	6,000	Cash	Preferential allotment to others	3,39,289	33,92,89,000	4,24,70,000
March 8, 2008	97	1,000	6,000	Cash	Preferential allotment to others	3,39,386	33,93,86,000	4,29,55,000
March 11, 2008	91	1,000	6,000	Cash	Preferential allotment to others	3,39,477	33,94,77,000	4,34,10,000
March 12, 2008	97	1,000	6,000	Cash	Preferential allotment to others	3,39,574	33,95,74,000	4,38,95,000

Date of Allotment	Number of Equity Shares	Face Value per Equity Share (₹)	Issue Price per Equity Share (₹)	Nature of Consideration	Nature of allotment	Cumulative Number of Equity Shares	Cumulative Share Capital (₹)	Cumulative Share Premium (₹)
March 14, 2008	98	1,000	6,000	Cash	Preferential allotment to others	3,39,672	33,96,72,000	4,43,85,000
March 18, 2008	106	1,000	6,000	Cash	Preferential allotment to others	3,39,778	33,97,78,000	4,49,15,000
March 25, 2008	81	1,000	6,000	Cash	Preferential allotment to others	3,39,859	33,58,89,000	4,53,20,000
March 31, 2008	500	1,000	6,000	Cash	Preferential allotment to others	3,40,359	34,03,59,000	4,78,20,000
Total Number of Shares before the Sub-Division								
<i>At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10. The Equity Shares on sub-division of the face value then amounted to 3,40,35,900 Equity Shares of ₹10 each.</i>								
Total Number of Shares after the Sub-Division								
December 10, 2010	5,20,100	10	200	Cash	Preferential allotment to Others	3,45,56,000	34,55,60,000	14,66,39,000
Total						3,45,56,000	34,55,60,000	14,66,39,000

*Ms. Rajeshwari Katti had been allotted 14,94,400 Equity Shares of our Company. After her demise on September 21, 2009, the said shares held by her were transmitted to her three grandsons namely Mr. Nikhil Katti (3,45,500) Mr. Lava Katti (6,50,975) and Mr. Kush Katti (4,97,925).

Our Company acquired 132 Acres 34 guntas of land along with water drawing equipment and reservoirs through Karnataka Industrial Area Development Board against monetary compensation. Additionally, our Company made preferential allotment to the original seven (7) owners of the land from whom Karnataka Industrial Area Development Board had acquired the said land, to further compensate the said original seven (7) owners. For further details, please refer to Sections titled "Capital Structure" and "Our Business- Immovable Properties" beginning on page 49 and 112 respectively of their Draft Red Herring Prospectus.

**Vishwanath Distilleries Limited and Vishwanath Co-Generation Limited have been voluntarily wound up by their members by an order under Section 484 of the Companies Act, 1956 and the Official Liquidator, High Court of Karnataka has accordingly issued a report under Section 497(6) of the Companies Act for dissolution of the two (2) companies dated November 3, 2011.

3. Promoter Capital Built-up

No.	Date of Allotment/ transfer	Allotment / Transfer	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price per Equity Share (₹)	Nature of consideration	% of pre-Issue Capital	% of post Issue Capital
Mr. Umesh Vishwanath Katti								
1.	May 2, 1995	Allotment	5	1,000	1,000	Cash	0.00	[•]
2.	March 28, 2003	Allotment	100	1,000	1,000	Cash	0.03	[•]
3.	March 29, 2003	Transfer	5	1,000	1,000	Cash	0.00	[•]
4.	September 2, 2003	Allotment	1,400	1,000	1,000	Cash	0.00	[•]
5.	July 29, 2009	Transfer	10,761	1,000	1,000	Cash	0.03	[•]
Total Number of Shares before the Sub-Division			12,271	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			12,27,100	10				
6.	June 2, 2010	Transfer	35,500	10	100	Cash	0.10	[•]
7.	February 15, 2011	Transfer (Transmission)	1,39,875	10	--	--	0.41	[•]
Total			14,02,475	10			4.06	[•]
Mr. Ramesh Vishwanath Katti								
1.	October 28, 2004	Allotment	50	1,000	1,000	Cash	0.00	[•]
2.	July 29, 2009	Transfer (Transmission)	11,952	1,000	--	--	0.04	[•]
Total Number of Shares before the Sub-Division			12,002	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			12,00,200	10				
3.	June 2, 2010	Transfer	35,500	10	100	Cash	0.10	[•]
4.	February 15, 2011	Transfer (Transmission)	93,250	10	--	Cash	0.27	[•]
Total			13,28,950	10			3.85	[•]
Mr. Nikhil Umesh Katti								
1.	October 28, 2004	Allotment	50	1,000	1,000	Cash	0.00	[•]
2.	June 15, 2005	Transfer	10	1,000	1,000	Cash	0.00	[•]

No.	Date of Allotment/ transfer	Allotment / Transfer	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price per Equity Share (₹)	Nature of consideration	% of pre-Issue Capital	% of post Issue Capital
3.	June 25, 2007	Transfer	10	1,000	1,000	Cash	0.00	[•]
4.	July 29, 2009	Transfer (Transmission)	13,700	1,000	--	--	0.04	[•]
Total Number of Shares before the Sub-Division			13,770	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			13,77,000	10				
5.	June 2, 2010	Transfer	25,000	10	100	Cash	0.07	[•]
6.	November 5, 2010	Transfer (Transmission)	4,98,550	10	--	--	1.44	[•]
7.	February 15, 2011	Transfer	1,40,375	10	100	Cash	0.41	[•]
Total			20,40,925	10			5.91	[•]
Ms. Sheela U. Katti								
1.	October 28, 2004	Allotment	50	1,000	1,000	Cash	0.02	[•]
2.	July 29, 2009	Transfer (Transmission)	11,230	1,000	--	--	0.03	[•]
Total Number of Shares before the Sub-Division			11,280	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			11,28,000	10				
3.	June 2, 2010	Transfer	13,000	10	100	Cash	0.04	[•]
Total			11,41,000	10			3.30	[•]
Ms. Jayashree Ramesh Katti								
1.	October 28, 2004	Allotment	50	1,000	1,000	Cash	0.00	[•]
2.	July 29, 2009	Transfer (Transmission)	12,413	1,000	--	--	0.04	[•]
Total Number of Shares before the Sub-Division			12,463	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			12,46,300					
3.	June 2, 2010	Transfer	12,500	10	100	Cash	0.04	[•]
Total			12,58,800				3.64	[•]
Mr. Lava Ramesh Katti								

No.	Date of Allotment/ transfer	Allotment / Transfer	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price per Equity Share (₹)	Nature of consideration	% of pre-Issue Capital	% of post Issue Capital
1.	July 29, 2009	Transfer	5,966	1,000	1,000	Cash	0.02	[•]
Total Number of Shares before the Sub-Division			5,966	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			5,96,600	10				
2.	June 2, 2010	Transfer	12,500	10	100	Cash	0.04	[•]
3.	November 5, 2010	Transfer (Transmission)	4,97,925	10	--	--	1.44	[•]
4.	February 15, 2011	Transfer	93,250	10	100	Cash	0.27	[•]
Total			12,00,275	10			3.47	[•]
Mr. Kush Katti								
1.	July 29, 2009	Transfer	6,444	1,000	1,000	Cash	0.02	[•]
Total Number of Shares before the Sub-Division			6,444	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares after the Sub-Division			6,44,400	10				
2.	June 2, 2010	Transfer	9,500	10	100	Cash	0.03	[•]
3.	November 5, 2010	Transfer (Transmission)	4,97,925	10	--	--	1.44	[•]
4.	February 15, 2011	Transfer (Transmission)	93,250	10	--	--	0.27	[•]
Total			12,45,075	10			3.60	[•]
Mr. Prakash Shreeshailappa Katti								
1.	December 11, 2000	Allotment	142	1,000	1,000	Cash	0.00	[•]
2.	February 23, 2002	Allotment	7,775	1,000	1,000	Cash	0.02	[•]
3.	March 28, 2003	Allotment	435	1,000	1,000	Cash	0.00	[•]
4.	September 2, 2003	Allotment	7,770	1,000	1,000	Cash	0.02	[•]
5.	July 29, 2009	Transfer	30	1,000	1,000	Cash	0.00	[•]
Total Number of Shares before the Sub-Division			16,152	1,000	1,000			
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								

No.	Date of Allotment/ transfer	Allotment / Transfer	Number of Equity Shares	Face Value (₹)	Issue/ Acquisition Price per Equity Share (₹)	Nature of consideration	% of pre-Issue Capital	% of post Issue Capital
Total Number of Shares after the Sub-Division			16,15,200	10				
Total			16,15,200	10			4.67	[•]
Mr. Ramappa Bharamappa Khemalapure								
1.	May 2, 1995	Allotment	5	1,000	1,000	Cash	0.00	[•]
2.	September 2, 2003	Allotment	5,365	1,000	1,000	Cash	0.02	[•]
Total Number of Shares before the Sub-Division			5,370	1,000				
At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.								
Total Number of Shares before the Sub-Division			5,37,000	10				
Total			5,37,000	10			1.55	[•]

Note: None of the Equity Shares of our Promoter has been pledged as on the date of this Draft Red Herring Prospectus.

4. Promoter's Contribution and Lock-in

- The Equity Shares that are being locked-in are eligible for computation of Promoter's contribution under Regulation 33(1) of the SEBI (ICDR) Regulations and are being locked-in under Regulation 36 of the SEBI (ICDR) Regulations..

a) Details of Promoter's Contribution locked-in for three (3) years:

Pursuant to Regulation 32(1)(a), an aggregate of 20% of the Post-Issue capital shall be contributed by our Promoters. Pursuant to Regulation 36(a) of the SEBI (ICDR) Regulations, an aggregate of 20% of the post-Issue shareholding of the Promoters shall be locked-in for a period of three (3) years from the date of Allotment in the Issue. Further our Promoters have given their written consent for including these Equity Shares as a part of Promoter's Contribution, details of which are set out below:

Details of Promoter's Contribution*							
Date on which the Equity Shares were Allotted/ Acquired	Date when made fully paid up	Consideration	Number of Equity Shares	Face Value (₹)	Issue Price (₹)	% of post-Issue share capital	Period of Lock-in
Mr. Umesh Vishwanath Katti							
[•]	[•]	[•]	[•]	[•]	[•]	[•]	3 years from the date of allotment under the Issue
[•]	[•]	[•]	[•]	[•]	[•]	[•]	
[•]	[•]	[•]	[•]	[•]	[•]	[•]	

Details of Promoter’s Contribution*							
Date on which the Equity Shares were Allotted/ Acquired	Date when made fully paid up	Consideration	Number of Equity Shares	Face Value (₹)	Issue Price (₹)	% of post-Issue share capital	Period of Lock-in
Mr. Ramesh Vishwanath Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Mr. Nikhil Umesh Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Ms. Sheela U. Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Ms. Jayashree R. Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Mr. Lava R. Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Mr. Kush R. Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years

Details of Promoter’s Contribution*							
Date on which the Equity Shares were Allotted/ Acquired	Date when made fully paid up	Consideration	Number of Equity Shares	Face Value (₹)	Issue Price (₹)	% of post-Issue share capital	Period of Lock-in
[●]	[●]	[●]	[●]	[●]	[●]	[●]	from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Mr. Prakash S. Katti							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Mr. Ramappa B. Khemlapure							
[●]	[●]	[●]	[●]	[●]	[●]	[●]	3 years from the date of allotment under the Issue
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
[●]	[●]	[●]	[●]	[●]	[●]	[●]	
Total			[●]			20.00	

*Details of Promoter Contribution Shares shall be determined after finalizing the basis of allotment.

Note: The lock-in period shall commence from the date of Allotment of Equity Shares in the Issue.

- b) The Equity Shares that are being locked-in are not in-eligible for computation of Promoter's contribution under Regulation 33 of the SEBI (ICDR) Regulations. In this connection, we confirm the following:
- The Equity Shares offered for minimum 20% Promoter's contribution have not been acquired in the last three (3) years for consideration other than cash and revaluation of assets or capitalization of intangible assets or bonus shares out of revaluation reserves, or unrealised profits of our Company or from a bonus issue against Equity Shares which are otherwise ineligible for computation of Promoter's contribution;
 - The Equity Shares offered for minimum 20% Promoter's contribution do not include any Equity Shares acquired during the preceding one (1) year at a price lower than the price at which the Equity Shares are being offered to the public in the Issue;
 - The Equity Shares offered for minimum 20% Promoter's contribution were not issued to the Promoter upon conversion of a partnership firm;
 - The Equity Shares offered for minimum 20% Promoter's contribution are not subject to any

pledge; and

- (v) In terms of undertaking executed by our Promoter, Equity Shares forming part of Promoter's contribution subject to lock in will not be disposed/ sold/ transferred by our Promoter during the period starting from the date of filing of this Draft Red Herring Prospectus with SEBI till the date of commencement of lock-in period as stated in this Draft Red Herring Prospectus.
- c) The minimum Promoter's contribution has been brought to the extent of not less than the specified minimum lot and from persons defined as Promoter under the SEBI (ICDR) Regulations. Our Company has obtained a consent dated December 29, 2011 from our Promoter for the lock-in of [●] Equity Shares, held by him, for a period of three (3) years from the date of Allotment and for lock-in of the balance pre-Issue Equity Share capital of our Company, held by them, for a period of one (1) year from the date of Allotment. Equity Shares offered by the Promoter for the minimum Promoter's contribution are not subject to pledge.
- d) ***Details of Equity Shares locked-in for one (1) year:***

In terms of Regulation 36(b) and 37 of the SEBI (ICDR) Regulations, in addition to the Equity Shares proposed to be locked-in as part of the Promoter's Contribution as stated above, the balance pre-Issue Equity Share capital of our Company, will be locked-in for a period of one (1) year from the date of Allotment in the Issue.
- e) ***Other requirements in respect of Lock-in of Equity Shares:***

In terms of Regulation 39 of the SEBI (ICDR) Regulations, Equity Shares held by promoters and locked-in may be pledged with any scheduled commercial bank or public financial institution as collateral security for loan granted by such bank or institution, subject to the following:
 - (a) if the Equity Shares are locked-in in terms of clause (a) of Regulation 36, the loan has been granted by such bank or institution for the purpose of financing one or more of the Objects of the Issue and pledge of Equity Shares is one of the terms of sanction of the loan;
 - (b) if the Equity Shares are locked-in in terms of clause (b) of Regulation 36 and the pledge of specified securities is one of the terms of sanction of the loan.

Further, pursuant to Regulation 40 of the SEBI (ICDR) Regulations, Equity Shares held by shareholders other than the Promoters may be transferred to any other person holding shares which are locked-in as per Regulation 36 of the SEBI (ICDR) 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.

Pursuant to Regulation 40 of the SEBI (ICDR) Regulations, Equity Shares held by the Promoters may be transferred to and among the Promoters or the Promoter Group or to a new promoter or persons in control of 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.
- f) ***Lock-in of Equity Shares to be issued, if any, to Anchor Investor:***

Any Equity Shares allotted to Anchor Investors shall be locked-in for a period of thirty (30) days from the date of allotment of Equity Shares in the Issue.

5. Shareholding Pattern of our Company

The table below presents the shareholding pattern of our Company as on the date of this Draft Red Herring Prospectus as per Clause 35 of the Equity Listing Agreement.

(Face value of Equity Shares of ₹10 each)

	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					% of (A+B)	% of (A+B+C)	No. of shares	%
(A)	Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals/ Hindu Undivided Family	53	1,87,68,800	--	54.31	--	--	--
(b)	Central Government/ State Government(s)	--	--	--	--	--	--	--
(c)	Bodies Corporate	--	--	--	--	--	--	--
(d)	Financial Institutions/ Banks	--	--	--	--	--	--	--
(e)	Any Other	--	--	--	--	--	--	--
	Sub-Total (A)(1)	53	1,87,68,800	--	54.31	--	--	--
(2)	Foreign	--	--	--	--	--	--	--
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	--	--	--	--	--	--	--
(b)	Bodies Corporate	--	--	--	--	--	--	--
(c)	Institutions	--	--	--	--	--	--	--
(d)	Any Other (specify)	--	--	--	--	--	--	--
	Sub-Total (A)(2)	--	--	--	--	--	--	--
	Total Shareholding of Promoter and Promoter Group (A)= (A)(1)+(A)(2)	53	1,87,68,800	--	54.31	--	--	--
(B)	Public shareholding	--	--	--	--	--	--	--
(1)	Institutions	--	--	--	--	--	--	--
(a)	Mutual Funds/UTI	--	--	--	--	--	--	--
(b)	Financial Institutions/ Banks	--	--	--	--	--	--	--
(c)	Central Government/ State Government(s)	--	--	--	--	--	--	--
(d)	Venture Capital Funds	--	--	--	--	--	--	--
(e)	Insurance Companies	--	--	--	--	--	--	--
(f)	Foreign Institutional Investors	--	--	--	--	--	--	--
(g)	Foreign Venture Capital Investors	--	--	--	--	--	--	--
(h)	Others	1	5,20,100	--	1.51	--	--	--
	Sub-Total (B)(1)	--	--	--	--	--	--	--
(2)	Non-institutions	--	--	--	--	--	--	--
(a)	Bodies Corporate	--	--	--	--	--	--	--
(b)	Individuals -							

	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares Pledged or otherwise encumbered	
					% of (A+B)	% of (A+B+C)	No. of shares	%
	i. Individual shareholders holding nominal share capital up to Rs. 1 lakh.	4,854	63,02,400	--	18.24	--	--	--
	ii. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh.	64	89,64,700	--	25.94	--	--	--
(c)	Any Other (specify)	--	--	--	--	--	--	--
	Sub-Total (B)(2)	4,918	1,52,67,100	--	44.18	--	--	--
	Total Public Shareholding (B)= (B)(1)+(B)(2)	4,919	1,57,87,200	--	45.69	--	--	--
	TOTAL (A)+(B)	4,972	3,45,56,000	--	100.00	--	--	--
(C)	Shares held by Custodians and against which Depository Receipts have been issued	--	--	--	--	--	--	--
	GRAND TOTAL (A)+(B)+(C)	4,972	3,45,56,000	--	100.00	--	--	--

6. The shareholding pattern of our Company before and after the Issue is set forth below:

Particulars	Pre-Issue		Post-Issue	
	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)
Promoters				
Mr. Nikhil Umesh Katti	20,40,925	5.91	20,40,925	[●]
Mr. Prakash S. Katti	16,15,200	4.67	16,15,200	[●]
Mr. Umesh Vishwanath Katti	14,02,475	4.06	14,02,475	[●]
Mr. Ramesh Vishwanath Katti	13,28,950	3.85	13,28,950	[●]
Ms. Jayashree R. Katti	12,58,800	3.64	12,58,800	[●]
Mr. Kush R. Katti	12,45,075	3.60	12,45,075	[●]
Mr. Lava R. Katti	12,00,275	3.47	12,00,275	[●]
Ms. Sheela U. Katti	11,41,000	3.30	11,41,000	[●]
Mr. Ramappa B. Khemlapure	5,37,000	1.55	5,37,000	[●]
Sub-Total (A)	1,17,69,700	34.06	1,17,69,700	[●]
Promoter Group				
Mr. Ashok Shekar Utture	10,29,300	2.98	10,29,300	[●]
Mr. Kashinath Shekhar Utture	6,81,000	1.97	6,81,000	[●]
Mr. Kadayya Siddalingayya	6,43,500	1.86	6,43,500	[●]

Particulars	Pre-Issue		Post-Issue	
	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)
Pujar				
Mr. Basayya Siddalingayya Pujar	6,39,500	1.85	6,39,500	[●]
Mr. Ramesh Rajaram Shiralakar	4,97,300	1.44	4,97,300	[●]
Ms. Sneha Umesh Katti	4,49,200	1.30	4,49,200	[●]
Mr. Sudhir Mallappa Katti	4,25,700	1.23	4,25,700	[●]
Mr. Ramappa Siddappa Bani	3,67,600	1.06	3,67,600	[●]
Mr. Shrikant Virupakshappa Katti	3,50,000	1.01	3,50,000	[●]
Mr. Muragesh Basavaraj Katti	3,21,500	0.93	3,21,500	[●]
Mr. Kallapa Siddappa Bani	2,97,500	0.86	2,97,500	[●]
Mr. Dhanapal P Khemalapure	2,64,500	0.77	2,64,500	[●]
Mr. Rajaram Tukaram Shiralkar	2,62,300	0.76	2,62,300	[●]
Mr. Mallikarjun Shekhar Utture	2,01,500	0.58	2,01,500	[●]
Mr. Prakash Veerappa Hagaragi	1,69,500	0.49	1,69,500	[●]
Ms. Gurappa Channappa Katti	1,65,800	0.48	1,65,800	[●]
Mr. Vinod Cannabasappa Katti	1,54,500	0.45	1,54,500	[●]
Ms. Shridevi Praash Katti	8,500	0.02	8,500	[●]
Ms. Pallavi Prakash Katti	8,500	0.02	8,500	[●]
Ms. Rekha Prakash Katti	6,000	0.02	6,000	[●]
Mr. Sandeep Prakash Katti	6,000	0.02	6,000	[●]
Ms. Purnima Annappa Pangi	5,000	0.01	5,000	[●]
Mr. Subhash Shreeshailappa Katti	5,000	0.01	5,000	[●]
Ms. Padmaja Subhash Katti	5,000	0.01	5,000	[●]
Mr. Sanjay Ramappa Khemalapure	4,900	0.01	4,900	[●]
Ms. Nirmala Gangadhar Lingadalli	3,500	0.01	3,500	[●]
Ms. Mahadevi Chandrashekhara Bellad	3,500	0.01	3,500	[●]
Mr. Drakashayani Ravi Katti	3,500	0.01	3,500	[●]
Ms. Lalita Jambukumar Khemalapure	3,000	0.01	3,000	[●]
Mr. Mohan Sattappa Munnoli	2,000	0.01	2,000	[●]
Mr. Sudharshan Ramappa Khemalapure	1,500	Negligible	1,500	[●]
Mr. Mahalingappa Babanna Ghuli	1,000	Negligible	1,000	[●]
Mr. Annapurna Mahalingappa Ghuli	1,000	Negligible	1,000	[●]
Ms. Pallavi Suhas Ghuli	1,000	Negligible	1,000	[●]
Ms. Tejasvini Yuvaraj Chunamuri	1,000	Negligible	1,000	[●]

Particulars	Pre-Issue		Post-Issue	
	Number of shares	Shareholding (%)	Number of shares	Shareholding (%)
Mr. Yuvaraj J Chunamuri	1,000	Negligible	1,000	[•]
Ms. Kalavati Dundappa Savadakar	1,000	Negligible	1,000	[•]
Ms. Shailaja Shivaprasad Uchale	1,000	Negligible	1,000	[•]
Mr. Prachi Satish Ghuli	1,000	Negligible	1,000	[•]
Mr. Satish Mahalingappa Ghuli	1,000	Negligible	1,000	[•]
Mr. Suhas Mahalingappa Ghuli	1,000	Negligible	1,000	[•]
Mr. Jaganath Shanmukappa Chunamuri	1,000	Negligible	1,000	[•]
Mr. Channavva Jaganath Chunamuri	1,000	Negligible	1,000	[•]
Mr. Shanmukappa J Chunamuri	1,000	Negligible	1,000	[•]
Total (B)	69,99,100	20.25	69,99,100	[•]
Total Holding of Promoter & Promoter Group (A+B)	1,87,68,800	54.31	1,87,68,800	[•]
C. Non-Promoters				
Others	1,57,87,200	45.69	[•]	[•]
Sub-Total(C)	1,57,68,500	45.69	[•]	[•]
Equity Shares Offered through the Issue	--	--	[•]	[•]
Total (A+ B+C) = (D)	3,45,56,000	100.00	[•]	[•]

7. Except as disclosed below, none of our Directors or Key Managerial Personnel hold Equity Shares in our Company:

Name of the Director	Number of Equity Shares held	Shareholding (%)
Mr. Umesh Vishwanath Katti	14,02,475	4.06
Mr. Nikhil Umesh Katti	20,40,925	5.91
Mr. Mallikarjun Pujar	3,000	Negligible

8. **Top Ten Shareholders of our Company**

- a. The top ten (10) shareholders of our Company as on the date of the filing of the Draft Red Herring Prospectus with SEBI are as follows:

(Face Value of ₹10 each)

No.	Name of the Shareholder	Number of Equity Shares	Shareholding (%)
1.	Mr. Nikhil Umesh Katti	20,40,925	5.91
2.	Mr. Prakash Shrishailappa Katti	16,15,200	4.67
3.	Mr. Umesh Vishwanath Katti	14,02,475	4.06
4.	Mr. Ramesh Vishwanath Katti	13,28,950	3.85
5.	Ms. Jayshree Ramesh Katti	12,58,800	3.64
6.	Mr. Kush Ramesh Katti	12,45,075	3.60

No.	Name of the Shareholder	Number of Equity Shares	Shareholding (%)
7.	Mr. Lava Ramesh Katti	12,00,275	3.47
8.	Ms. Sheela Umesh Katti	11,41,000	3.31
9.	Mr. Ashok Shekhar Utture	10,29,300	2.98
10.	Mr. Riyaz Dastegeer	7,90,100	2.29
Total		1,30,52,100	37.78

- b. The top ten (10) shareholders of our Company as of ten (10) days prior to the filing of the Draft Red Herring Prospectus with SEBI are as follows:

(Face Value of ₹10 each)

No.	Name of the Shareholder	Number of Equity Shares	Shareholding (%)
1.	Mr. Nikhil Umesh Katti	20,40,925	5.91
2.	Mr. Prakash Shrishailappa Katti	16,15,200	4.67
3.	Mr. Umesh Vishwanath Katti	14,02,475	4.06
4.	Mr. Ramesh Vishwanath Katti	13,28,950	3.85
5.	Ms. Jayshree Ramesh Katti	12,58,800	3.64
6.	Mr. Kush Ramesh Katti	12,45,075	3.60
7.	Mr. Lava Ramesh Katti	12,00,275	3.47
8.	Ms. Sheela Umesh Katti	11,41,000	3.31
9.	Mr. Ashok Shekhar Utture	10,29,300	2.98
10.	Mr. Riyaz Dastegeer	7,90,100	2.29
Total		1,30,52,100	37.78

- c. The top ten (10) shareholders of our Company as of two (2) years prior to the filing of the Draft Red Herring Prospectus with SEBI are as follows:

(Face Value of ₹1,000 each)

No.	Name of the Shareholder	Number of Equity Shares	Shareholding (%)
1.	Mr. Prakash Shrishailappa Katti	16,152	4.75
2.	Ms. Rajeshwari Vishwanath Katti	14,944	4.39
3.	Mr. Nikhil Umesh Katti	13,770	4.05
4.	Ms. Jayashree Ramesh Katti	12,463	3.66
5.	Mr. Umesh Vishwanath Katti	12,271	3.61
6.	Mr. Ramesh Vishwanath Katti	12,002	3.53
7.	Ms. Sheela Umesh Katti	11,280	3.31
8.	Mr. Ashok Shekhar Utture	10,293	3.02
9.	Mr. Riyaz Dastageer Baragir	7,410	2.18
10.	Mr. Kashinath Shekhar Utture	6,810	2.00
Total		1,01,243	34.50

9. Our Company, the Directors and the BRLM have not entered into any buy-back and/or standby arrangements for purchase of Equity Shares from any person.
10. There are no outstanding warrants, financial instruments or any rights, which would entitle our Promoter or other shareholders or any other person any option to acquire any of the Equity Shares as on the date of this Draft Red Herring Prospectus.
11. The Equity Shares are fully paid-up and there are no partly paid-up Equity Shares as on the date of filing of this Draft Red Herring Prospectus.

12. Our Company does not have any ESOP/ESOS Scheme as of the date of filing of this Draft Red Herring Prospectus.
13. Our Company has not issued Equity Shares out of revaluation reserves.
14. Except as set out below, our Company has not issued any Equity Shares for consideration other than cash:

Date of allotment	Number of Equity Shares	Face Value (₹)	Issue Price (₹)	Name of Allotees	Reason for the Issue and benefits accrued
February 23, 2002	40,195	1,000	1,000	Preferential allotment to Mr. Prakash Shrishaillappa Katti, Ms. Rajeshwari Vishwanath Katti and others	Additional compensation for acquisition of land alongwith water drawing equipment and reservoir through Karnataka Industrial Area Development Board.

15. The Equity Shares issued pursuant to this Issue shall be fully paid-up.
16. There have been no transfers of Equity Shares by our Directors, Promoters and Promoter Group entities within the last six (6) months preceeding the date of this Draft Red Herring Prospectus filed with SEBI.
17. During the past six (6) months, there are no transactions in our Equity Shares, which have been purchased/ (sold) by our Promoter, their relatives and associates, persons in promoter group (as defined under sub-clause (zb) sub-regulation (1) Regulation 2 of the SEBI (ICDR) Regulations) or the Directors of our Company.
18. We presently do not intend or propose any further issue of capital whether by way of issue of bonus shares, preferential allotment, and rights issue or in any other manner during the period commencing from submission of this Draft Red Herring Prospectus with SEBI until the Equity Shares issued / to be issued pursuant to the Issue have been listed.
19. We presently do not have any intention or proposal, neither have entered into negotiations nor are considering to alter our capital structure for a period of six (6) months from the date of opening of the Issue, by way of split/consolidation of the denomination of Equity Shares or further issue of Equity Shares (including issue of securities convertible into or exchangeable, directly or indirectly, for the Equity Shares) whether on preferential or otherwise, except if our Company plans to enter into acquisitions, mergers, joint ventures or strategic alliances, subject to necessary approvals, our Company may issue Equity Shares or securities linked to Equity Shares to finance such acquisition, merger, joint venture or strategic alliance or as consideration for such acquisition, merger, joint venture or strategic alliance or for regulatory compliance or entering into any scheme of arrangement if determined by the Board to be in the best interests of our Company.
20. A Bidder cannot make a Bid for more than the number of Equity Shares offered in the Issue, subject to the maximum limit of investment prescribed under relevant laws applicable to each category of Bidder.
21. Our Company has not made any public issue or rights issue since its incorporation.

22. Our Company undertakes that there shall be only one (1) denomination for the Equity Shares of our Company, unless otherwise permitted by law. We shall comply with such disclosure and accounting norms as may be specified by SEBI from time to time.
23. As of the date of filing this Draft Red Herring Prospectus, our Company has 4,972 shareholders.
24. Our Company has not raised any bridge loan against the proceeds of this Issue.
25. No person connected with the Issue has offered any incentive, whether direct or indirect, in any manner, whether in cash or kind or services or otherwise to any person for making an application for allotment of specified securities other than any fees or commission for services rendered in relation to the Issue.
26. An oversubscription to the extent of 10% of the Issue can be retained for purposes of rounding off while finalizing the basis of allotment. Consequently, the Allotment may increase by a maximum of 10% of this Issue, as a result of which the post-Issue paid-up capital would also increase by the excess amount of Allotment so made. In such an event, the Equity Shares to be locked-in towards the Promoter's Contribution shall be suitably increased, so as to ensure that 20% of the post-Issue paid-up capital is locked in.
27. This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus. Any Bidder may participate in this Issue through the Application Supported by Blocked Amount ("**ASBA**") process by providing the details of their ASBA Accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks ("**SCSBs**"). It is mandatory for QIBs and Non Institutional Investors to make an application through this process. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.
28. 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, in consultation with the BRLM and the Designated Stock Exchange.
29. Our BRLM or any of its associates do not hold any Equity Shares of our Company as on the date of filing of the Draft Red Herring Prospectus with SEBI.
30. There has been no financing arrangement whereby our Promoter Group, Directors of our Company and their relatives have financed the purchase by any other person of securities of our Company other than in the normal course of business of the financing entity during the period of six (6) months immediately preceeding the date of filing of this Draft Red Herring Prospectus with SEBI.
31. Our Promoters and members of Promoter Group will not participate in this Issue.

OBJECTS OF THE ISSUE

We intend to utilise the issue proceeds for the following objects:

No.	Particulars
I.	Expansion of Sugar cane crushing capacity from 5500 TCD to 11000 TCD and augmentation of Co-Generation Power Plant from 36.4 MW to 66.4 MW (Sugar and Co-Generation Project)
II.	Expansion of Distillery capacity to 100 KLPD by setting up new Distillation Plant of 65 KLPD and augmenting the IMFL production Capacity from 2500boxes to 5000 boxes per day (Distillery Project)
III.	Meeting Working Capital Margin
IV.	General Corporate Purposes

Further, Our Company believes that listing will enhance our Company's brand name and create a public market for its Equity Shares in India.

The details of the proceeds of the Issue are set forth in the table below:

Particulars	Amount
Gross Proceeds of the Issue*	37,400.00
Issue related expenses*	[●]
Net Proceeds of the Issue ("Net Proceeds")	[●]

* These details will be finalised after determination of Issue Price and will be disclosed in the Prospectus prior to filing with the RoC

The main Objects Clause of our Memorandum of Association and Objects incidental to the main objects enable us to undertake existing activities as well as activities for which the funds are being raised through this Issue. Further, the Company confirms that activities it has been carrying out till date are in accordance with the Objects Clause of our Company's Memorandum of Association.

Requirement of funds and Means of Finance:

We intend to utilise the Net Proceeds of the Issue for financing the objects as set forth below:

No.	Particulars	Total Estimated Cost	Term Loan	Internal Accruals	Estimated Amount to be utilised from Net Proceeds
I.	Sugar and Co-Generation Project	29,200.00	5,500.00	--	23,700.00
II.	Distillery Project	9,700.00	1,500.00	600.00	7,600.00
III.	Working Capital Margin	3,600.00	--	--	3,600.00
IV.	General Corporate Purposes	[●]	--	--	[●]
	Total	[●]	7,000.00	600.00	[●]

The fund requirement and deployment is based on management estimates and quotations received from the third parties and have not been appraised by any bank or financial institution or any other independent agency.

The management of our Company, in accordance with the policies set up by the Board, will have flexibility in deploying the Net Proceeds, as well as the discretion to revise its business plan from time to time and consequently the funding requirement and deployment of funds may also change. This may include re-scheduling the proposed utilisation of Net Proceeds and increasing or decreasing expenditure for a particular object *vis-à-vis* the utilisation of

Net Proceeds. In the event of significant variations in the proposed utilisation, approval of the shareholders of our Company shall be duly sought. In case of variations in the actual utilisation of funds earmarked for the purposes set forth above, increased fund requirements for a particular purpose may be financed by surplus funds, if any, available in respect of other purposes for which funds are being raised in this Issue, including the funds available for general corporate purposes. If such surplus funds are unavailable, the required financing will be met through internal accruals and debt. Our Company believes that such alternative arrangements would be available to fund any such shortfall. In the event any surplus funds remain from the Net Proceeds after meeting all the aforesaid objectives, such surplus proceeds will be used for general corporate purposes including for meeting future growth opportunities.

We confirm that firm arrangements of finance through verifiable means towards more than 75% of the stated means of finance, excluding the amount to be raised through the proposed Issue and Internal Accruals, have been made in compliance with the Regulation 4(2) (g) of SEBI (ICDR) Regulations.

The term loan of ₹7,000 Lakhs has been sanctioned by Bank of India, Bangalore, Mid Corporate Branch, Bengaluru bearing letter No. BMCB: 2011-12:104, dated December 27, 2011.

Details of Objects of the Issue

I. Sugar and Co-Generation Project:

Our Company intends to expand Sugar cane crushing capacity from 5500 TCD to 11000 TCD and augmenting Co-Generation Power Plant from 36.4 MW to 66.4 MW. The proposed expansion project will be set up on the vacant unutilised land available in the premises of existing production facilities.

Break - up of the Cost Estimates

No.	Particulars	Amount (₹ in Lakhs)
1.	Factory Building	4,300.00
2.	Administrative Block	500.00
3.	Plant & Machinery	22,500.00
4.	Pre-operative Expenses	400.00
5.	Contingencies	1,500.00
Total		29,200.00

❖ Factory Building

The Building & Civil Works cost is estimated at ₹4,300 Lakhs consisting of ₹2,700 Lakhs for Sugar Unit and ₹ 1,600 Lakhs for Co-Generation Unit, as per quotation dated August 4, 2011, by Designs, Structural & Architectural Consultants having office at 1031, E Ward, B-I-1, Sterling Tower, Gavati Mandai, Shahupuri, Kolhapur, Tel: 0231-3059450; E-mail: prasaddabeer@rediffmail.com.

Sugar

			(₹ in Lakhs)
No.	Nature of Work	Approximate area (Meter Square)	Estimated civil Cost
1.	Main Factory Building	9,500.00	820.00
2.	Machinery Foundations	LUMPSUM	350.00
3.	Molasses Tank Foundation (4 Nos)	2,800.00	60.00
4.	Sugar Godowns (3 Nos) (Capacity : 1.50*3=4.5 lakh bags)	7,200.00	580.00
5.	Spray Ponds and Water Channels	7,500.00	260.00
6.	Lime Sulphur Godown	400.00	45.00

No.	Nature of Work	Approximate area (Meter Square)	Estimated civil Cost
7.	Weigh Bridges with cabins (4 Nos)	LUMPSUM	11.00
8.	Toilet Blocks (2 Nos)	60.00	12.00
9.	Compound Wall & Site development roads etc.	LUMPSUM	110.00
10.	Watchman Cabins (3 Nos)	30.00	4.00
11.	Time Office	100.00	12.00
12.	Effluent Treatment Plant	LUMPSUM	250.00
13.	Office of Chief Engineer & Chief Chemist and Laboratory	120.00	15.00
	Sub Total		2,529.00
	Add: Consultant's Fees @2%		50.58
	Sub Total		2,579.58
	Add: Contingencies 5%		128.98
	Total		2,708.56
	Total (Rounded off)		2,700.00

Co-Generation

(₹ in Lakhs)			
No.	Nature of Work	Approximate area (Meter Square)	Estimated civil Cost (₹)
1.	Turbine Generator House Building	4,500.00	450.00
2.	Turbine Generator Foundations	--	170.00
3.	Auxiliary Foundations/Feed Water Station	--	60.00
4.	Building for Boiler	1,800.00	200.00
5.	Boiler Foundation (with slab)	--	85.00
6.	D.M. Plant with Shed	--	15.00
7.	Bagasse Handling System	--	55.00
8.	Electrical Switch Yard/Meter Room/Oil Tank/Cable Trenches	3,000.00	110.00
9.	Spray Pond	7,500.00	250.00
10.	R.C.C. Chimney	--	100.00
	Sub Total		1,495.00
	Add: Consultant's Fees @2%		30.00
	Sub Total		1,525.00
	Add: Contingencies @5%		76.25
	Total		1,601.25
	Total (Rounded off)		1,600.00

1. Administrative Block

The Administrative Building & Civil Works cost is estimated at ₹500 Lakhs, as per quotation dated August 12, 2011, of Designs, Structural & Architectural Consultants having office at 1031, E Ward, B-I-1, Sterling Tower, Gavati Mandai, Shahupuri, Kolhapur, Tel: 0231-3059450; E-mail: prasaddabeer@rediffmail.com.

(₹ in Lakhs)

No.	Particulars	Estimated Cost
1.	Administrative Office Building	314.33
2.	Sales Office Building	38.25
3.	Guest House Building	71.02
4.	Time and Security Office Building	78.19
	Total	501.79
	Total (Rounded off)	500.00

2. Plant and Machinery

The Sugar and Co-Generation Plant is proposed to be purchased from ISGEC Heavy Engineering Limited, Noida, who has given technical offer dated August 8, 2011, *vide* reference no. X-1(SZ)/ 400051-70/ for supply, erection and commissioning of 230 TCH expandable to 300 TCH Sugar Plant and setting up of 30 MW Co-Generation Plant. Subsequently we received price offer on a turnkey basis *vide* reference no. X-1(SZ)/ 400051-70/ dated August 10, 2011 for ₹ 22,000 Lakhs (including duty and taxes). Our Company also requires upgrading the switch yard for which Hitech Electricals has given their quotation dated August 12, 2011 bearing reference No. HE/VSL/11-12/QUO/19, for ₹500 Lakhs.

We have considered the above quotations for the budgetary estimates and have not placed order for any of the above Machineries till date. The actual cost of procurement and actual supplier/ dealer may vary. We do not intend to purchase any second hand machineries. None of the machine suppliers are related to our Company and its promoters/ group entities. All the above quotations are valid upto January 31, 2012.

No.	Particulars	Nos
A. FOR 300 TCH MILING TANDOM		
1.	Cane Weigh Bridge	3
2.	Cane Unloader	4
3.	Feeder Table	4
4.	Cane Carrier	1
5.	Cane Carrier Drive	1
6.	Cane Chopper	1
7.	Cane Leveler	1
8.	Swing Hammer Fibrizor	1
9.	Fibrizor Drive	1
10.	Fibrized Cane Rake Elevator	1
11.	Belt Conveyor	1
12.	Tramp Iron Separator	1
13.	Cane Equalizer	1
14.	Automatic Cane Feeding Devices	1 Set
15.	Cane Mills	5
16.	Heavy Duty Grooved Roller Pressure Feeder	1
17.	Toothed Underfeed Roller	5
18.	Mill Drive System	--
19.	Rake Type Inter Carrier	--
20.	Juice Screening And Imbibition Equipments	--
21.	Bagasse Conveying System	--
22.	Electricals	--
B. FOR 300 TCH BOILING HOUSE		
1.	Mass flow meter	1
2.	Phosphoric acid tank	1
3.	Phosphate dosing pumps	2
4.	Juice flow stabilization system	1
5.	Check weighment scale	1
6.	Check weighment scale	1
7.	Raw Juice Heater	3
8.	Sulphited Juice Heater	3
9.	Clear Juice Heater	2
10.	Juice Sulphiter	1
11.	Sulphited juice receiving tank	1

No.	Particulars	Nos
12.	Sulphited juice pumps	2
13.	Milk of lime preparation unit	1 set
14.	Sulphur burners	3
15.	Air blower	3
16.	Clarifier	1
17.	Clear juice buffer tank with pump	2
18.	Flocculent preparation system	1 set
19.	Vacuum filter	2
20.	Quintuple effect evaporator set	1
21.	Multi compartment flash vessel	1
22.	Syrup Sulphiter	1
23.	Syrup and molasses storage tank	13
24.	Molasses conditioning unit	3
25.	Batch vacuum pan	5
26.	Continuous vacuum pan for 'B' & 'C' massecuite boiling	2
27.	Seed crystallizer	2
28.	Vacuum crystallizer	1
29.	Grain crystallizer for B & C continuous pans	2
30.	Air cooled crystallizer	3
31.	Sealing receiver for 'B' massecuite	1
32.	Sealing receiver for 'C' massecuite	1
33.	Mono vertical crystalliser for 'B' & 'C' massecuite	3
34.	Pug mill for 'A' massecuite	2
35.	Batch Centrifugal Machines	4
36.	'B' & 'C' after pug mill	1
37.	'C' Fore pug mill	1
38.	Continuous Centrifugal Machines	9
39.	Auxiliaries for Centrifugal Station	1 lot
40.	B magma mixer	1
41.	C – fore magma mixer	1
42.	C – after magma mixer	1
43.	Transient heater (C- massecuite re-heater)	3
44.	Grass hopper conveyor	3
45.	Sugar elevator	2
46.	Sugar grader	2
47.	Dry seed belt Conveyor	1
48.	Sugar bins	3
49.	Auto bag filling & weighing machine	3
50.	Bag stitching machine	4
51.	Sugar melter	2
52.	Sugar bag conveyors	3
53.	Hot and cold water service tanks	2
54.	Multi jet condensers	9
55.	Injection water pumps	3
56.	Spray water pumps	3
57.	Spray Pond	1 lot
58.	Cooling tower for excess condensate	1
59.	Molasses weighing scale	1 set
60.	Final molasses storage tank	2
61.	Supporting structure	1 lot

No.	Particulars	Nos
62.	Necessary piping	1 lot
63.	Insulation & lagging	--
64.	Instrumentation for sugar plant	--
65.	Electricals	--
C. FOR STEAM AND POWER GENERATION PLANT		
1.	Steam Generator And Auxiliaries	1
2.	Turbine Generator And Auxiliaries	1
D. FOR BALANCE OF PLANT		
1.	Cooling Tower System	--
2.	Fuel Handling System	--
3.	Ash Handling System	--
4.	Electrical	--
5.	Instrumentaion	--
6.	Piping	--
7.	Utility System	--

3. Pre-operative Expenses

Our Company requires fund for certain preliminary and pre-operative expenses such as project report preparation, insurance, legal expenses, interest during construction period, etc. The total cost is estimated at ₹400 Lakhs.

4. Contingencies

To cover unforeseen escalation in cost of Plant and Machinery, contingencies have been estimated at ₹1,500 Lakhs, which is around 7% of the estimated cost.

Year-wise Schedule of Deployment of Fund for Sugar & Co-Generation Project

(₹ in Lakhs)

No.	Activities	Funds Deployed upto December 15, 2011	F.Y. ended March 2012	F.Y. ended March 2013	F.Y. ended March 2014	Total Amount
1.	Factory Building	--	50.00	4,250.00	--	4,300.00
2.	Administrative Block	--	--	100.00	400.00	500.00
3.	Plant & Machinery	--	--	5,000.00	17,500.00	22,500.00
4.	Pre-operative Expenses	4.86	100.00	200.00	95.14	400.00
5.	Contingencies	--	--	--	1,500.00	1,500.00
	Total	4.86	150.00	9,550.00	19,495.14	29,200.00

Note: The amount deployed prior to this issue, will be recouped from the proceeds of this issue

We have incurred an amount of ₹4.86 Lakhs till December 15, 2011 out of internal accruals relating to the proposed project which has been certified by our Statutory Auditors, M/s. P.G. Ghali & Co. by their certificate dated December 26, 2011.

II. Distillery Project

Our Company intends to expand distillation capacity by setting up an additional 65 KLPD Spirit production Plant and augmenting IMFL capacity from 2500 boxes per day to 5000 boxes per day. The proposed project will come up on the existing distillery unit. For details of the proposed business plan, please refer to

the section titled "Our Business" beginning on page 112 of this Draft Red Herring Prospectus.

Break - up of the Cost Estimates

(₹ in Lakhs)

No.	Particulars	Amount
1.	Factory Building	1,500.00
2.	Compost Yard	600.00
3.	Plant & Machinery	7,000.00
4.	Pre-operative Expenses	100.00
5.	Contingencies	500.00
Total		9,700.00

1. Factory Building

The total Building & Civil Works cost is estimated at ₹1500 Lakhs. These costs as given under are being estimated by Designs, Structural & Architectural Consultants having office at 1031, E Ward, B-I-1, Sterling Tower, Gavati Mandai, Shahupuri, Kolhapur, Tel: 0231-3059450; E-mail: prasaddabeer@rediffmail.com.

No.	Particulars	Unit	Amount/ unit (₹)	Amount (₹ in Lakhs)
1.	Distillation Unit Shed - Size 20mX30mX30m HT			
a.	Structural Steel	350 MT	60,000/ MT	210.00
b.	Foundations	928 m ³	5500/ m ³	51.04
c.	Roofing & Cladding	4000 m ²	750/ m ²	30.00
d.	Flooring	600 m ²	1500/ m ²	9.00
e.	Walling & Plastering	1000 m ²	1000/ m ²	10.00
Sub-Total				310.04
2.	Fermentation Unit Shed - 20mX50mX10m HT			
a.	Structural Steel	45 MT	60,000/ MT	27.00
b.	Foundations	470 m ³	5500/ m ³	25.85
c.	Roofing & Cladding	1200 m ²	750/ m ²	9.00
d.	Flooring	1000 m ²	1500/ m ²	15.00
e.	Walling & Plastering	2800 m ²	1000/ m ²	28.00
Sub-Total				104.85
3.	Boiler And Turbine Shed - 40mX20mX15m HT			
a.	Structural Steel	75 MT	60,000/ MT	45.00
b.	Foundations	500 m ³	5500/ m ³	27.50
c.	Roofing & Cladding	1000 m ²	750/ m ²	7.50
d.	Flooring	800 m ²	1500/ m ²	12.00
e.	Walling & Plastering	4000 m ²	1000/ m ²	40.00
Sub-Total				132.00
4.	Spirit Storage Shed - 50mX30mX10m HT			
a.	Structural Steel	75 MT	60,000/ MT	45.00
b.	Foundations	200 m ³	5500/ m ³	11.00
c.	Roofing & Cladding	1600 m ²	750/ m ²	12.00
d.	Flooring	1500 m ²	1500/ m ²	22.50
e.	Walling & Plastering	2000 m ²	1000/ m ²	20.00
Sub-Total				110.50
5.	Evaporation Unit Shed - 20mX25mX10m HT			
a.	Structural Steel	15 MT	60,000/ MT	9.00
b.	Foundations	200 m ³	5500/ m ³	11.00

No.	Particulars	Unit	Amount/ unit (₹)	Amount (₹ in Lakhs)
c.	Roofing & Cladding	1200 m ²	750/ m ²	9.00
d.	Flooring	500 m ²	1500/ m ²	7.50
e.	Walling & Plastering	2000 m ²	1000/ m ²	20.00
Sub-Total				56.50
6.	Water Treatment Plant Shed - 10mX30mX9m HT			
a.	Structural Steel	15 MT	60,000/ MT	9.00
b.	Foundations	125 m ³	5500/ m ³	6.88
c.	Roofing & Cladding	450 m ²	750/ m ²	3.37
d.	Flooring	300 m ²	1500/ m ²	6.00
e.	Walling & Plastering	1000 m ²	1000/ m ²	10.00
Sub-Total				35.25
7.	RCC Cooling Tower – 40mX50m			
a.	Foundations	2000 m ²	3000/ m ²	60.00
Sub-Total				60.00
8.	ETP Digester Size 36 m dia			
a.	Foundations	110 m ³	1500/ m ³	16.50
b.	Flooring	800 m ²	1500/ m ²	12.00
Sub-Total				28.50
9.	Evaporation Condensate Treatment Plant - Open Shed - 50mX40m			
a.	Foundations	850 m ³	5500/ m ³	46.75
b.	Flooring	400 m ²	1000/ m ²	4.00
Sub-Total				50.75
10.	Raw Effluent Storage Tank - 30mX20mX3m			
a.	Foundations	600 m ³	10000/ m ³	60.00
Sub-Total				60.00
11.	Treated Effluent Storage Lagoon – 100mX76mX3m Depth			
a.	Excavation	22800 m ³	750/ m ³	171.00
b.	HDPE Sheet 250 micron thk	8360 m ²	70/ m ²	5.85
c.	Tile Lining	8360 m ²	750/ m ²	58.52
d.	Sand Filling	450 m ³	850/ m ³	3.82
Sub-Total				239.19
12.	Concentrated Effluent Storage Lagoon – 50mX30mX3m Depth			
a.	Excavation	4500 m ³	750/ m ³	33.75
b.	PCC 1:4:8	150 m ³	3000/ m ²	4.50
c.	RCC Raft	500 m ³	5500/ m ²	27.50
d.	RCC Wall	144 m ³	5500/ m ³	7.92
e.	Plastering and Water Proofing	480 m ³	500/ m ³	2.40
Sub-Total				76.07
13.	IML Unit Shed - 32mX60mX10m HT			
a.	Structural Steel	85 MT	60,000/ MT	51.00
b.	Foundations	100 m ³	5500/ m ³	5.50
c.	Roofing	2100 m ²	750/ m ²	15.75
d.	Flooring	1950 m ²	1500/ m ²	28.80
e.	Walling & Plastering	3000 m ²	1000/ m ²	30.00
Sub-Total				131.05
14.	Blending Unit Shed - 15mX30mX10m HT			
a.	Structural Steel	25 MT	60,000/ MT	15.00
b.	Foundations	150 m ³	5500/ m ³	8.25
c.	Roofing	550 m ²	750/ m ²	4.13

No.	Particulars	Unit	Amount/ unit (₹)	Amount (₹ in Lakhs)
d.	Flooring	500 m ²	1500/ m ²	7.50
e.	Walling & Plastering	2000 m ²	1000/ m ²	20.00
Sub-Total				54.88
15. Water Storage Tank And Pump House - Capacity 2000 m³				
a.	Construction			45.00
Sub-Total				45.00
Grand Total				1494.58
Total (Rounded off)				1500.00

2. Compost yard

The cost for Civil Works for Compost Yard and Allied Works cost is estimated at ₹600 Lakhs. These costs as given here under are estimated by Designs, Structural & Architectural Consultants having office at 1031, E Ward, B-I-1, Sterling Tower, Gavati Mandai, Shahupuri, Kolhapur, Tel: 0231-3059450; E-mail: prasaddabeer@rediffmail.com.

No.	Items	Quantity	Rate (₹)	Per	Amount (₹ in Lakhs)
1.	Earthwork excavation for foundation of buildings, culverts, water supply, sanitary lines and electrical conduits	982.00	101.97	m ³	1.00
2.	Providing and laying in position plain cement concrete of mix 1:4:8	3936.00	3148.71	m ³	123.93
3.	Filling in foundation with granite/ trap broken metal	3910.00	1037.21	m ³	40.55
4.	Providing and laying in position reinforced cement concrete of mix 1:2:4	35.40	4141.63	m ³	1.47
5.	Providing sand stone/ Quartzite/ iron/ stone pitching on slope	352.00	3177.55	m ³	11.18
6.	KSRB 4.2.2: Providing and laying in position reinforced cement concrete of mix 1:1.5:3	39.00	4635.00	m ³	1.81
7.	KSRB 4.2.8: Providing and laying in position reinforced cement concrete of mix 1:1.5:3	6.10	4635.00	m ³	0.28
8.	KSRB 4.9.1: Providing mild steel reinforcement for R.C.C. work	1.10	50294.90	M.T.	0.55
9.	KSRB 4.9.2: Providing T.M.T. steel reinforcement for R.C.C. work	140.00	49089.90	M.T.	68.73
10.	KSRB 6-4.3: Providing and constructing burnt brick masonry	143.00	3582.34	m ³	5.12
11.	KSRB 5.4-4: Providing and constructing granite/ trap/ basalt size rubble stone masonry in superstructure with cement mortar 1:4	207.00	3903.70	m ³	8.08
12.	KSRB 14.7-1: Providing and laying flooring with 1:2:4 cement concrete, 100mm thick	38140.00	548.48	m ²	209.19
13.	KSRB 14.7-1: Providing and laying flooring with 1:2:4 cement concrete,	487.00	219.39	m ²	1.07

No.	Items	Quantity	Rate (₹)	Per	Amount (₹ in Lakhs)
	40mm thick				
14.	Providing Tremix type vacuum dewatering system for concrete flooring	38140.00	60.00	m ²	22.88
15.	KSRB 15-3.8: Providing 18mm thick cement plaster in single coat with cement mortar 1:4 to brick masonry KSRB 15-4.4 Extra for providing and mixing waterproofing compound KSRB 15-6: Providing floating coat of cement to plastering and finishing smooth	1528.00	159.89	m ²	2.44
16.	KSRB 15-1.1: Providing flush pointing to square rubble course or uncoursed stone masonry with cement mortar 1:3	172.00	62.73	m ²	0.11
17.	Providing grooves (of size, 10mm wide & 25mm deep) in flooring	10560.00	68.00	Rmt.	7.18
18.	Providing and fixing HDPE 250 micron film below P.C.C. bed	38140.00	70.00	m ²	26.70
19.	Providing and applying black coal epoxy paint	38140	50.00	m ²	19.07
	Shuttering & Centering				
20.	KSRB 4-6.9: Providing and removing centering, shuttering and strutting, propping etc.	407.00	441.87	m ²	1.80
21.	Land Development	Lump	Lump	--	20.00
TOTAL					573.14
Add 5% Contingencies					28.65
GRAND TOTAL					601.79
GRAND TOTAL (Rounded-off)					600.00

3. Plant & Machinery

The main distillation plant is proposed to be purchased from Praj Industries Limited ("**Praj**"), Pune, who have given their technical offer dated March 4, 2011 bearing reference no. PIL/RBST/ARS/VSL/Tech Offer/11. We have entered into a Memorandum of Understanding (MOU) dated May 5, 2011 with Praj in relation to the same. As per the terms of the MoU, the distillation plant shall be commissioned in twelve (12) months time from the date of signing of the agreement and release of advance payment.

We have also received techno-commercial offers from Sitson India Private Limited, Dombivali (East), Dist Thane, Maharashtra bearing reference no. SI/BD-GEN/2011/54, dated April 16, 2011 for supply of 13TPH Boiler; techno-commercial offer from Triveni Engineering & Industries Limited, Post Bag No. 848,12-A, Peenya Industrial Area, Bangalore 560 058 dated April 13, 2011 for supply of suitable Turbine for the proposed project and techno-commercial offer from Jagat Industries Limited, Unit II: Plot No. 303, Swaran Park Udyog Nagar, New rohtak Road, Munirka, delhi- 110041 (India) dated May 7, 2011.

We have considered the above quotations for the budgetary estimates and have not placed order for any of the above Machineries till date. The actual cost of procurement and actual supplier/ dealer may vary. We do not intend to purchase any second hand machineries. None of the machine suppliers are related to our Company and its promoters/ group entities. All the above quotations are valid upto January 31, 2012.

We have also prepared estimates for the auxiliaries and balance of the Plant for the proposed project.

The cost for Plant & Machinery, including Erection and commissioning expenses, is estimated at ₹7,000 lakhs.

No.	Particulars	Supplier/Vendor	Quantity	Amount (₹ in Lakhs)
1.	Main Distillation Plant: i) Distillation : 7 Column, Multi pressure distillation design ii) Biomethanisation : CSTR Technology iii) Evaporation Plant: Multiple effect falling film evaporators iv) Condensate Treatment Plant v) Cooling Towers for distillation, evaporation and fermentation	Praj Industries Limited (On turnkey basis)	LUMPSUM	5000.00
2.	13 TPH x 21 Kg/cm ² , 330°C Coal, Biogas fired Boiler	Sitson India Private Limited	1 Unit	330.00
3.	Turbine: 815 KW Back pressure TG Set	Triveni Engineering & Industries Limited	1 Unit	120.00
4.	Automatic Bottling Line	Jagat Industries Limited	2 Lines	200.00
5.	Other Machines and Auxiliaries i) Fermentation Section: Each Fermenter having service capacity of 150 KL, inner surface coated with protective lining (Site fabrication) ii) Coal Handling System: Cap: 3000 kg/hr iii) Ash Handling Equipments: Cap: 300 kg/hr iv) Steam Pipeline: NB 150 Sch 40 Seamless pipe and high pressure fitting with hardware with PRV 70 m length, IBR Quality v) Electricals including Lighting and Earthing vi) Water Treatment Plant a) DM Water plant – 30 m ³ /hr complete with pumps, blowers and inter connecting rubber lined pipes etc. b) Water Softening plant Cap – 50 m ³ /hr with pumps, inter connecting rubber lined pipes vii) DM Water storage tank of capacity 300 m ³ (Site fabrication) viii) Spirit Storage and Receiver Tanks:	Management Estimates	12 Nos 1 Unit 1 Unit 1 Set 1 Lot 1 Unit 1 No 1 Unit 4 Nos	400.00 25.00 25.00 70.00 75.00 120.00 35.00 400.00 200.00

No.	Particulars	Supplier/Vendor	Quantity	Amount (₹ in Lakhs)
	(Site fabrication) 750 KLS capacity tanks for RS storage (2 Nos.); 750 KLS capacity tanks for ENA storage (2 Nos.); 100 KLS capacity tanks for Medium Grade Spirit Storage (1 No.); 75 KLS capacity tanks for Receiver tank of RS (3 Nos.); 75 KLS capacity tanks for receiver tanks of ENA (3 Nos.); 10 KLS capacity Medium Grade Spirit Receiver Tank (2 Nos.); 3 KL Cap Impure Spirit Receiving Tank (1 No.) ix) Blending Tanks: (Site fabrication) Complete Stainless Steel construction of 50 m ³ capacity each tank.			
	Sub Total (5)			1,350.00
	GRAND TOTAL			7,000.00

* Including Excise Duty, CST, Erection and Commissioning charges, and other charges.

4. Preliminary and Pre-Operative Expenses

Our Company requires funds for certain preliminary and pre-operative expenses such as project report preparation, insurance, legal expenses, interest during construction period, etc. The total cost is estimated at ₹100 Lakhs.

5. Contingencies

To cover unforeseen escalation in cost of Plant and Machinery, contingencies have been estimated at ₹500 Lakhs, which is around 7% of the estimated cost.

Year-wise Schedule of Deployment of Fund for Distillery Project

(₹ in Lakhs)						
No.	Activities	Funds Deployed upto December 15, 2011	FY ended March 2012	FY ended March 2013	FY ended March 2014	Total Amount
1.	Factory Building	--	50.00	1,450.00	--	1,500.00
2.	Compost Yard	304.11	100.00	195.89	--	600.00
3.	Plant & Machinery	--	--	2,000.00	5,000.00	7,000.00
4.	Pre-operative Expenses	1.62	25.00	50.00	23.38	100.00
5.	Contingencies	--	--	--	500.00	500.00
	Total	305.73	175.00	3,695.89	5,523.38	9,700.00

Note: The amount deployed beyond ₹ 600 lakhs (internal accruals) prior to this issue, will be recouped from the proceeds of this issue.

We have incurred an amount of ₹ 305.73Lakhs till December 15, 2011 relating to the proposed project which has been certified by our Statutory Auditors, M/s. P.G. Ghali & Co. by their certificate dated December 26, 2011.

III. Working Capital Margin

The Margin money for Working Capital requirement for the proposed Sugar, Co-Generation and Distillery Projects are estimated at ₹3,600 Lakhs.

Our proposed Working Capital requirement is as follows:

(₹ in Lakhs)			
Particulars	Holding Period (Days)	As on March 31, 2012 (Estimated)	Estimates considering Expansion
Current Assets (A)			
Inventories			
- Raw Material	--	--	--
- Finished Goods	180	14,185.00	26,792.00
- Work-in-progress	--	68.00	68.00
Debtors	15	1,801.00	2,409.00
Other Current Assets	--	5,803.00	16,431.00
Sub -Total (A)		21,857.00	45,700.00
Current Liabilities (B)			
Creditors (Purchases)	--	--	--
Other Current Liabilities		2,650.00	3,792.00
Sub -Total (B)		2,650.00	3,792.00
Working Capital Gap (A-B)		19,207.00	41,908.00
Actual/ Projected Net Working Capital Available		7,707.00	26,808.00
Bank Finance Available		11,500.00	11,500.00
Amount to be financed through Issue Proceeds		--	3,600.00

Our Company has been sanctioned working capital facilities from the bankers aggregating to ₹11,500 Lakhs.

All the above projections are based on management estimates and have not been appraised by any bank or financial institutions.

IV. General Corporate Purposes

We intend to deploy ₹[●] Lakhs from the Net Proceeds of the Issue for General Corporate Purposes, which includes strategic initiatives, acquisitions, brand building exercises, strengthening of our marketing capabilities, etc, which our Company may be subjected to in the ordinary course of its business, or for any other purposes as approved by the Board.

Schedule of Implementation

The detailed implementation schedule for Sugar & Co-Generation Project and Distillery Project is as under:

Particulars	Commencement (Month and year)	Completion (Month and year)
(i) Acquisition of land	Available	
(ii) Development of land	Already Developed	
(iii) Civil Works		
• factory building	March, 2012	September, 2012

Particulars	Commencement (Month and year)	Completion (Month and year)
<ul style="list-style-type: none"> machinery foundation auxiliary building administrative building miscellaneous buildings 	July, 2012	December, 2012
(iv) Plant & Machinery <ul style="list-style-type: none"> Placement of order Delivery at site 	June, 2012 September, 2012	December, 2012 April, 2013
(v) Arrangements for power	Available In house	
(vi) Arrangements for water	Available	
(vii) Erection of equipment	October, 2012	August, 2013
(viii) Commissioning	September, 2013	September, 2013
(ix) Procurement of raw materials & chemicals	Available In house	
(x) Trial runs	October, 2013	
(xi) Commercial production	October, 2013	

Funding Arrangements and Means of Finance

Term Loan:

The Bank of India has sanctioned a term loan of ₹7,000 Lakhs by way of a sanction letter dated December 27, 2011 bearing No. BMCB: 2011-12:104. The terms and conditions of the sanction are summarised herein below:

Particulars	Terms and Conditions
Amount of Loan	₹7,000.00 lakhs
Purpose	Expansion of Sugar, Co-gen and Distillery units
Margin	83.53%
Rate of Interest	4% over base rate (presently 14.75% p.a.)
Assets charged as security	First pari passu charge on the fixed assets of Sugar, Cogen and Distillery units along with SBI and BDCC Bank
Repayment	28 structured quarterly installments commencing from 18 months after first disbursement. Interest, including during moratorium, to be serviced on monthly basis as and when charged.

Other Important Covenants:

- The term loan to be disbursed only after our Company raises capital through an IPO.
- Our Company to declare/ undertake:
 - to supply to bank, audited financial statements of the firm/company within 6 months from closure of financial year. Any delay in submitting these audited financial statements without bank's specific approval will attract penal interest @1%p.a. In case these statements are not received by bank for a continuous period of 3 months, the bank may take further action as deemed fit by the bank.
 - to provide to bank promptly information (along with comments/explanation) about all material and adverse changes in your project/business, ownership, management, liquidity, financial position etc.
 - that any liabilities or obligations under the facilities shall not, at any time, rank postponed in point and security to any other obligation or liabilities to other lending institutions or banks or creditors,

- d) unless expressly agreed or permitted by bank.
not to create or permit to subsist any mortgage, charge (whether floating or specific), pledge, lien or other security interest on any of your undertakings, properties or assets, without bank's prior consent in writing.
3. A stamped undertaking to be submitted in favour of the Bank to the following effect that during the currency of bank's credit facilities, the company/ firm shall not, without Bank's permission in writing :-
- effect any adverse changes in company's/ firm's capital structure.
 - formulate any scheme of amalgamation or merger or reconstruction.
 - implement any scheme of expansion or diversification or capital expenditure except normal replacements indicated in funds flow statement submitted to and approved by the Bank;
 - undertake guarantee obligations on behalf of any other company/ firm/ person.
 - declare dividend for any year except out of profits relating to that year after meeting all the financial commitments to the bank and making all due and necessary provisions.
 - make any drastic change(s) in its management set-up.
 - sell or dispose off or create security or encumbrances on the assets charged to the bank in favour of any other bank, financial institution, company, firm, individual.
 - repay monies brought in by the promoters, partners, directors, share holders, their relatives and friends in the business of the company/ firm by way of deposits/ loans/ share application money etc.

Internal Accruals

As per our audited financial statements as on June 30, 2011, we have sufficient internal accruals, as certified by our Statutory Auditors, M/s. P.G.Ghali & Co., Chartered Accountants, by their certificates dated December 26, 2011.

Issue Expenses

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

No.	Particulars	Amount (₹ in Lacs) *	Percentage of Total Estimated Issue Expenditure *	Percentage of Issue Size *
1.	Fees of BRLMs/Syndicate Member(s)/Registrar/Legal Advisor	[•]	[•]	[•]
2.	Underwriting commission ,brokerage & selling expense	[•]	[•]	[•]
3.	IPO Grading fees, Advertising & marketing expenses ,printing & stationery ,distribution ,postage etc.	[•]	[•]	[•]
4.	Filing fees of SEBI & Stock Exchanges fees including processing and bidding terminals fees	[•]	[•]	[•]
5.	Commission to SCSB's and Syndicate/ Sub-Syndicate members	[•]	[•]	[•]
6.	Other expenses (Auditors fees, Research report etc.)	[•]	[•]	[•]
	Total Estimated Issue Expenditure	[•]	[•]	[•]

* will be completed after finalization of Issue Price

Interim Use of Funds

The management, in accordance with the policies set up by the Board, will have flexibility in deploying the proceeds

to be received from the Issue. Pending utilization for the purposes described above, our Company intends to temporarily invest the funds in high quality interest or dividend bearing liquid instruments including deposits with banks for the necessary duration. Such investments would be in accordance with any investment criteria approved by the Board of Directors from time to time. Our Company confirms that pending utilization of the Issue proceeds; it shall not use the funds for any investments in the equity markets.

Monitoring of Utilization of Funds

In terms of Regulation 16(1) of the SEBI (ICDR) Regulations, we are not required to appoint a monitoring agency for the purposes of this Issue since the Issue size is not more than ₹50,000 lakhs. As required under the listing agreements with the Stock Exchanges, the Audit Committee appointed by our Board will monitor the utilization of the Issue proceeds. We will disclose the utilization of the proceeds of the Issue, including interim use, under a separate head in our quarterly financial disclosures and annual audited financial statements until the Issue Proceeds remain unutilized, to the extent required under the applicable law and regulation.

Our Company shall be required to inform material deviations in the utilisation of Net Proceeds of the Issue to the Stock Exchanges and shall also be required to simultaneously make the material deviations/adverse comments of the Audit Committee, if any, public through a disclosure in the newspapers.

In the event we are unable to utilize the Net Proceeds for the Objects, we shall with the approval of the shareholders of our Company deploy the funds for other business purposes.

BASIS FOR ISSUE PRICE

Investors should read the following summary with the section titled Risk Factors and the details about our Company under the section titled "Our Business" and its financial statements under the section titled "Financial Statements" beginning on pages 12, 112 and 171 respectively of this Draft Red Herring Prospectus. The trading price of the Equity Shares of our Company could decline due to these risks and the investor may lose all or part of his investment.

The Issue Price will be determined by the Company in consultation with the BRLM on the basis of the assessment of market demand for the Equity Shares by the Book Building Process. The face value of the Equity Shares is ₹10 each and the Issue Price is [●] times of the face value at the lower end of the Price Band and [●] times the face value at the higher end of the Price Band.

Qualitative Factors

- Technically skilled Promoter and experienced management team
- Support of the State/ Local Government
- Strong relationship with the Farmers and other Suppliers of the region
- We are located in one of the high yield and high recovery cane producing region
- Long standing relationship with clients
- Forward as well as Backward Integrated Plant

For a detailed discussion on the qualitative factors which form the basis for computing the price, please refer to sections titled "Our Business" and "Risk Factors" beginning on pages 112 and 112 respectively of this Draft Red Herring Prospectus.

Quantitative Factors

Presented in this section is derived from our Company's restated, consolidated financial statements prepared in accordance with Indian GAAP. Some of the quantitative factors, which form the basis for computing the price, are as follows:

1. Weighted average Earnings Per Equity Share

Year ended	EPS (₹)	Weight
31 st March 2009 (Note 4)	6.62	1
31 st March 2010 (Note 4)	5.28	2
31 st March 2011	12.58	3
Weighted average EPS	9.15	
Quarter ended June 30, 2011*	0.99	

*Not Annualised

Notes:

1. EPS represents adjusted earnings per share calculated as per Accounting Standard 20 issued by Institute of Chartered Accountants of India.
2. The figures which are disclosed above are based on the restated financial information of our Company.
3. The weighted average number of Equity shares is the number of Equity Shares outstanding at the beginning of the year, adjusted by the number of Equity share issued during the year multiplied by the time-weighting factor. The time-weighting factor is number of days for which the specific shares are outstanding as a proportion of the total number of days during the year.
4. Although the face value of Equity Share was ₹1,000 each for the F.Y.2009-2010, the same have been assumed as ₹10 each.

2. Price Earnings ratio (P/E ratio) in relation to the Issue Price of ₹[●] per share

Particulars	Issue Price of ₹[●] per share
Based on EPS for March 31, 2011 of ₹12.58	[●]
Based on weighted average EPS of ₹9.15	[●]

Particulars	Industry P/E
Highest	24.3
Lowest	2.0
Industry Composite	13.1

Source: Capital Market, Vol. XXVI/21, December 12- 25, 2011; Industry- Sugar

3. Return on Net worth

Year ended	RONW (%)	Weight
March 31, 2009	27.02	1
March 31, 2010	17.71	2
March 31, 2011	27.86	3
Weighted Average RONW (%)	24.34	
Quarter ended June 30, 2011*	2.17	

* Not Annualised

The average return on net worth has been computed on the basis of the restated profits and loss statement of the respective years. The RONW has been computed by dividing Profit after Tax by Networth.

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

The minimum return on increased net worth required to maintain pre-Issue EPS of ₹[●] is [●]% at the lower end of the price band and [●]% at the higher end of the price band.

Note:

Net worth is the sum total of the share capital, the reserves and the surplus.

5. Net Asset Value (NAV) per share (₹) as per our restated financial information

Particulars	NAV per share (₹)
As on March 31, 2011	44.69
Pre-Issue (as on June 30, 2011)	45.55
Issue Price	[●]
Post Issue	[●]

Note:

- Issue Price and the NAV after the Issue will be determined on conclusion of Book Building Process.
- NAV is the net worth as restated divided by Equity Shares at the end of the specified period, if any.

6. Comparison with Industry Peers and Industry average

We have chosen the companies which we believe are our peers. The comparison of Accounting Ratios with Industry Peers is as follows:

Name	FV (₹)	EPS (₹)	RONW (%)	NAV per share (₹)	P/E
Sugar					
Bannari Amman Sugars Limited	10	43.30	7.50	633.00	9.8
Balrampur Chini Mills Limited	1	4.7	8.9	52.7	13.7
<i>Source: Capital Market, Vol. XXVI/21, December 12- 25, 2011; Industry- Sugar</i>					
Vishwanath Sugars and Steel Limited	10	12.58	27.86	44.69	[●]

**All comparisons are as per the Financials of the Issuer for the year ended March 31, 2011*

7. The face value of our Equity Shares is ₹10 and the Issue Price is ₹[●] i.e., [●] times of the face value.

The Issue Price of ₹[●] has been determined by our Company in consultation with the BRLM, on the basis of assessment of market demand for the Equity Shares by way of Book Building and is justified on the basis of the above factors. The BRLM believes that the Issue Price of ₹[●] is justified in view of the above qualitative and quantitative parameters. Investors should read the above mentioned information along with section titled "Risk Factors" and "Financial Statements" beginning on pages 12 and 171 respectively of this Draft Red Herring Prospectus, to have a more informed view. The trading price of the Equity Shares of our Company could decline due to the factors mentioned under the section titled "Risk Factors" and you may lose all or part of your investments.

STATEMENT OF TAX BENEFITS

To
The Board of Directors
Vishwanath Sugar and Steel Industries Limited
Bellad Bagewadi 591305
Tal: Hukkeri, Dist Belgaum

Dear Sirs,

Sub: Statement of Possible Tax Benefits

We hereby report that the enclosed annexure states the possible tax benefits that may be available to Vishwanath Sugar and Steel Industries Limited (the "Company") and to the Shareholders of the Company under the provisions of the Income Tax Act, 1961 presently in force in India.

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

The benefits discussed in the enclosed statement are not exhaustive nor are they conclusive. This statement is only intended to provide general information and to guide the investors and is neither designed nor intended to be a substitute for professional tax advice. A shareholder is advised to consult his/ her/ their own tax consultant with respect to the tax implications of an investment in the equity shares particularly in view of the fact that certain recently enacted legislation may not have a direct legal precedent or may have a different interpretation on the benefits, which an investor can avail. Further, we have also incorporated the amendments brought out by the Finance Act, 2011, where applicable.

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

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

Our views are based on the existing provisions of law and its interpretations, which are subject to change from time to time. We do not assume responsibility to up-date the views of such changes.

The contents of this annexure(s) 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. While all reasonable care has been taken in the preparation of this opinion, we accept no responsibility for any errors or omissions therein or for any loss sustained by any person who relies on it.

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

For P G Ghali & Co.
Chartered Accountants

P. G. Ghali
Partner

Membership No. 013132
FRN.
Peer Review Certificate No. 005298

Date: December 12, 2011
Place: Belgaum

STATEMENT OF GENERAL TAX BENEFITS AVAILABLE TO THE COMPANY AND ITS SHAREHOLDERS

There are no special tax benefits to the company or its shareholders.

As per the existing provisions of the Income Tax Act, 1961 (the Act) and other laws as applicable for the time being in force, the following tax benefits and deductions are and will, inter-alia be available to Vishwanath Sugar and Steel Industries Limited and its Shareholders. These benefits are available to all companies or to the shareholders of any company, after fulfilling certain conditions as required in the respective Act.

Benefits available to the Company:

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received by the Company from domestic companies is exempt from income tax.
- Under the provision of Section 80 IA the Profits & Gains derived from the undertaking of generation or generation & distribution of Power if such undertaking starts generation of Power anytime during the period between 1st April 1993 to 31st March, 2010, is exempt from tax fully (100%). This benefit is available over a period of 10 (Ten) Consecutive Assessment Years within 15 Assessment Years from initial Assessment Year.

The Company has started generating power from 2006, but the Company could not avail the benefit of Section 80IA as the Company is liable for tax u/s 115JB (MAT) on the profits shown in the Profit & Loss A/c prepared as per Companies Act and no deduction is available in respect of Profit & Gains of Power Generation as contemplate in Section 80IA in case of Tax Liability u/s 115JB (MAT).

- The Power Generating Companies can opt for the depreciation, either Straight Line Method or Written down Method. The Straight Line Method will enable the Power generating units to get benefits under Section 80IA in subsequent years. Hence Company has changed the depreciation method from Written down Value to Straight Line Method.
- Under section 115JAA (2A) of the Act, tax credit shall be allowed in respect of any tax paid (MAT) under section 115JB of the Act for any Assessment Year commencing on or after 1st April 2006. Credit eligible for carry forward is the difference between MAT paid and the tax computed as per the normal provisions of the Act. Such MAT credit shall not be available for set-off beyond 7 years immediately succeeding the year in which the MAT credit initially arose.
- Under Section 32 of the Act, the Company is entitled to claim depreciation on tangible and intangible assets as explained in the said section.
- The Company is eligible for amortization of preliminary expenses being the expenditure on public Issue of share under Section 35D (2) (c) (iv) of the Act, subject to limits specified in sub section (3).
- As per Section 54EC of the Act, and subject to the conditions and to the extent specified therein, long-term capital gains (in cases not covered under Section 10(38) of the Act) arising on the transfer of a long-term capital asset will be exempt from capital gains tax to the extent such capital gains are invested in a "long term specified asset" within a period of 6 months after the date of such transfer. It may be noted that investments made on or after April 1, 2007 in the long term specified asset by an assessee during any financial year cannot exceed Rs. 50 Lacs.

However, if the assessee transfers or converts the long term specified asset into money within a period of three years from the date of its acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which the long term specified asset is transferred

or converted into money.

A "long term specified asset" for making investment under this section on or after 1st April 2007 means any bond, redeemable after three years and issued on or after the 1st April 2007 by:

- (i) National Highways Authority of India constituted under Section 3 of the National Highways Authority of India Act, 1988; or
- (ii) Rural Electrification Corporation Limited, a company formed and registered under the Companies Act, 1956.
- (iii) As per Section 111A of the Act, short term capital gains arising to the Company from the sale of equity shares or a unit of an equity oriented fund transacted through a recognized stock exchange in India, where such transaction is chargeable to securities transaction tax, will be taxable at the rate of 15% (plus applicable surcharge and education cess).

Benefits available to Resident Shareholders:

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- Under 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 wholly and exclusively in connection with the transfer of a capital asset, from the sale consideration to arrive at the amount of capital gains. However, as per second proviso to section 48 of the Act, in respect of long term capital gains (i.e. shares held for a period exceeding 12 months) from transfer of shares of Indian Company, it permits 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.
- Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is chargeable to securities transaction tax.
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains, (other than those exempt under section 10(38) of the Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The amount of such tax would however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion. The cost of the long term specified assets, which has been considered under this Section for calculating capital gain, shall not be allowed as a deduction from the income-tax under Section 80C of the Act for any assessment year

beginning on or after April 1, 2006.

- Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
- Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is chargeable to securities transaction tax. Short-term capital gains arising from transfer of shares in a Company, other than those covered by section 111A of the Act, would be subject to tax as calculated under the normal provisions of the Act.
- The Issue of shares by the Company being an eligible Issue of share capital, the subscribers thereto would be eligible to claim the exemption granted under section 54ED of the Act.
- Under section 72(1) of the Act, where for any assessment year, the net result of the computation under the head "Profits & Gains of Business or Profession" is a loss to the company, not being loss sustained in a speculation business, and such loss cannot be and is not wholly set off against income from any other head of income for the same year, the same shall be eligible to be carried forward; and such loss carried forward shall be available for set off against income from business under head "Profits & Gains of Business or Profession" only for subsequent years. As per section 72(3) of the Act, the loss carried forward can be set off subject to a limit of 8 assessment years immediately succeeding the assessment year for which the loss was first computed.

Benefits available to Mutual Funds:

- As per the provisions of Section 10(23D) of the Act, Mutual Funds registered under the Securities and Exchange Board of India or Mutual Funds set up by Public Sector Banks or Public Financial Institutions or authorized by the Reserve Bank of India and subject to the conditions specified therein, would be eligible for exemption from income tax on their income.

Benefits available to Foreign Institutional Investors ('FIIs'):

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange of India and is chargeable to securities transaction tax.
- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the

Companies Act, 1956.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion.

- Under section 115AD (1) (ii) of the Act short term capital gains on transfer of securities shall be chargeable @ 30% plus applicable surcharge and education cess. However, where such transaction of sale is entered on a recognized stock exchange in India and is chargeable to securities transaction tax. The rate of tax would be 15 percent plus applicable surcharge and education cess.
- Under section 115AD (1) (iii) of the Act income by way of long term capital gain arising from the transfer of shares (in cases not covered under section 10(38) of the Act) held in the company will be taxable @10% (plus applicable surcharge and education cess). It is to be noted that the benefits of indexation and foreign currency fluctuations are not available to FIIs.
- As per section 90(2) of the Act, provisions of the Double Taxation Avoidance Agreement between India and the country of residence of the FII would prevail over the provisions of the Act to the extent they are more beneficial to the FII.

Benefits available to Venture Capital Companies / Funds:

- Under section 10(23FB) of the Act, any income of Venture Capital companies/ Funds (set up to raise funds for investment in venture capital undertaking notified in this behalf) registered with the Securities and Exchange Board of India would be exempt from income tax, subject to conditions specified therein. As per section 115U of the Act, any income derived by a person from his investment in venture capital companies/ funds would be taxable in the hands of the person making an investment in the same manner as if it were the income received by such person had the investments been made directly in the venture capital undertaking.

Benefits available to Non-Residents / Non-Resident Indian Shareholders (other than Mutual Funds, FIIs and Foreign Venture Capital Investors):

- Under section 10(34) of the Act, income by way of dividends referred to in Section 115-O received on the shares of the Company is exempt from income tax in the hands of shareholders.
- Under section 10(38) of the Act, long term capital gains arising to a shareholder on transfer of equity shares in the Company would be exempt from tax where the sale transaction has been entered into on a recognized stock exchange in India and is chargeable to securities transaction tax.
- Under the first proviso to section 48 of the Act, in case of a non resident shareholder, in computing the capital gains arising from transfer of shares of the company acquired in convertible foreign exchange (as per exchange control regulations) (in cases not covered by section 115E of the Act-discussed hereunder), protection is provided from fluctuations in the value of rupee in terms of foreign currency in which the original investment was made. Cost indexation benefits will not be available in such a case. The capital gains/ loss in such a case is computed by converting the cost of acquisition, sales consideration and expenditure incurred wholly and exclusively in connection with such transfer into the same foreign currency which was utilized in the purchase of the shares.
- Under section 112 of the Act and other relevant provisions of the Act, long term capital gains, (other than those exempt under section 10(38) of the Act) arising on transfer of shares in the Company, would be subject to tax at a rate of 20 percent (plus applicable surcharge and education cess) after indexation. The

amount of such tax would however be limited to 10% (plus applicable surcharge and education cess) without indexation, at the option of the shareholder, if the transfer is made after listing of shares.

- Under section 54EC of the Act and subject to the conditions and to the extent specified therein, long-term capital gains (other than those exempt under section 10(38) of the Act) arising on the transfer of shares of the Company would be exempt from tax if such capital gain is invested within 6 months after the date of such transfer in the bonds (long term specified assets) issued by:
 - (a) National Highway Authority of India constituted under section 3 of The National Highway Authority of India Act, 1988;
 - (b) Rural Electrification Corporation Limited, the company formed and registered under the Companies Act, 1956.

If only part of the capital gain is so reinvested, the exemption available shall be in the same proportion as the cost of long term specified assets bears to the whole of the capital gain. However, in case the long term specified asset is transferred or converted into money within three years from the date of its acquisition, the amount so exempted shall be chargeable to tax during the year such transfer or conversion.

- Under section 54F of the Act and subject to the conditions specified therein, long-term capital gains (other than those exempt from tax under Section 10(38) of the Act) arising to an individual or a Hindu Undivided Family ('HUF') on transfer of shares of the Company will be exempt from capital gains tax subject to certain conditions, if the net consideration from transfer of such shares are used for purchase of residential house property within a period of 1 year before or 2 years after the date on which the transfer took place or for construction of residential house property within a period of 3 years after the date of such transfer.
- Under section 111A of the Act and other relevant provisions of the Act, short-term capital gains (i.e., if shares are held for a period not exceeding 12 months) arising on transfer of equity share in the Company would be taxable at a rate of 15 percent (plus applicable surcharge and education cess) where such transaction of sale is entered on a recognized stock exchange in India and is chargeable to securities transaction tax.

Where shares of the Company have been subscribed in convertible foreign exchange, Non-Resident Indians (i.e. an individual being a citizen of India or person of Indian origin who is not a resident) 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:

- Under section 115E of the Act, where the total income of a non-resident Indian includes any income from investment or income from capital gains of an asset other than a specified asset, such income shall be taxed at a concessional rate of 20 per cent (plus applicable surcharge and education cess). Also, where shares in the company are subscribed for in convertible foreign exchange by a Non-Resident Indian, long term capital gains arising to the non-resident Indian shall be taxed at a concessional rate of 10 percent (plus applicable surcharge and education cess). The benefit of indexation of cost and the protection against risk of foreign exchange fluctuation would not be available.
- Under provisions of section 115F of the Act, long term capital gains (in cases not covered under section 10(38) of the Act) arising to a non-resident Indian from the transfer of shares of the Company subscribed to in convertible Foreign Exchange (in cases not covered under section 115E of the Act) shall be exempt from Income tax, if the net consideration is reinvested in specified assets or in any savings certificates referred to in section 10(4B), within six months of the date of transfer. If only part of the net consideration is so reinvested, the exemption shall be proportionately reduced. The amount so exempted shall be chargeable to tax subsequently, if the specified assets are transferred or converted into money within three years from the date of their acquisition.

Non-resident Indians have an option to be governed by the special provisions of Chapter XII A of the Act according to which:

- Under Section 115 G of the Act, it shall not be necessary for the Non-resident Indians to furnish their return of Income, under section 139(1) of the Act, if their source of income is only investment income or income by way of long term capital gains or both, provided income tax deductible at source under the provisions of chapter XVII B has been deducted from such income.
- The benefit conferred on a Non-resident Indian assessee will be available even after the assessee becomes a resident if declaration in writing is filed along with the return of income under Section 139(1) of the Act, to the effect that the provisions of Chapter XII A shall continue to apply to him in respect of investment income derived from foreign exchange asset vide Section 115 H of the Act, until the Transfer or conversion (otherwise than by transfer) into money of such assets.
- Under Section 115-I of the Act, a Non-resident Indian, if he elects by so declaring in the return of his income for that assessment year, not to be governed by the above mentioned special provisions of chapter XII-A, then he will be entitled to tax benefits available to resident individuals.

Wealth Tax:

- The Shares held in a Company are not chargeable to Wealth Tax under the Wealth Tax Act, 1957.

Gift Tax:

- The Gift Tax Act, 1958 ceases to apply to gifts made on or after October 01, 1998. However as per section 56(vii)(c) of the Income Tax Act, 1961 shares received as gift by an Individual or HUF, the aggregate market value of which exceeds ₹50000; are taxable as "Other Income" in the hands of recipient except from relatives and on certain occasions etc. specified under proviso to that section.

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

**For P G Ghali & Co.
Chartered Accountants**

**P.G.Ghali
Partner
Membership No. 13132
Peer Certificate No. 005298**

**Date: December 12, 2011
Place: Belgaum**

SECTION IV: ABOUT OUR COMPANY AND THE INDUSTRY

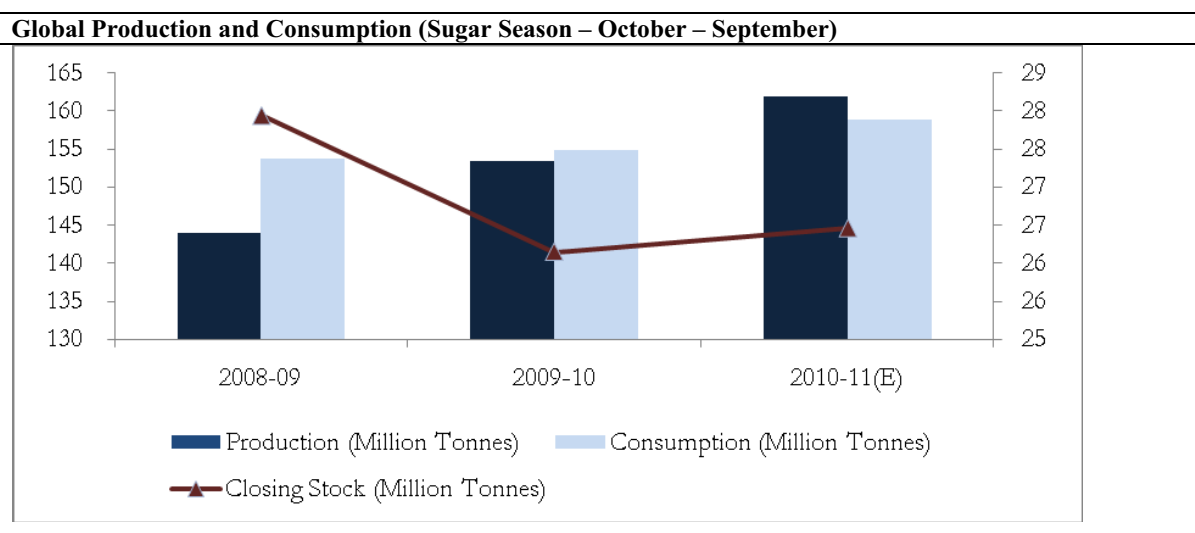
INDUSTRY OVERVIEW

Unless otherwise indicated, the information in this section is derived from industry report prepared by Care Research and other industry sources. It has not been independently verified by our Company, the BRLM and their respective legal or financial advisors, and no representations is made as to the accuracy of this information, which may be inconsistent with information available or compiled from other sources. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable, but their accuracy, completeness, underlying assumptions and reliability cannot be assured. Accordingly, investment decisions shall not be based on such information.

Global Sugar Industry

Sugar production is spread across the globe; it is produced in over 122 countries. Globally, two distinct raw materials are used for producing sugar viz sugar beet and sugarcane. The use of sugarcane or sugar beet for producing sugar highly depends on the climatic conditions of the country. The tropical climate is apt for growing sugarcane whereas temperate regions are suitable for growing sugar beet. Thus, countries in the tropical or sub-tropical belts like Brazil, India and Thailand use sugarcane whereas in countries like the US and EU, sugar beet is used for producing sugar. Globally, almost 70 percent of the sugar is produced from sugarcane and the rest of the 30 percent from the sugar beet.

It was expected that the global sugar supplies would be back to comfortable levels after two years of shortfall, however extreme weather in Australia and Indonesia will lead to shortfall in production. World sugar production is estimated at 161.9 mn tonnes for the marketing year 2010-11 down by 1.9 mn tonnes of early estimates. The consumption is estimated at 158.9 mn tonnes, up by 1.2 mn tonnes of early estimates. Sugar production in Australia may plunge to its lowest level in 19 years to 3.58 mn tonnes due to Cyclone Yasi hitting Queensland coast. Queensland accounts for about 90 percent of Australian sugar production. The crop condition in Brazil, the largest producer and exporter of sugar, is not very good due to poor rains. The entire South Brazil crop which meets two-third of total global raw sugar requirement is rain-fed. As a result of these, global sugar prices have been rising since February 2011 and we expect the prices of global raw and sugar prices to remain firm over the next quarter due to tight demand supply situation.



Source: United States Department of Agriculture ("USDA")

Indian Sugar Industry

India is the second largest producers and largest consumer of sugar and sugarcane in the world. It is the second largest agro-based industry in India, only next to the textile industry. The sugar industry is highly fragmented in nature, with a large number of players operating in the states of Maharashtra, Uttar Pradesh, Tamil Nadu and Karnataka. 490 factories (271 private and 219 cooperative) were operational in FY10.

The sugarcane and sugar production primarily depends on the area under the sugarcane cultivation. The area under the sugarcane cultivation depends on the prompt payments made by the factories to the farmers. For example, the sugar prices peaked in Sugar Season (“SS”) 2005-06 on account of lower inventory levels, thereby enabling the mill owners to make prompt and higher payments to the farmers. This led to a rise in the area under sugarcane cultivation in SS2006-07, and also improved the yield due to the availability of funds with the farmers to use fertilizers for improving the yield. This led to a higher crop in SS2006-07, thereby leading to a peak in sugar production and higher inventory levels. Higher inventory levels led to a substantial rise in cane arrears in the SS2006-07, thereby discouraging the farmers to reduce the area under the cultivation of sugarcane. However, there was a jump in sugar consumption during the SS2005-06 and SS2008-09 period, thereby driving up the prices.

In the early estimates of SS2009-10, the sugar production was estimated at 16-17 million tonnes, thereby leading the sugar prices to a peak, but later, the estimates were revised upwards to 18.9 million tonnes, thereby pulling down the prices. The numbers were revised due to an improvement in yield, an increase in the quantity of sugarcane crushed and better sugar recovery levels.

India Sugarcane and Sugar – Area, Yield and Production (Sugar Season – October – September)					
	2005-06	2006-07	2007-08	2008-09	2009-10*
Area Under Sugarcane (Mn Hectares)	4.20	5.15	5.05	4.41	4.20
Production of Sugarcane (Mn Tonnes)	281.17	355.52	348.18	285.02	277.75
Yield of Sugarcane (Tonnes per Hectare)	66.90	69.00	68.90	64.60	66.10
Number of Factories in operation	455.00	504.00	516.00	489.00	490.00
Total Cane Crushed (Mn Tonnes)	188.67	279.29	249.90	144.98	185.54
Total Sugar Produced (Mn Tonnes)	19.26	28.36	26.35	14.53	18.91
Sugar Recovery (%)	10.21	10.16	10.55	10.03	10.19
Molasses Production (Mn Tonnes)	8.54	13.11	11.31	6.54	8.40
Molasses (% cane)	4.53	4.69	4.53	4.51	4.53
*Provisional					

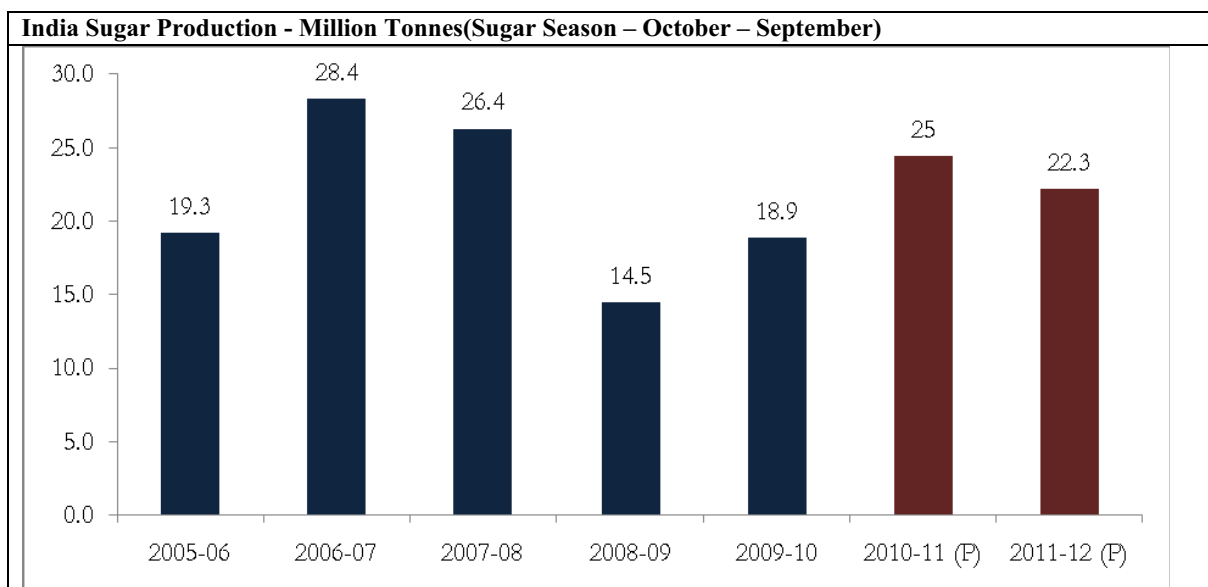
Source: National Federation of Cooperative Sugar Factories

India Sugar Production

The sugar production in India peaked in SS2006-07 due to the large area under sugarcane cultivation. The high sugar production in SS2006-07 and SS2007-08 led to huge inventory levels and payment arrears, thereby discouraging farmers to grow more sugarcane. The farmers diverted to more attractive crops like wheat and paddy, thereby leading to a steep fall in the area under sugarcane cultivation in SS2008-09. Lower sugarcane production led to a steep fall in the sugar production. The sugar production fell from 26.4 million tonnes in SS2007-8 to 14.5 million tonnes in SS2008-09. This led to a steep rise in sugar prices, which led to a steep rise in the percentage of cane crushed.

CARE Research expects the sugar production to increase to 25 mn tonnes in SS10-11 from 18.8 mn tonnes in SS09-10, an increase of 33 percent yoy. During the SS11-12, sugar production is expected to decline to 22.3 mn tonnes

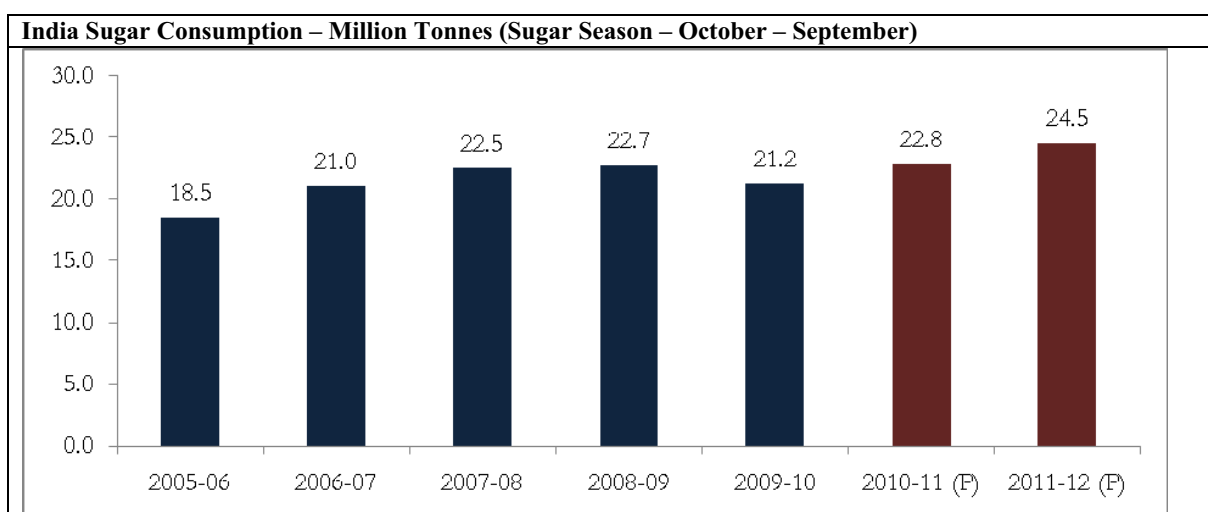
with rising cane arrears. Cane arrears upto December 2010 stood at about Rs.4,000 crore. Up till February 2011, the sugar mills had produced 16.3 mn tonnes which was 19 percent more than 13.7 mn tonnes during the corresponding period last year. The area under sugarcane is expected to increase from 4.2 mn ha in SS09-10 to 5.1 mn ha in SS10-11e.



Source: National Federation of Cooperative Sugar Factories (NFCSF), CARE Research

India Sugar Consumption

The sugar consumption in India has grown at a steady pace over the years. It has grown at a Compounded Annual Growth Rate (“CAGR”) of 4.3 percent during the period from SS1995-96 to SS2008-09. CARE Research expects the sugar consumption at 22.8 mn tonnes in SS2010-11 and 24.5 mn tonnes in SS2011-12. The growing population coupled with growing per capita income will help the country achieve the projected growth rate. Due to the inelastic nature of the sugar demand and comparatively lower per capita sugar consumption, there will be minimal impact on sugar consumption owing to rising sugar prices.



Source: National Federation of Cooperative Sugar Factories Ltd (“NFCFSF”), CARE Research

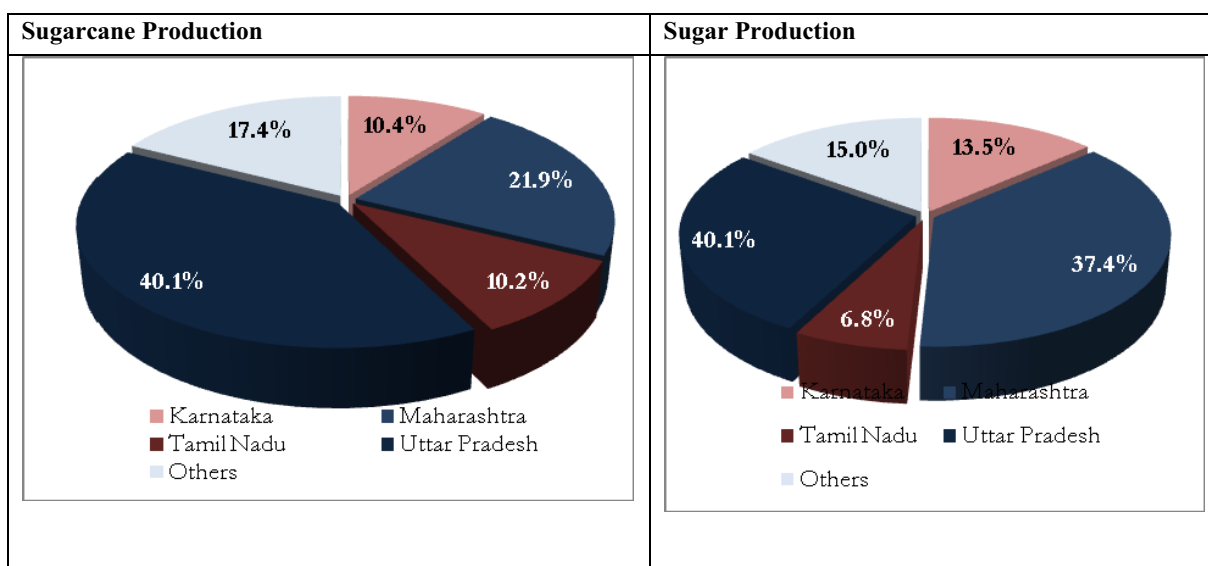
India Sugar Imports and Exports

CARE Research expects that with rising stock-to-use ratio and higher international sugar prices due to production shortfall globally will lead to sugar exports to the tune of 1 mn tonne during SS2010-11e. Recently, the Government of India (“GoI”) allowed export of 0.5 mn tonnes of sugar under the Open General License (“OGL”) during March 2011 for SS2010-11.

India Sugar Exports and Imports (Financial Year – April to March)				
	Exports		Imports	
FY	Exports (Mt)	Exports (Rs. Crore)	Imports (Mt)	Imports (Rs. Crore)
2005-06	0.32	569.11	0.56	651.59
2006-07	1.64	3127.47	0.00	3.49
2007-08	4.68	5412.16	0.00	2.24
2008-09	3.33	4448.74	0.39	583.11
2009-10	0.04	110.23	2.42	5961.24

Source: Directorate General of Commercial Intelligence and Statistics (“DGCIIS”)

State-wise Sugarcane and Sugar Production (Sugar Year 2009-10)



Source: (NFCFSF)

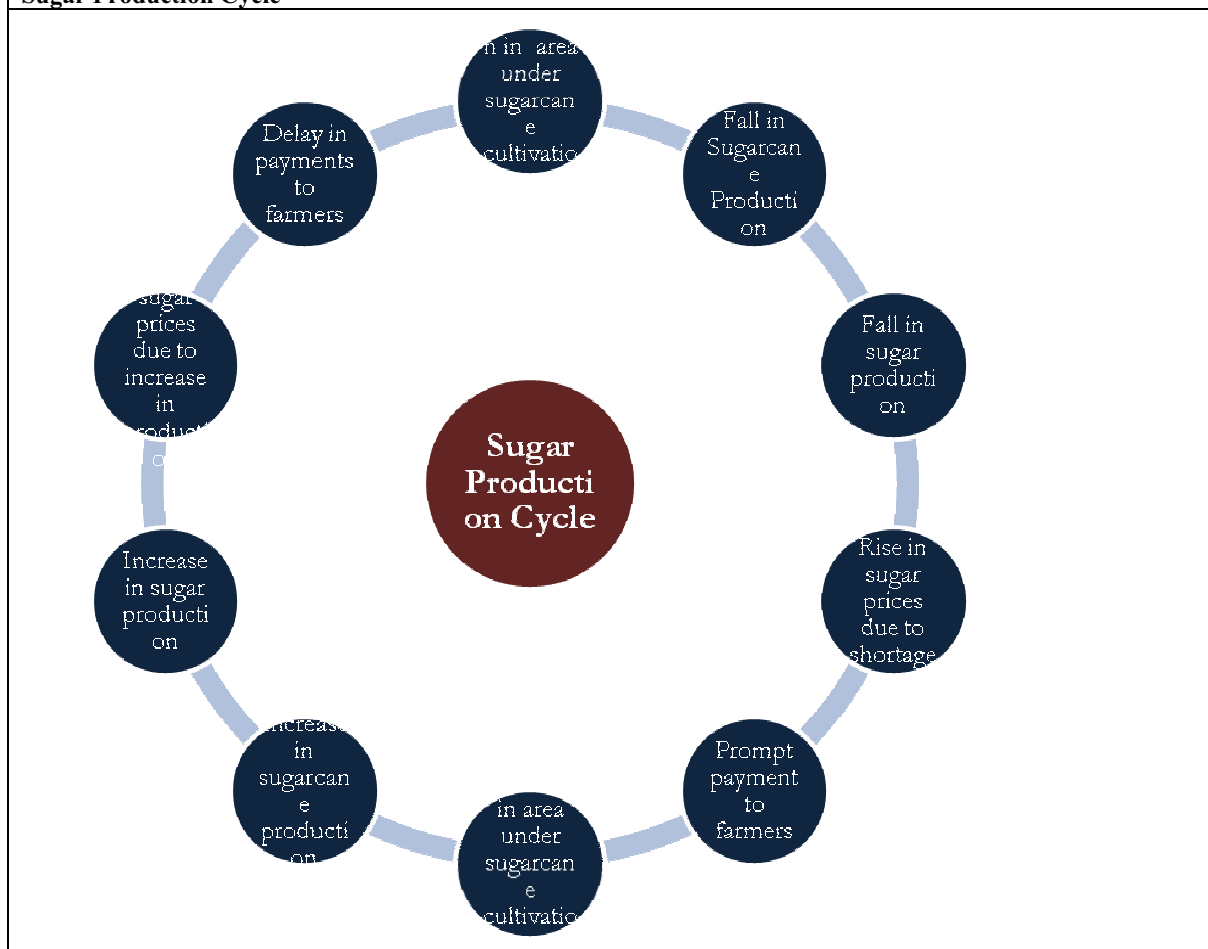
Sugar Production Cycle

The Indian sugar industry is highly cyclical in nature. The production of sugar in India completely depends on the acreage under sugarcane and the availability of sugarcane in the country. Higher sugarcane and sugar production

results in fall in sugar prices and thereby fall in the margins of the sugar companies. Decreased profitability of sugar companies increases sugarcane dues to the farmers. This compels farmers to switch to other crops thereby causing a shortage of sugarcane and sugar, consequently increasing sugar prices and profitability of the mill owners, resulting in prompt payment to the farmers. With the fall in the sugarcane arrears, farmers switch back to the production of sugarcane and the cycle continues. The typical duration of this cycle is around 4-5 years.

The cyclical nature of the Indian sugar industry is fully supply-driven, as steady growth is observed in sugar consumption. The cyclical nature is also attributable to the regulated nature of the industry, primarily in respect to the pricing of sugarcane.

Sugar Production Cycle



Source: CARE Research

Regulation

Sugar being an essential commodity and on account of the higher weightage in the Wholesale Price Index (WPI), the entire value chain of the sugar industry is kept under the tight control of the Central and State governments. The sugar industry in India is regulated right from cane procurement to cane pricing, allocation of cane area to distribution of sugar by the Central government and the respective state government.

During every SS, the Central government decides the price at which sugar mill owners are to procure sugarcane

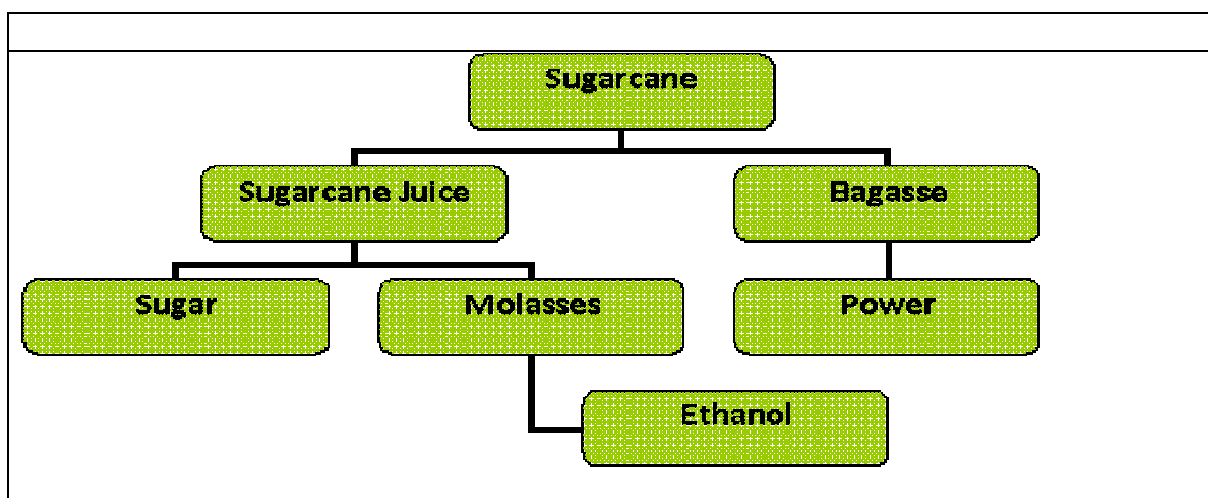
from the farmers and also the proportion of the sugar to be sold in the open market. Apart from fixing the levy quota, the government also controls the quantum of sugar to be sold in open market by each mill every month, in order to regulate the price and the supply of the essential commodity. The Indian sugar industry is the most regulated industry across the globe.

Comparison of regulatory environment in top four sugar producing countries				
Regulations	Brazil	China	Thailand	India
Command Area	×	×	×	✓
Cane Pricing	✓	✓	×	✓
Sugar prices	×	✓	✓	✓
International trade	×	✓	✓	✓

Source: Industry Interaction and CARE Research

Sugar By-Products

In the process of manufacturing sugar various by-products are derived viz Press mud, Bagasse, Molasses and Fly ash. Bagasse and Molasses are the two primary by-products of the sugar industry. These two by-products constitute almost 33-34 percent of the total weight of the sugarcane.



Source: CARE Research

Molasses

Molasses is derived during the process of manufacturing sugar. It constitutes about 4 percent of the total sugarcane crushed by the sugar mills. Molasses is used to manufacture potable alcohol, industrial alcohol and Ethanol.

Ethanol is a flammable, colourless liquid which can be either produced synthetically from ethylene and coal or through the fermentation route from potatoes, grains, corn, wood and sugarcane crop. The ethanol produced through the fermentation route is a form of renewable energy.

As per CARE Research, a fully-integrated business model is a feasible business model for sugar companies as a fully-integrated model helps the mills to generate additional revenue and to partially mitigate the risk of fall in margins arising from the downturn of the sugar business.

Bagasse

Bagasse is the fibrous residue left after extraction of juice from sugarcane. It constitutes almost 29-30% of the total weight of the sugarcane crushed. Sugar mills generally use it as a captive source of power and steam required during the process of manufacturing sugar. The surplus Bagasse available after meeting the captive power and steam requirement is either sold to the paper manufacturers or utilized for generating electricity for grid/merchant sales as Bagasse can also be used for manufacturing paper and particle boards.

The Bagasse based co-generation projects helps the sugar mills in arresting the cyclical nature of the sugar industry through generating stable source of revenue. Power is insulated from the price fluctuations and is not cyclical in nature. This helps the sugar mills to shield their margins during the down cycle of the core sugar business. Over the years, GoI has given various incentives in the form of soft loans, tax rebates and capital subsidies to encourage Bagasse-based co-generation projects.

The co-generated power projects help the country to switch from fossil fuels to renewable source of energy and to control the greenhouse gas emissions. In August 2002, GoI had signed Kyoto Protocol (it is a protocol to the United Nations Framework Convention on Climate Change (UNFCCC)) for combating against the global warming by reducing the greenhouse gas emissions. Under this mechanism, for each tonne of carbon dioxide emission avoided, the entity is likely to get a Certified Emission Reductions (CERs) or carbon credits which can be sold to developed countries. Sugar mills are entitled to receive such CERs or carbon credits as they generate renewable source of energy. This helps the sugar mills to generate additional source of revenue.

State-wise annual co-generation capacity in India

Co-generation capacity		
State	No. of Units	Installed Exportable Capacity (in Mw)
Uttar Pradesh	57	1255
Bihar	2	23
Punjab	3	41
Maharashtra	21	416
Andhra Pradesh	13	195
Tamil Nadu	24	527
Karnataka	27	610
Total	147	3067

Source: sugarbazaar.com

In the span of three to four years, the co-generation capacity of the sugar mills in India increased by more than four times. However, due to the various road blocks in setting Bagasse-based cogeneration projects and selling power, the industry could not realize its full potential. As per the Ministry of New and Renewable Energy, the sugar industry has a potential to generate 5,000 MW of surplus power through Bagasse-based cogeneration projects. Following are some of the major problems faced by the sugar mills in adding cogeneration capacity:

- Fragmented nature of the industry
- Uncertainties over the availability of the sugarcane
- Delays in finalizing the power purchase agreements with State Electricity Boards (SEBs)
- Delays in payment from the State Electricity Boards

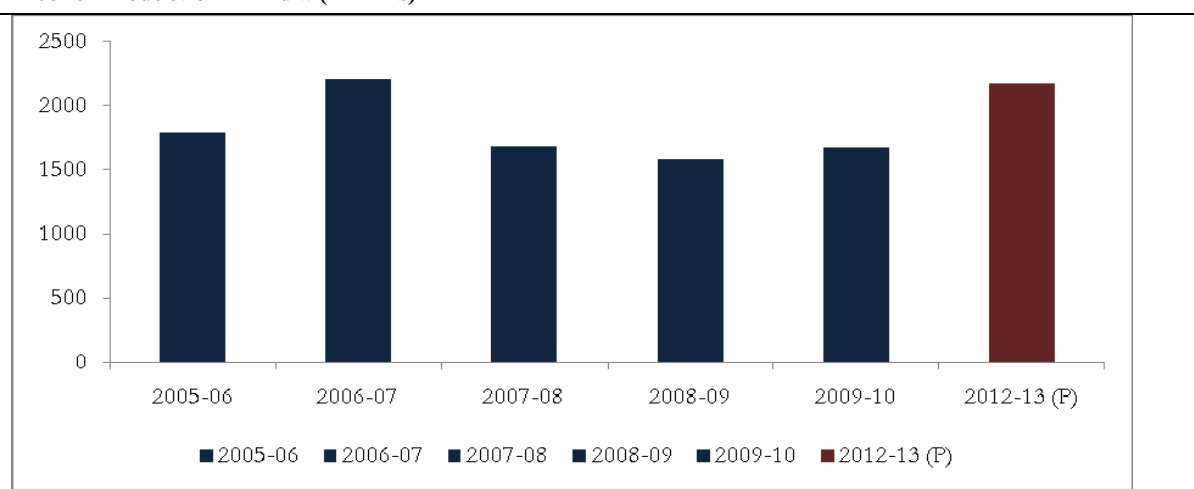
During the same period, cogeneration capacity in UP has increased substantially from 100 MW to 1,255 MW as most of the UP-based sugar mills have succeeded in entering into long-term power purchase agreements with SEBs

for supply of surplus electricity.

Alcohol Industry Overview

The alcohol production in India is estimated at 1,680 million kls in FY10. The changing perception of the people towards alcohol, rising youth population in the country coupled with rising acceptability of alcohol consumption among the female population is driving the growth story of alcohol in India. CARE Research expects the Indian alcoholic beverage industry to grow at a CAGR of 9 percent to 2,175 million kls, during the period of FY10-13. Currently, there are about 325 distilleries in the country with the total production capacity of 3,540 mn litres. However, the licensed capacity is majorly concentrated in three states of U.P., Maharashtra and Tamil Nadu.

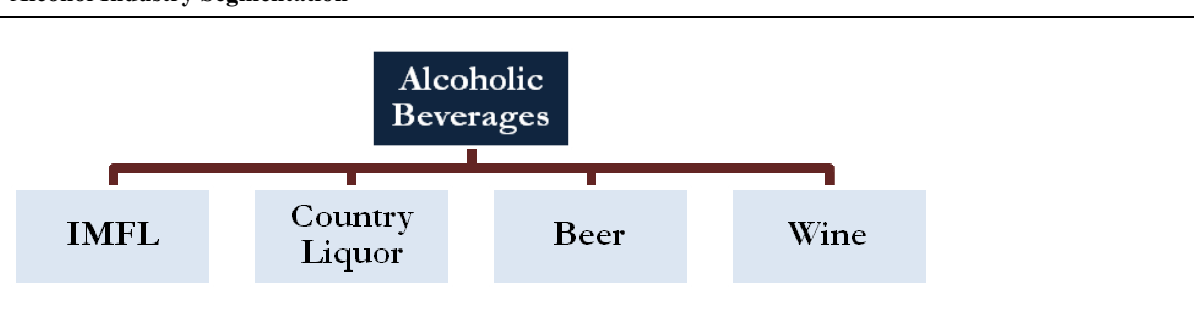
Alcohol Production in India (Mn Kls)



Source: Business Brains, CARE Research

The Alcoholic Beverage Industry in India can be broadly classified into four segments - Beer, wine, Indian Made Foreign Liquor ("IMFL") and country liquor.

Alcohol Industry Segmentation



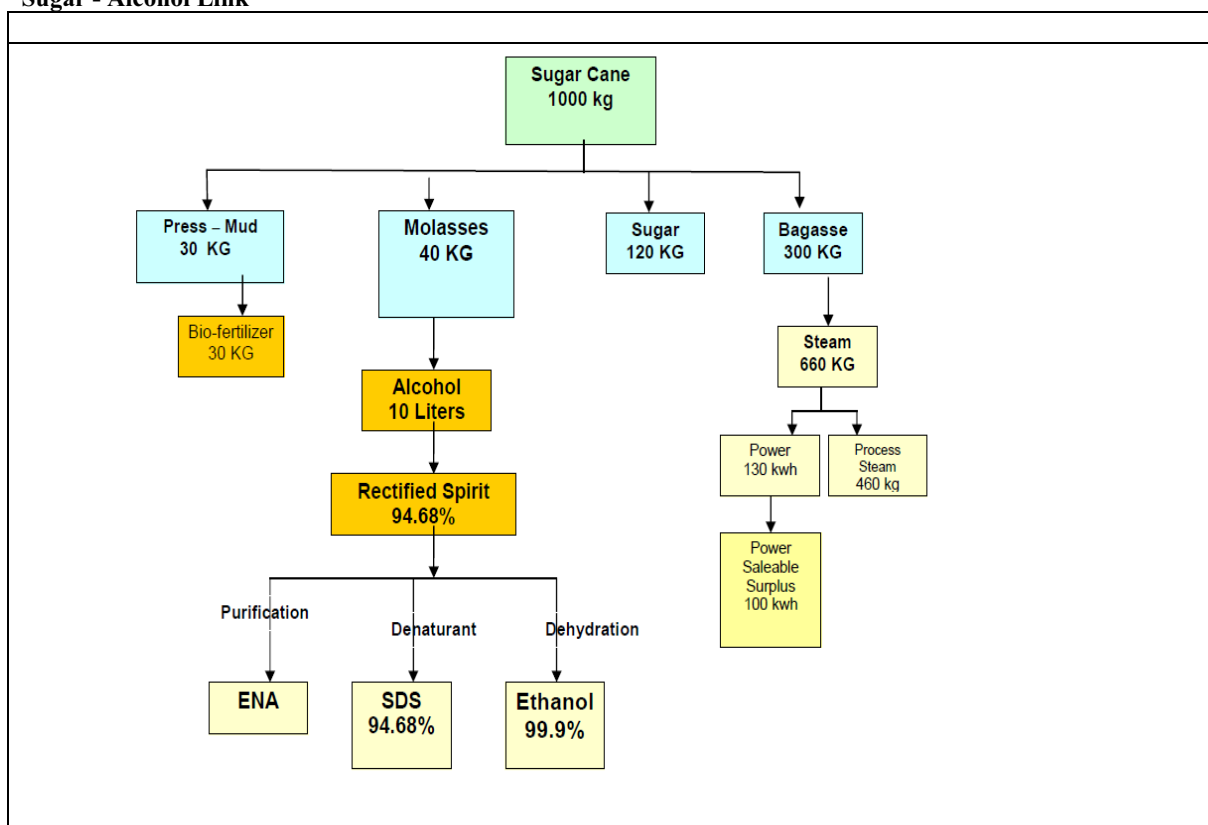
Source: CARE Research

Production Process

The Rectified Spirit ("RS"), which is produced by primary distillation of molasses or grains, is the basic raw material for manufacture of IMFL. RS procured from the distilleries contains about 95 percent alcohol. It later undergoes secondary distillation to remove impurities like aldehydes, esters etc and the distilled product is called Extra Neutral Alcohol ("ENA") or Neutral Spirit. The ENA is then mixed with de-mineralized water to form the

base liquor which contains about 42 percent alcohol by volume. To this base liquor, special spirits (like grape spirit, malt spirit etc) are added to form the various flavours like brandy, whisky, rum etc. Flavours and colouring agents are also added and the mix is allowed to mature for at least 72 hours. After the approval of the state forensic lab, the mix is passed through pressure filters so as to remove any impurities and is bottled into different pack sizes.

Sugar - Alcohol Link



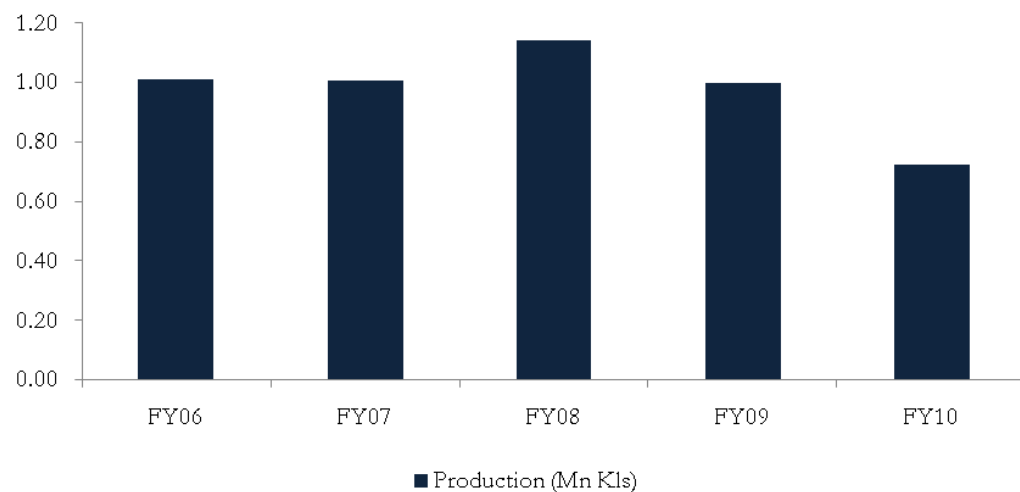
Source: Business Brains

Rectified Spirit (RS) – Production in India

RS is produced from molasses, a by-product of sugar, and finds applications in three main areas - chemical sector, fuel oil and potable alcohol. RS is widely used as intermediates for manufacturing various chemical acidic products such as acidic acid and other chemicals such as mono ethylene glycol (“MEG”), which is used to make fibre.

The production of RS remained range bound before falling by 25 percent in FY10. The RS production in India stood at 1.01 mn kls in FY06 which grew to 1.14 mn kls in FY08 and then fell to 0.72 mn kls in FY10. This was due to the high molasses prices in off seasons 2009 and boiler shutdown in off season 2010. Sugarcane crushing is expected to be much higher than the previous season in FY11. Therefore, the total molasses availability will also be higher, which may lead to a substantial drop in the prices of molasses. Due to this, the production of Rectified Spirit is expected to be higher during FY11.

Rectified Spirit – Production in India

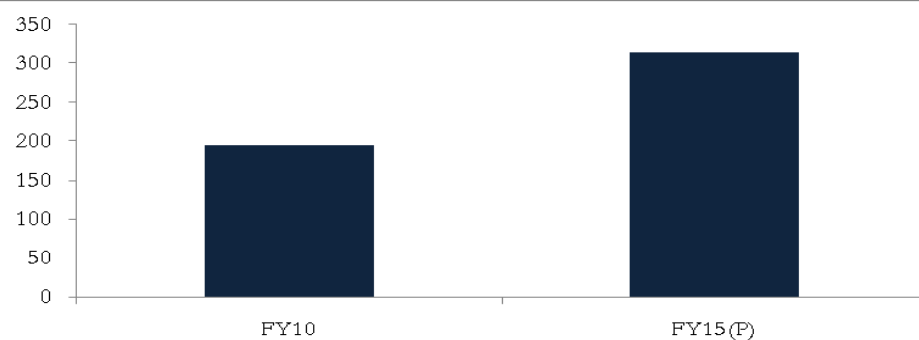


Source: Centre for Monitoring Indian Economy ("CMIE")

Outlook on India Made Foreign Liquor (IMFL)

The IMFL segment comprising almost half of the Indian Alcoholic Beverages Industry is estimated at around 190 million cases. It comprises five products – *Brown* - Whisky, Rum and Brandy and *White* – Vodka and Gin. CARE Research expects the IMFL market-size to grow at a CAGR of 10 per cent from 194.5 million cases in FY10 to 313 million cases in FY15. The growth in the segment is driven across smaller town and cities primarily due to increasing income levels, growing urbanization, increasing consumerism and changing lifestyles and adoption of western culture.

IMFL Market Size (Million Cases)



Source: CARE Research

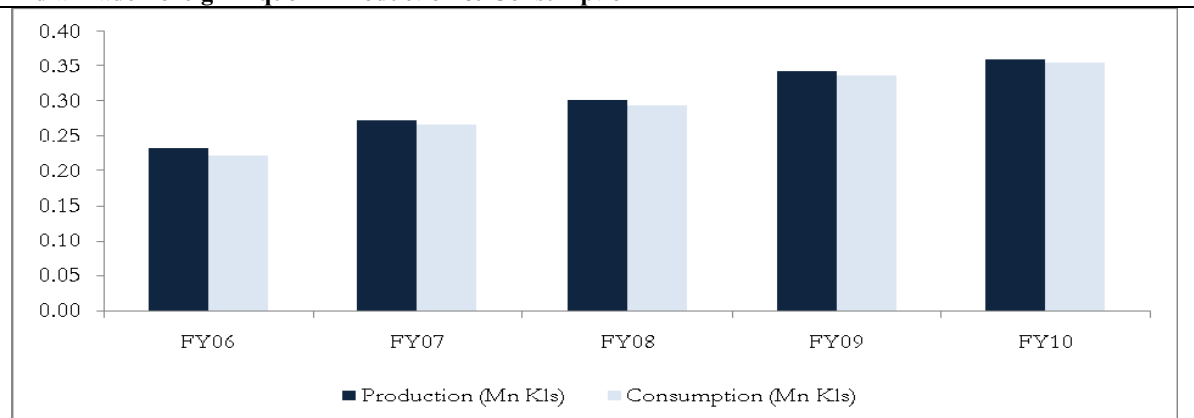
Note: A case has 12 bottles each, constituting 9 litres.

Production and Consumption

The IMFL production grew at a CAGR of 11.4 per cent over the FY06 and FY10 period. It touched 0.36 million kls in FY10. At the same time consumption grew at a CAGR of 12.5 per cent over the same period, touching 0.36

million kls. The growth in consumption can be attributed to the rise in economic growth which continued to spill over from the major cities into the neighbouring small towns and cities of less developed states, such as Orissa, Bihar and Madhya Pradesh.

India Made Foreign Liquor – Production & Consumption

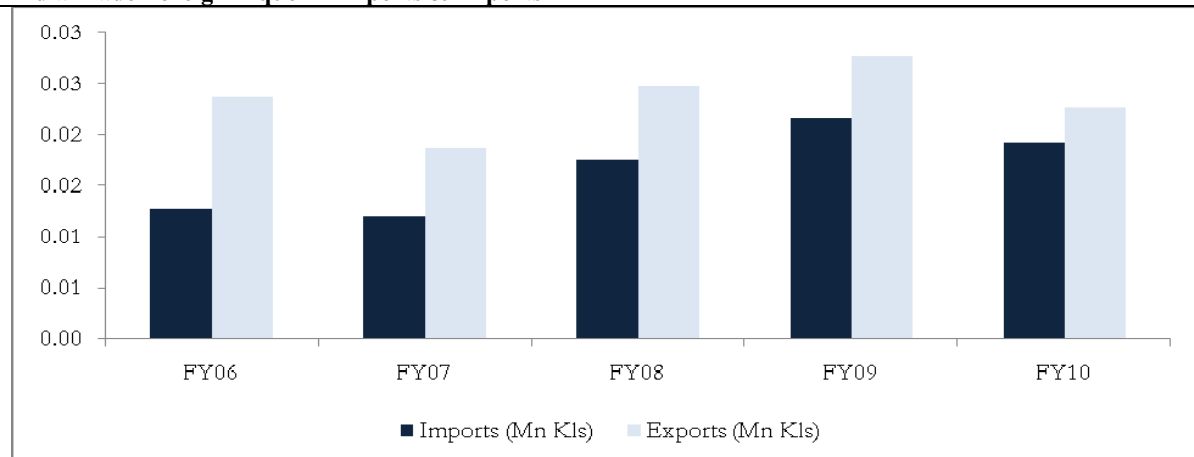


Source: Centre for Monitoring Indian Economy (CMIE)

IMFL Imports & Exports

India's IMFL import grew at a CAGR of 11 per cent over the FY06 and FY10 period. The imports grew from 0.012 million kls in FY06 to 0.019 million kls in FY10. Only 5-6 per cent of India's consumption is met through imports. On the other hand, the exports of IMFL from India declined at a CAGR of 1.1 per cent from 10.2 per cent of the production in FY06 to 6.3 per cent of the production in FY10. The fall in exports can be attributed to the rise in domestic demand.

India Made Foreign Liquor – Imports & Exports

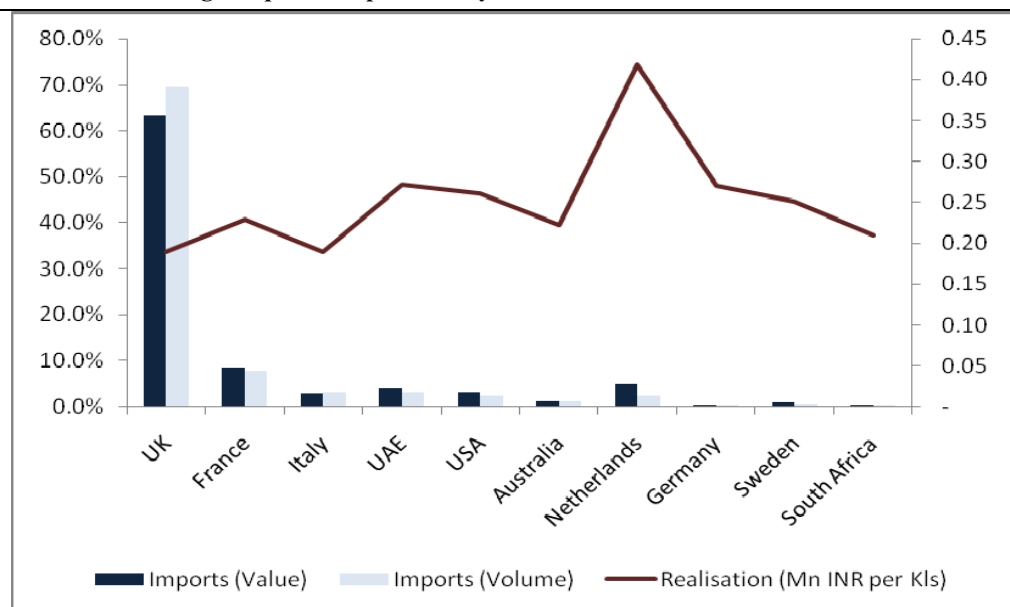


Source: CMIE (Center for Monitoring Indian Economy)

IMFL Imports – Key Countries

70 percent of India's IMFL imports are from UK. The per unit import price from UK is below the overall average per unit import price. France and Italy are the other major exporters of IMFL to India. The per unit price of IMFL is highest from Netherlands.

India Made Foreign Liquor – Imports – Key Countries

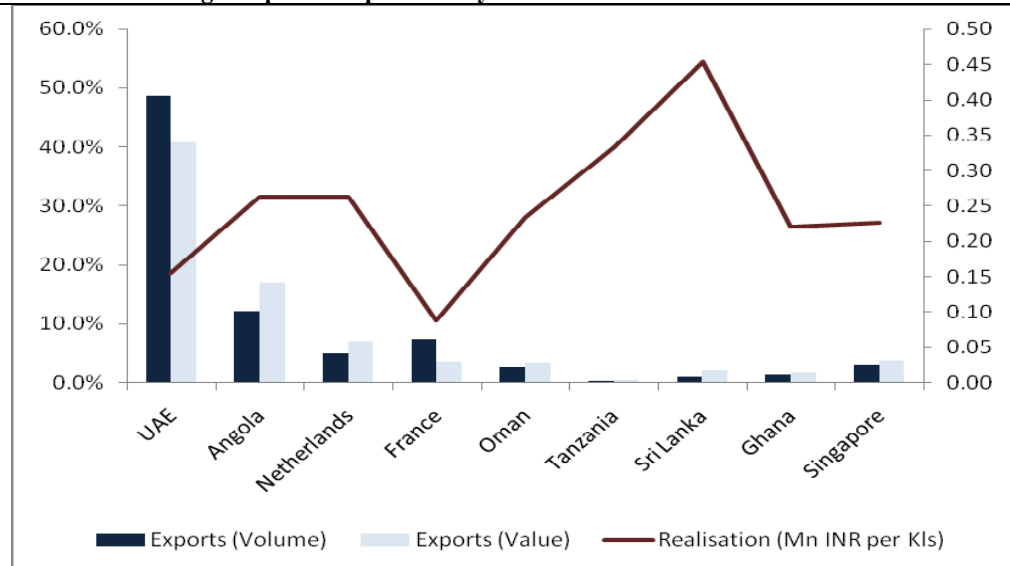


Source: CMIE

IMFL Exports – Key Countries

UAE and Angola are the key markets to which India exports IMFL. Together, they account for 57-58 percent of the India's exports. The other key markets are Singapore and Netherlands.

India Made Foreign Liquor – Exports – Key Countries



Source: CMIE

Product-wise Market-share of IMFL in India

The IMFL market has been growing approximately at 9-10 per cent. It comprises five products – *Brown* - Whisky, Rum and Brandy and *White* – Vodka and Gin. Whisky is the largest contributor to the IMFL market constituting approximately 52-53 per cent of the overall IMFL market. The whisky consumption is the highest in North and East. However, Brandy and Rum are the fastest growing segments. The highest demand for Rum comes from the defence segment.

Regional Overview

South India accounts for the largest market share in the Indian alcohol industry in volume terms with 38 per cent market share. It is the largest consumer of brandy in India. It is mainly driven by the experimental attitude of the youth. The government ban on country liquor in the region offers huge opportunity for the IMFL players in this region.

West India is the second largest alcohol consuming region in India accounting for 27 percent share. It is the largest consumer of beer and ready-to-drink alcohol. The main growth drivers in this region are the increasing adoption of western culture, increasing business and the liberal stance towards alcohol.

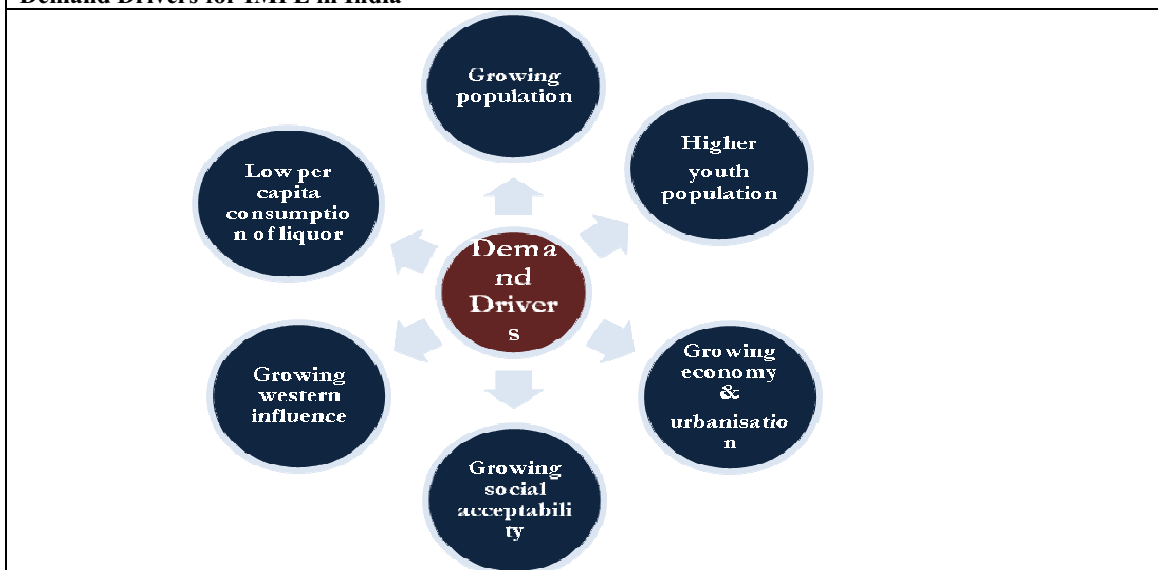
North India accounts for 25 percent of the total alcohol market. The industry is dominated by standard and economy brands. Rising affluence in urban regions is driving growth in this market.

East India, is the smallest market for the alcohol industry. It account for 11 per cent of the overall alcohol industry.

Demand Drivers

The per capita consumption in India for alcoholic beverages remains low at 0.82 litres, providing a huge growth opportunity in the long term as compared to other countries. The growing proportion of youth population in the Indian population would boost the demand for alcoholic beverages in India. The rising income levels and expansion in the middle class population would lead to an increase in the number of the consuming class. Growing rate of urbanization will also drive growth in the demand for alcoholic beverages. Increasing overseas travel and influence of western media in India post liberalization, has led to a perceptible shift in terms of aspirations and lifestyles.

Demand Drivers for IMFL in India



Source: CARE Research

Entry Barriers

- 1) Strong existing brands
- 2) Ban on advertising, surrogate advertisement and word-of-mouth publicity
- 3) Strict distribution regulation
- 4) Complex logistics framework
- 5) Heavy taxes, duties and levies

Regulations

State Levies

Alcoholic beverages, being a state subject, with excise policies/duties/licensing system etc, are in the domain of the state governments. They have a wide array of rules and regulations and often oblivious of those obtaining in the other states. This has resulted in a number of anomalies and also hampered the growth of the Indian alcoholic beverages industry. Such policies govern the licensing and regulations of all segments involved in the industry like distilleries, breweries, bottling units warehousing, retail and wholesale etc.,

A high tax burden, imposed by the state governments on liquor, acts as a hindrance for the growth of the industry. Lack of consistency and uniformity across states also act as a hindrance for the growth of the industry. The state earns a significant portion of the revenues from liquor; in some states the duties are as high as 300 per cent percent. Such duties have resulted in a distributed manufacturing base and unique market characteristics for each state.

Capacity restrictions

The industry is not allowed to expand without the prior approval of the Central government, as it is among the few industries still under the licensing policy. In a liberalized scenario, when molasses have been decontrolled and for the brewery sector too, there is no shortage of domestically available shops, restrictions on new capacities make little sense. State governments have a part to play as well, since companies have to also get their approval before commissioning a unit. However, the situation has changed with the Supreme Court ruling, designating alcohol as a State subject. It is expected that companies will no longer face problems on fresh capacity creation.

Distribution and Trading Restrictions

The distribution of liquor is controlled in many States, except in Maharashtra, West Bengal and Assam, where companies can sell their products freely in the open market. Distribution controls take various forms like auctions, open-market system, government-controlled markets and the Army's Canteen Stores Department.

Under the auction system, the government fixes a floor price for the shops and the bidders have to quote prices. The license would go to the highest bidder, and the bid price would have to be paid in equated monthly instalments. This system operates in Punjab, Rajasthan, Bihar, Orissa, Uttar Pradesh and Madhya Pradesh.

States following the open-market mode gives substantial leverage to the IMFL marketing company to choose its distributor and to determine pricing and discounts.

In the case of distribution through government channels and distribution rights through the auction mechanism, strong distributors exert influence on the margins of the IMFL manufacturer. In the government-controlled system, the distribution of liquor is done through State agencies such as TASMAC in Tamil Nadu, BEVCO in Kerala, the Andhra Pradesh Beverage Corporation in AP, the DSIDC in Delhi, and KSBCL in Karnataka and so on. Since these agencies are sole wholesalers, they also have the ultimate say in deciding the entry of a brand into a State. These restrictions seriously limit the free availability and marketability of a company's products.

IMFL sales in different States, classified on the basis of the distribution channel accessible to the manufacturer, are given below:

Distribution and Trading Restrictions	
Distribution Channel	States
Open Market	Maharashtra, West Bengal, Jammu & Kashmir, Goa, Assam, Meghalaya, Tripura, Arrunanchal Pradesh
Auction Market	UP, Rajasthan, MP, Punjab, Chandigarh, Haryana
Government-controlled	Tamil Nadu, Delhi, Kerala, Andhra Pradesh, Karnataka
Prohibition States	Gujarat

Source: CARE Research

OUR BUSINESS

Business Overview

We are primarily into the business of production of sugar, alcoholic spirits by distillation including ethanol, blending and bottling of Indian Made Foreign Liquor (IMFL) and generation of power. Our Company has an integrated sugar production facility located at Bellad Bagewadi, Belgaum District in North West Karnataka, which has been classified as a High Recovery Zone for sugar production by the Government of India.

In the process of sugar production, by-products such as bagasse and molasses are produced which are used as raw materials to generate power and Ethanol/IMFL production respectively. The sugar unit of our integrated production facility first crushes the sugarcane to extract sugarcane juice which is then further processed to produce sugar. After the sugarcane juice is extracted for further processing, the residual fibre i.e. Bagasse is utilized as fuel in the boilers to produce steam for running the turbines of our co-generation unit to generate power. The molasses produced in the process of sugar production is fermented and distilled to manufacture Ethanol and IMFL in the distillery unit of our integrated production facility.

Bagasse, an ideal renewable source of energy, is burnt to generate steam in high pressure boilers to run turbines for generating electricity and steam for sugar processing. Our co-generation unit having an installed capacity of 36.4 MW generates upto 29 MW of which 7 MW (approx.) is used for captive consumption. Out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Power Purchase Agreement with Tata Power Trading Company Limited and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM) under a long-term Power Purchase Agreement.

Molasses, a by-product of sugarcane, is the primary raw material for making rectified spirit which is further re-distilled to produce neutral spirit, the basic raw material for manufacturing IMFL products. The neutral spirit is then blended to manufacture whisky and rum which is sold by our Company under the brand "*Our Choice*" in Karnataka. We are in the process of launching our brand "*Your Choice*" whisky which shall cater to the relatively upper segment of consumers in Karnataka. We launched the brand "*Our Choice*" in the year 2008 and in a short span of three (3) years our brand has established a preference with the consumers in the State of Karnataka. To further add to the sales of our IMFL products, in March 2009, we entered into an arrangement with M/s. SV Distilleries, Yelahanka, Bengaluru, a manufacturer of IMFL, to manufacture and sell our IMFL products in and around Bengaluru. This arrangement along with sale of IMFL products from our integrated production facility has led to an increase in sale of our IMFL products from 2,56,100 Boxes in F.Y.2008-2009 to 4,49,400 Boxes in F.Y. 2010-2011. As on the date of this Draft Redherring Prospectus, we are manufacturing and selling more than 100,000 boxes a month of our IMFL products.

We also distill rectified spirit for manufacturing industrial Ethanol. We supply this Ethanol for blending with motor spirit/petrol to oil marketing companies such as Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited. We have entered into an arrangement in the year 2010 with these companies for supply of approximately 4,200 KLs of Ethanol per annum and renewed the same for a further period of one (1) year in 2011.

We initially commenced distillery operations in the year 2001 with a capacity of 35 KLPD. The sugar production and co-generation facility started operations in the year 2006 with a capacity of 2500 TCD and 14 MW respectively. With the continued support of the farming community in the area we were able to expand our sugar unit capacity from 2500 TCD to 5500 TCD in the year 2009. This further led to the enhancement in our power generation capacity from 14 MW to 36.4 MW.

We now propose to expand our integrated production facility situated in Belgaum District by increasing the sugarcane crushing capacity from 5500 TCD to 11000 TCD. We further propose to install a new boiler of 150 TPH capacity of 110 kg/cm² pressure and a suitable turbine to our co-generation unit to enable us have a total installed power generation capacity of 66.40 MW. From the proceeds of the Issue, we also propose to deploy a part of the

funds as capital expenditure to expand the capacity of our distillery from the present 35 KLPD to 100 KLPD leading to a n increase in our IMFL production capacity from 2500 Boxes per day to 5000 Boxes per day.

Our income from the sugar business formed approximately 54%, 42% and 35% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively, income from the co-generation business formed 9%, 12% and 27% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively income from the Distillery business formed 4%, 2% and 10% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively and whereas income from the IMFL business formed 32%, 43% and 27% of our total sales in the F.Y. 2011, F.Y. 2010 and F.Y. 2009, respectively.

For the year ended March 31, 2011, we had a total income of ₹47,496.13 lakhs and net profit after tax of ₹4,302.21 lakhs as compared to total income of ₹41,528.52 lakhs and net profit after tax of ₹1,794.56 lakhs for the year ended March 31, 2010.

Our total sales have grown at CAGR of above 62.65% from ₹5,168.91 lakhs in F.Y. 2007 to ₹36,171.98 lakhs in F.Y.2011. Our PAT has grown at CAGR of 57% from ₹706.97 lakhs in F.Y. 2007 to ₹4,302.21 lakhs in F.Y.2011.

Our Competitive Strengths

The following are our key strengths which we believe enable us to be competitive in our business:

1. ***We have a cane growing area of 49 villages reserved for supply of sugarcane to our integrated production facility.***

Sugarcane is the principal raw material used for the production of sugar. Our business depends on the availability of sugarcane and any shortage of sugarcane may adversely affect our results of operations. The Government of Karnataka (GoK) by a notification dated May 6, 1999 called as the Karnataka Sugarcane (Regulation of Distribution) Vishwanath Sugars Limited, Bellad Bagewadi Order, 1999 ("**VSL Order**") requires every grower of sugarcane in the area reserved to supply ninety five percent (95%) of the sugarcane grown by the grower co-operative society operating in the reserved area to our factory. The VSL Order has reserved 28 villages in Taluka Hukkeri, 12 villages in Taluka Chikkodi and 9 villages in Taluka Gokak in Belgaum District for the supply of sugarcane to our production facility.

Over a period of time, these villages are projected to increase the acreage of sugarcane cultivation from 39100 Acres in F.Y.2011-2012 to 61150 Acres by F.Y.2013-2014 and yield per Acre from 32 tons per Acre in F.Y.2011-2012 to 34 tons per Acre in the F.Y.2013-2014 because of various irrigation schemes implemented by the GoK leading to an increased supply of sugarcane to our manufacturing facility. Our Company has accordingly increased its sugarcane crushing capacity from 2500 TCD to 5500 TCD in the year 2009.

Having a large sugarcane crushing capacity ensures that in times of cane shortage, our Company gets a considerable share of the cane available in and around the command area of our factory. A larger sugarcane crushing capacity also ensures a larger stock of Bagasse for the co-generation of power, as also a substantial increase in the Molasses available for our distillation business.

2. ***Our consumption of power per ton of sugarcane crushed is low leading to higher availability of exportable power.***

We have installed various energy saving devices at our production facilities such as planetary gear boxes, variable frequency drives, swing type fibrizor, high efficiency pumps and energy efficient motors which help us reducing the consumption of energy in our crushing operations. We have also installed planetary gear boxes in our boiling house section and have further introduced energy efficient condensers and unforced cooling tower as power saving measures. Similarly, in the co-generation unit, our power

consumption has been reduced due to installation of a spray pond instead of forced draught cooling tower. Due to the implementation of the above measures our power consumption per ton of sugarcane processed has come down from an average of 36 KWH to 29 KWH leading to higher availability of exportable power.

3. ***We sell a major portion of our surplus power on merchant power sale basis.***

Our co-generation unit has an installed capacity of 36.4 MW which generates upto 29 MW of which 7 MW (approx.) is used for captive consumption. Out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Power Purchase Agreement (PPA) with Tata Power Trading Company Limited (TPTCL) and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM) under a long-term Power Purchase Agreement. The revenue generated for the F.Y. 2011 from sale of power on merchant sale basis to TPTCL was Rs. 5.30 per unit whereas the revenue generated for the same period was ₹ 3.10 per unit from sale to HESCOM under the PPA.

4. ***We have installed Distributed Control System (DCS) at our sugarcane milling and co-generation facilities for precision system management.***

The Distributed Control System (DCS) is a type of automated control system that is distributed throughout a machine to provide instructions to different parts of the machine. Instead of having a centrally located device controlling all machines each section of a machine has its own computer that controls the operation. DCS is commonly used in manufacturing equipment and utilizes input and output protocols to control the machine. The entire system of controllers is connected by networks for communication and monitoring. We have successfully installed the DCS which enables us to achieve reduced costs, reduced environmental effect, higher efficiency and reduced response time, reliability of equipment, ease of maintenance and conservation of energy.

5. ***Integrated operations and economies of scale.***

We have integrated operations enabling us to meet the time, cost efficiency and quality requirements. Our integrated sugar production facility crushes the sugarcane to extract sugarcane juice which is then further processed to produce sugar. After the sugarcane juice is extracted for further processing, the residual fibre i.e. Bagasse is utilized as fuel in the boilers to produce steam for running the turbines of our co-generation unit. The Molasses produced in the process of sugar production is used to further manufacture Ethanol and IMFL in our distillery. The electricity generated by the steam is used for captive consumption and surplus power is supplied to the grid for sale.

6. ***In-house availability of raw materials and power leads to reduction in cost of production and dependence on third parties.***

In the process of sugar production, by-products such as Molasses and Bagasse are produced which are used as raw materials to produce Ethanol/IMFL and generate power. In-house availability of these raw materials not only reduces our cost of production but also our dependence on third parties for supply of such raw materials. Due to availability of power from our co-generation unit, we are not dependent on any public or private supplier of electricity thereby ensuring uninterrupted supply of power for our integrated production facility.

7. ***Established presence of our IMFL products.***

The IMFL products of our Company i.e. whisky and rum are sold under the brand "Our Choice" in Karnataka. We launched the brand "Our Choice" in the year 2008 and in a short span of three (3) years our brand has established a preference with the consumers in North Karnataka for this brand. To further add to the sales of our IMFL products, in March 2009, we entered into an arrangement with M/s. S.V. Distilleries, Yelahanka, Bengaluru, a manufacturer of IMFL, to manufacture and sell our IMFL product in and around

Bengaluru and other parts of South Karnataka thereby covering most of the State of Karnataka. This arrangement along with sale of IMFL product from our Belgaum unit has lead to an increase in sale of our IMFL product from 2,56,100 Boxes in F.Y.2008-2009 to 4,49,400 Boxes in F.Y. 2010-2011. As on the date of this Draft Red Herring Prospectus, we are manufacturing and selling more than 1,00,000 Boxes a month of our IMFL products. While, IMFL contributes nearly 32% to the revenues of our Company, sale of our IMFL products through M/s. S.V. Distilleries in and around Bengaluru has doubled the sales volume of our Company.

8. ***Integrated sugar production facility leading to diversified business segments.***

Our integrated production facility has facilitated our presence in various business segments such as sugar, industrial spirits, IMFL and power generation. Our diversified but integrated business model provides necessary raw materials in-house for the above business segments products leading to reduced costs and control over the input material. Our efficiency and margins are enhanced due to the integrated nature of our businesses.

9. ***Experienced and qualified management and executives.***

As on November 30, 2011, our Company had 1,119 employees. Our team includes senior executives and managers, a majority of whom are having over 15-20 years experience in the engineering and sugar industry. We believe our management and executive team has the long-term vision to provide stability and continuity to our businesses. We also believe that the understanding and expertise of our management and executive team in sugar, distillery and power generation will enable all our business verticals to grow in a focused and constructive manner. As of November 30, 2011, more than 100 of our employees were technically qualified out of a total of 1,119 employees.

Key Business Strategies

Our business objective is to grow our revenues and profits. Our business strategy focuses on the following elements:

1. ***Increasing our revenues from sugar, power and distillery products in the State of Karnataka.***

We propose to increase the capacity of our sugar unit from the present 5500 TCD to 11000 TCD. We believe this increase in the sugarcane crushing capacity will enable us to become one of the largest sugarcane crushers in the State of Karnataka at a single location thereby leading to increase in revenues from all our business segments. Our Company also proposes to increase its co-generation licensed capacity from the existing 39 MW (installed capacity of 36.4 MW) to 69 MW. Pursuant to this increase in the capacity, we believe our Company shall become one of the largest power generating company from a single location in the State of Karnataka.

2. ***Sale of surplus power generated by the co-generation unit.***

We have installed a power generation unit with two boilers and two turbines. We utilize bagasse from the sugar unit as fuel in the boilers to generate steam for running the turbines which generate an aggregate power of approximately 29 MW. Our co-generation unit having an installed capacity of 36.4 MW generates upto 29 MW of which 7 MW is used for captive consumption. Out of the surplus of around 22 MW, 14 MW is sold on a merchant sale basis under a Short Term Open Access (STOA) arrangement under a Power Purchase Agreement (PPA) through Tata Power Trading Company Limited and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM). The proposed expansion of our integrated facility includes the installation of a new boiler with 150 TPH capacity of 110 kg/cm² pressure and a turbine 30 MW. These additional installations will enable our Company to increased capacity of 69MW which will generate around 58-59 MW of power during the sugar season. Our co-generation unit having an installed capacity of 36.4 MW presently generates upto 29 MW of which 7 MW is used for captive

consumption. Post expansion of our co-generation facility to 66.40 MW, 14 MW will be used for captive consumption, 7 MW will continue to be sold to HESCOM as per the executed PPA and surplus power of upto 37 MW will be available for sale on merchant sale basis under a STOA arrangement through TATA Power Trading Company Limited. The revenues from merchant power sale by our Company in FY 2011 has been ₹5.30 per unit whereas the revenues from sale of power on long term PPA basis to HESCOM was ₹3.10 per unit during the same period.

3. *The proposed expansion of the co-generation unit of our integrated production facility will lead to cost effective power generation.*

Our Company proposes to install a 150 TPH boiler with operating parameters of 110 kg/cm² pressure and temperature of 540 +/- 5C. This high pressure boiler is much more efficient than the existing 67 kg/cm² pressure boilers being operated by our Company. The proposed boiler will lead to lower consumption of fuel by more than 10% for steam generation as compared to the existing boilers. Over and above the fuel savings, the steam temperature from this boiler is higher than the existing boiler which will generate more power per ton of steam consumed in the turbine.

4. *Expansion of our distillery unit will enable higher production and sale of our IMFL products.*

Presently, our IMFL products sold by our Company under the brand "Our Choice" are available in almost the whole of the State of Karnataka. With the expansion of our distillery unit, we will be able to produce around 24,00,000 Boxes of IMFL products, subject to successful completion of our proposed expansion plans as compared to 4,49,400 Boxes in F.Y.2010-2011, aggregating to more than two hundred percent (200%) increase in sales of IMFL products *vis-à-vis* the present sales. With the increase in production capacity, our Company intends to sell and distribute the IMFL products under its own brands throughout the State of Karnataka initially and then explore and expand our reach to the State of Kerala, which is a larger market for IMFL products by itself.

5. *Increase the sale of IMFL products by entering into contract manufacturing arrangements with licensed manufacturers.*

Our existing business segments or revenue verticals include sugar, distillation (*alcoholic spirits, IMFL and ethanol*) and co-generation. Presently, IMFL contributes nearly 32% to the revenues of our Company. Our Company currently sells the whisky and rum under the brand "Our Choice". We intend to launch our brand "Your Choice" whisky catering to relatively upper segment of consumers in Karnataka. To further add to the sales of our IMFL products, in March 2009, we entered into an arrangement with M/s. S.V. Distilleries, Yelahanka, Bengaluru, a licensed manufacturer of IMFL, to manufacture and sell our IMFL products in and around Bengaluru. This arrangement along with sale of IMFL products from our Belgaum facility has lead to an increase in sale of our IMFL products from 2,56,100 Boxes in F.Y.2008-2009 to 4,49,400 Boxes in F.Y. 2010-2011. While, IMFL contributes nearly 32% to the revenues of our Company, sale of our IMFL products through M/s. S.V. Distilleries in and around Bengaluru has doubled the sales volume of our Company. While, we cater to most parts of the State of Karnataka, the increase in the capacity of our distillery will enable us to cater to the remaining parts of Karnataka and expanding our reach to the neighbouring states.

Production Facilities

Location	Licensed Capacity
<i>Existing Facilities at Village – Ballad – Bagewadi Taluka – Hukkeri Dist. – Belgaum (Karnataka),</i>	
Sugar Unit:	5500 TCD
Distillation Unit:	35 KLPD
Power Generation Unit:	39 MW

Installed capacity at our production facilities

The table sets out below the installed capacities and the level of production for the years ended March 31, 2009 and 2010:

Particulars	Unit	March 31, 2009			March 31, 2010		
		Installed Capacity	Production Quantity	Capacity Utilisation (%)	Installed Capacity	Production Quantity	Capacity Utilisation (%)
Rectified Spirit	KLPD	35	20.31	58.04	35	13.87	39.51
IMFL	Boxes Per Day	2500	828	33.14	2500	1315	52.60
Ethanol	KLPD	25	--	--	25	--	--
Power	MW	14	13.98	99.85	36.4	16.11	44.28
Sugar	MT	2500	1949.61	77.98	5500	2984	54.25

The table sets out below the installed capacities and the level of production for the years ended March 31, 2011, 2012 and 2013:

Particulars	Unit	March 31, 2011		
		Installed Capacity	Production Quantity	Capacity Utilisation (%)
Rectified Spirit	KLPD	35	26.44	75.54
IMFL	Boxes Per Day	2500	1448	59.52
Ethanol	KLPD	25	3.36	13.46
Power	MW	36.4	19.72	54.17
Sugar	MT	5500	3747	68.13

Particulars	Unit	March 31, 2012			March 31, 2013		
		Installed Capacity	Production Quantity	Capacity Utilisation	Installed Capacity	Production Quantity	Capacity Utilisation
Rectified Spirit	KLPD	35	30	85.71	35	31.50	90.00
IMFL	Boxes Per Day	2500	2205	88.20	2500	2340	93.60
Ethanol	KLPD	25	15	60.00	25	15.00	60.00
Power	MW	36.4	26.04	71.54	36.4	28.80	77.26
Sugar	MT	5500	5062.5	92.04	5500	5450	99.00

Particulars	Unit	For the F.Y. 2014, 2015 and 2016	March 31, 2014		March 31, 2015		March 31, 2016	
			Production Quantity	Capacity Utilisation (%)	Production Quantity	Capacity Utilisation (%)	Production Quantity	Capacity Utilisation (%)
Rectified	KLP	100	68	68	71.40	71.40	76.50	76.50

Particulars		For the F.Y. 2014, 2015 and 2016	March 31, 2014		March 31, 2015		March 31, 2016	
	Unit	Installed Capacity	Production Quantity	Capacity Utilisation (%)	Production Quantity	Capacity Utilisation (%)	Production Quantity	Capacity Utilisation (%)
Spirit	D							
IMFL	Boxes Per Day	5000	4400	88	4620	92.40	4950	99.00
Ethanol	KLP D	25	22.50	90	22.50	90.00	22.50	90.00
Power	MW	66.40	48	72.28	50.40	75.90	54	81.32
Sugar	MT	11000	8800	80	9240	84.00	9900	90.00

Brief description of our Business Segments

I. Sugar

Production Capacity and Output:

Our Company is currently carrying on sugar production at its manufacturing facility located at Bellad Bagewadi. The sugarcane crushing capacity for the unit is 5500 TCD.

The following table shows our sugar production statistics for F.Y. 2008-2009, F.Y. 2009-2010 and F.Y. 2010-2011.

Key Operating Statistics for our Sugar Plant

Period	F.Y. 2008-2009	F.Y. 2009-2010	F.Y. 2010-2011
Sugar			
Capacity (TCD)	2500	5500	5500
Weighted Avg. Crushing Season Duration (Days)	130	162	163
Total sugar cane crushed (MT)	389922	596840	749037
Sugar produced	419450	597750	79037
Recovery (%)	10.76	10.01	10.65
Sugar Sales (MT)	292530	442093	646515

Technology:

Our Company uses modern technology which enables us to fully utilize the available resources to ensure maximum crushing capacity and thereby maximizes the production of sugar. We have installed DC drives for our production facility and have fully automated our milling tandem by installation of Distributed Control System (DCS). We have also installed Continuous Vacuum Pans, which consume less steam for boiling of sugar syrup and are therefore efficient.

Capacity Expansion:

We intend to increase our crushing capacity of our sugar mill from the existing 5500 TCD to 11000 TCD to be funded from the proceeds of the Issue. For further details, please refer to section titled "Objects of the Issue" beginning on page 70 of this Draft Red Herring Prospectus.

Raw Materials:

The main raw material for production of sugar is sugarcane. We do not own any land for cultivation of sugarcane and we purchase all of our sugarcane directly from over 14,000 independent farmers from within and outside our reserved area. Farmers growing sugarcane within the reserved forty nine (49) villages around our production facility, known as our reserved area, are required to sell the sugarcane to our Company and we in turn are under an obligation to purchase the sugarcane from these farmers. Further, as per the notification dated May 6, 1999 of the GoK every grower of sugarcane falling under the specified command area is required to supply atleast ninety five percent (95%) of the sugarcane grown to our Company. Also our Company has and will continue to maintain good relations with the sugarcane farmers of our command area which ensures uninterrupted supply of sugarcane to our factory during the season.

Facilitating Sugarcane Cultivation:

We have undertaken several initiatives to improve sugarcane acreage in our command area, and also on improving cane quality and hence recovery, and at the same time developed good relations with the farming community of the area.

Sugarcane development initiatives undertaken by us include conversion of other crop areas to sugarcane cultivation, by field-extension activities by providing quality seeds and agri-inputs to the new farmers in the command area. Commercial and Co-operative banks have been associated with us in our effort for such activities. Apart from this we have also been associated in helping farmer groups develop irrigation sources like check dams, percolation tanks, individual/group lift irrigation schemes, sump-wells as well as taking up land development to bring additional acreage under cultivation especially the land which is either barren or unsuitable for growing sugarcane in its present state.

We set out below the variety of sugarcane utilized by our Company for production of sugar:

No.	Variety	Sugar year September 2008- April 2009		Sugar year September 2009 – April 2010		Sugar year September 2010 – April 2011		Characteristics
		Quantity Crushed (MT)	%	Quantity Crushed (MT)	%	Quantity Crushed (MT)	%	
1.	CoC671	21,464.42		32,141.75		16,503.81		The Variety CoC671 is sugar rich, early maturing, high sucrose variety. Also very vigorous and quick growing and having good filed keeping quality
2.	CO8011	2,87,675.05		4,55,324.89		6,20,857.34		It is mid-late to late maturing variety, sparse/late flowering. Also it is a high fibre variety and good ratooning ability. Low sucrose content variety.
3.	Co86032	76,737.91		1,04,249.78		96,692.46		Co 86032 is a medium maturing variety. Its ratooning

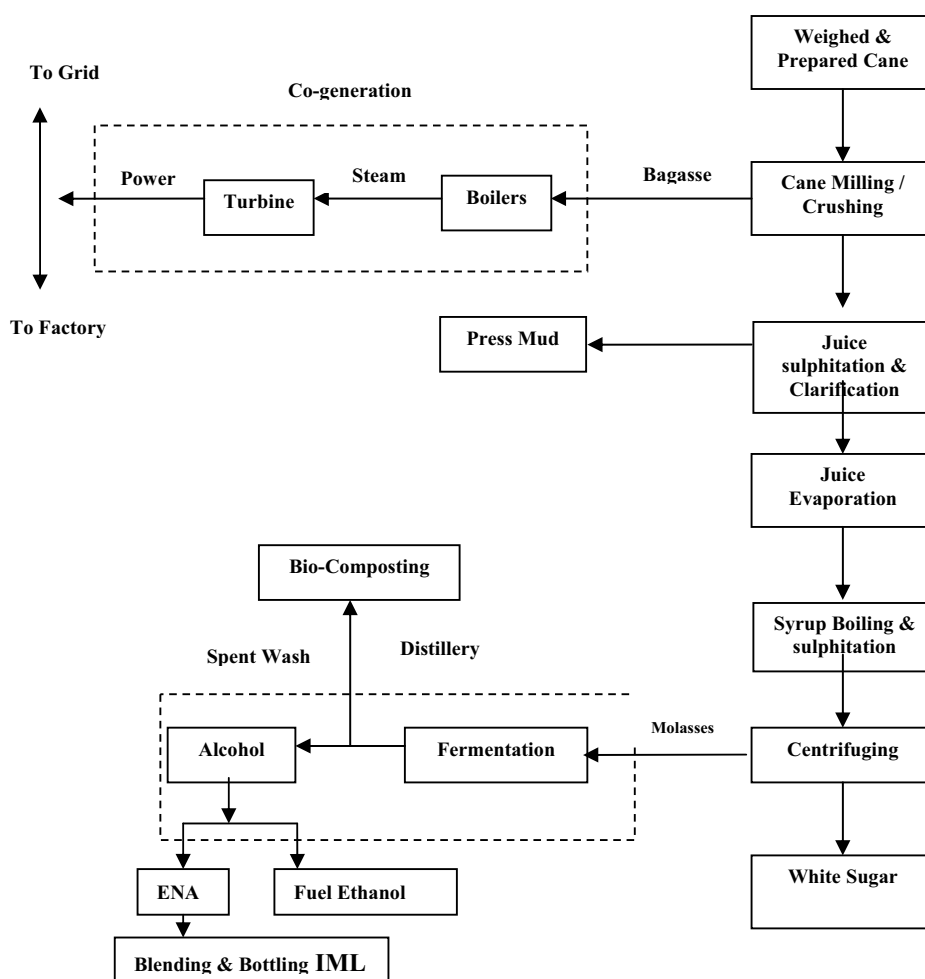
No.	Variety	Sugar year September 2008- April 2009		Sugar year September 2009 – April 2010		Sugar year September 2010 – April 2011		Characteristics
		Quantity Crushed (MT)	%	Quantity Crushed (MT)	%	Quantity Crushed (MT)	%	
								ability is excellent.
4.	Others	3,985.74		5,123.14		14,983.26		Miscellaneous
Total		3,89,863.11		5,96,839.56		7,49,036.87		

Sugar Production process:

Traditionally, sugar is produced from sugarcane, which is procured from the farmers of the sugarcane command area. However, sugarcane is a seasonal crop available only during a fixed period of the year i.e. from September-April. This limits utilization of the machinery, especially the process house.

We set out below the flow chart enumerating the sugar production and allied products (electricity, ethanol and bio-fertilizers) process:

Sugar Manufacturing Process



We set out below in detail the sugar production process:

❖ Juice Extraction:

Harvested sugarcane is transported to the factory, weighed and prepared for crushing. The cane is prepared to expose the sugar cells, for effective extraction of juice. Prepared cane is then crushed in a series of mills and juice is extracted. Bagasse, which is the fibrous residue, is used as fuel in the cogeneration plant.

❖ Juice Treatment and Evaporation:

Juice from the mills is screened and heated in various heat exchangers. The juice is then treated with Milk of Lime, which reacts with the impurities in juice. Sulphitation of the juice is done by passing SO₂ gas

through the juice. The treated juice is further heated and let into a clarifier where the impurities settle at the bottom and clear juice floats up and is decanted. Water from the clear juice is evaporated in a series of evaporators. Steam from the cogeneration power plant is used as heating media for the evaporation. Condensate from the evaporators is recycled back to the boilers where it is again converted into steam.

❖ Crystallization:

Concentrated juice (syrup) after evaporation is further subjected to sulphitation and thereafter vacuum boiling in pans is done for complete exhaustion. Once the crystals are formed in the pan, a mixture of molasses and sugar crystals known as massecuite is formed. The process of crystallization starts taking place in the pans and is completed in the crystallizers. The Massecuite is then centrifuged in centrifugal machines to separate sugar and molasses. Molasses, another by-product, is sent to the distillery for alcohol production.

❖ Sugar Drying and Grading:

Sugar from the centrifugal separators is conveyed to a rotary drier. The lumps and very fine powder are separated in the sugar grader. The segregation is done by vibratory process and different grades of sugar are collected in different silos.

The sugar from the silos are packed in bags of 50/100 Kgs by auto weighing and bagging machines and conveyed to the godowns by belt conveyors, where they are stored and thereafter sold as per the allocation made by the Government.

❖ Sugarcane pricing and payments track record:

Under the Sugarcane (Control) Order 1966, the Government used to fix the Statutory Minimum Price (SMP) for sugarcane every year that had to be paid by sugar mills to the sugarcane farmers, based on the recommendations of the Commission on Agricultural Costs & Prices. The SMP was fixed for a given base level of recovery. However, from the Sugar Year commencing from October 2009 the Government has moved from the SMP regime to Fair and Remunerative Price (FRP) mechanism. For further details on the same, please refer to the Section titled "Industry Overview" beginning on page 97 of this Draft Red Herring Prospectus.

As per the SMP mechanism the farmer supplying sugarcane to the factory was also entitled to profit sharing with the sugar factory, over and above the SMP. In the FRP system the sugar factory has to make the payment as per the price stipulated by the Government and this price, so fixed, also has a component of profit, to be given by the sugar factory to the farmer, inbuilt in it. The payments to the farmers are made on a fortnightly basis and within fifteen (15) days of receipt of sugarcane at our factory. The FRP price of sugarcane fixed by the government for the sugar year 2010-11 is ₹139.20 per quintal, (at Mill gate) against which we have paid a price of Rs 215.00 (Mill gate price) per quintal to the farmers. This shows that we have a very good mutually beneficial relationship with the sugarcane farmers of our command area.

❖ Products:

We are one of the few fully integrated sugar companies, which have the capabilities to extract maximum value from sugarcane. Sugar is the primary product of sugarcane. However, sugarcane processing yields by-products like Bagasse and molasses that are used in facilities for the generation of power and production of Potable Ethanol and Fuel Ethanol. The potable ethanol (Extra Neutral Alcohol) is blended to make Indian made Foreign Liquor (IMFL).

❖ Sugar pricing:

The Central Government regulates the purchase price of sugarcane and fixes the Fair and Remunerative Price (FRP), being the minimum price of sugarcane that the sugar producers must pay to the sugarcane growers within a specified time. The Sugar Directorate functioning under the auspices of the Central Government also has the power to fix the quantity and quality of sugar which may be produced in a factory during any year. The sale of sugar is regulated as per the Sugar Control Order, 1966. Ten percent (10%) of the sugar produced is sold through fair price shops and the public distribution system at government notified price, which at times may be below the cost of commercial production and is known as "Levy Sugar". The percentage of "levy sugar" may vary depending upon the aggregate production of sugar during the year throughout the country. The Central Government fixes the Monthly Release Mechanism (MRM) which determines the amount of sugar that each factory may release every month. Further, the balance ninety percent (90%) of the sugar produced by our Company may reach the free market for sale and is termed as "Free Sale Sugar" which is again regulated under the MRM.

❖ Customers:

Sugar sale is controlled by the Government of India through the Sugar Directorate. The Sugar Directorate controls the sale of sugar by factories by issuing orders every month specifying the quantity of sugar that should be released for sale in the open market known as the "Free Sale" quantity entitlement of the factory. Our Company has to sell the allotted "Free Sale" quantity during the month of the order only failing which the balance unsold quantity gets converted into "Levy Sugar" which is sold to the government at a fixed price for the Public Distribution System (PDS). Of the total sugar produced by a factory ten percent (10%) is earmarked for the purpose of "Levy Sugar" which is sold as and when the release orders are issued by the Sugar Directorate. We sell our "Free Sale" sugar primarily through wholesalers. All the sugar sold by our Company is on an ex-factory basis and against advance payment.

❖ Competition:

We primarily face competition from other sugar mills located in north-west Karnataka and south-west Maharashtra.

❖ Exports:

The present policy of the Government is to limit the export of sugar to the quantity allocated by it. There has been a release of 1 Million Ton by the Government for exports under Open General License (OGL) to all the sugar factories in the country. Our share in this quantity is only 31,000 QTLS. This quantity is exported by our Company through export agencies. We do not have any export obligation as such for the sugar produced by us.

II. **Co-generation**

Bagasse is the dry, fibrous residue remaining after the extraction of juice from the crushed stalks of sugarcane, which is used as a fuel for boilers to generate steam which is used in production of sugar and for power generation.

Production capacity and output:

We have an installed capacity of 36.4 MW co-generation plant at our production facility. We use Bagasse as a fuel in our boilers to generate steam, which is used to produce electricity. Our co-generation unit having an installed capacity of 36.4 MW generates upto 29 MW of which 7 MW is used for captive consumption. Out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Power Purchase Agreement through Tata Power Trading Company Limited and the balance is presently being sold

to Hubli Electricity Supply Company (HESCOM). The State Electricity Regulatory Commission permitted third party sale to our Company by its interim order dated July 13, 2006 which made our Company the first company in the country to be granted permission for such arrangement.

Key Operating Statistics for our Co-Generation Plant

	F.Y.2008-2009	F.Y.2009-2010	F.Y.2010-2011
Co-generation			
Power Generated (Units)	5,79,63,100	7,73,69,700	9,46,53,400
Import and DG set (Units)	5,75,250	2,65,46,700	3,04,69,900
Power Consumption (Units)	1,78,80,850	2,65,46,700	3,04,69,900
Power Export (Units)	4,06,57,500	5,19,30,750	6,55,05,000

Technology:

The technology adopted in co-generation is the Combined Heat and Power cycle, wherein heat and electrical energy is derived from a common source, in our case Bagasse. Bagasse from the mills is used as fuel in the boilers to generate steam. This steam is injected into turbines to generate power, which meets the power requirement of the sugar plant and the surplus power is fed to the electricity grid. Both our boilers are also equipped to burn coal. This also enables us to produce power during off-seasons. Steam leaving the turbines has certain amount of energy, which is utilized in the sugar plant for juice & syrup boiling. The boilers and turbines of our co-generation plant are equipped with Distributed Control System (DCS). One (1) boiler is installed with Electro Static Precipitator (ESP) and the other boiler has Venturi Wet Scrubber as the air pollution control equipment in order to keep the emissions from the boiler within the prescribed norms of the Pollution Control Board.

Sale of Electricity:

Our Company has entered in to Power Purchase Agreement (PPA) dated July 26, 2001 with Karnataka Power Transmission Corporation Limited ("**KPTCL**") for the sale of 7.8MW power from the first unit of our co-generation plant. Our Company has also entered into a Supplemental Agreement dated June 9, 2005 with KPTCL for revision of rates and charges which has been approved by the Karnataka Electricity Regulatory Commission. The aforementioned PPA is valid for a period of twenty (20) years from the Scheduled Date of Completion (*as defined under the PPA*) which can be renewed for a further period of ten (10) years on mutually agreed terms and conditions. Subsequently, in the year 2005, the PPA was assigned to Hubli Electricity Supply Company Limited ("**HESCOM**") by KPTCL.

Our Company has also entered into a PPA with Tata Power Trading Company Limited (TPTCL) for the sale of 14MW power from the second unit of our co-generation plant. We have sold 65.505 million units of power to both HESCOM and TPTCL in F.Y.2010-2011 at an average rate of ₹5.24 per unit. The total revenues from sale of electricity in the year F.Y.2011-2011 were ₹3,432 lakhs (₹461.90 lakhs from HESCOM & ₹2970.10 lakhs from TPTCL).

Co-generation process:

In the processing of sugarcane, Bagasse, a fibrous by-product is produced which is used in the boilers to generate steam. Excess Bagasse from the mills is conveyed to the storage yard by conveyors. This bagasse stored in the yard is used on two occasions, first whenever there is any stoppage in the crushing and second during off season. Steam which is produced by burning Bagasse is subsequently fed to steam turbines where it expands and rotates the turbine rotor at high speed, which in turn rotates the alternator to generate power. This power is used to meet the power requirements to operate the plant and the excess power generated is fed to the grid after upgrading it to 110 KV. The exhaust steam from the turbine, which is at a very low-pressure of 1.5 kg/cm², is used for boiling in the sugar process.

III. Distillery Unit

❖ Rectified Spirit

Molasses is the brown coloured residue which remains after sugar has been extracted from the juice. Molasses retain some amount of sugar, but this sugar cannot be extracted by usual technology used for sugar production. It is used as an input in distilleries where the sugar present in the molasses is fermented into ethyl alcohol by yeast. This ethyl alcohol is extracted from the residue mixture using fractional distillation process

Production Capacity and Output:

The current capacity of our distillery is 35 KLPD which we propose to increase to 100 KLPD from the proceeds of the Issue. We focus on adding maximum value to our Ethanol by converting it to Fuel Ethanol as well as Potable Ethanol and blending and bottling the potable ethanol into IMFL.

Key Operating Statistics for our Distillery Plant

Particulars	F.Y. 2008-2009	F.Y. 2009-2010	F.Y. 2010-2011
Rectified Spirit (RS) Production (Kilo Litres)	54,84,849.10	37,34,825.50	71,37,608.90
RS Sale	30,97,000.0	0.0	28,60,000.0
Neutral Spirit (NS) Production (Kilo Litres)	10,41,268.5	37,12,732.3	35,91,078.50
NS Captive Sale	9,96,000.0	15,93,000.0	17,69,000
NS(SVD) Sale	1,00,000.0	20,31,000.0	16,10,000
Ethanol Production (Kilo Litres)	0.0	0.0	9,08,633.70
Ethanol Sale	0.0	0.0	8,95,000
IMFL Production in Boxes	2,48,543	3,94,530	4,46,400
Sale in Boxes	2,56,100	3,95,800	4,46,400

Raw Materials:

The main raw material for production of Ethanol is molasses, which is a by-product of sugar production process. Our sugar factory molasses is enough to meet the requirements of our distillery for Ethanol production, and at times some molasses is sold outside. The proposed expansion of the Ethanol production will ensure that the molasses from the sugar factory is consumed captively in the distillery.

Products:

Ethanol produced after fermentation and distillation of Molasses can be further purified into Fuel Ethanol, by removing the water content, and the purified ethanol contains a minimum 99.6% ethyl alcohol that is used for blending with petrol. The Ethanol is also redistilled to remove the impurities present in it to manufacture Extra Neutral Alcohol (ENA) for potable purposes and further blended and bottled to be marketed as IMFL products. Ethanol is also denatured and can be used for industrial use.

Customers:

We supply this Ethanol through Karnataka State Beverages Corporation Limited (KSBCL), who are the sole distributors for all alcoholic products in the State of Karnataka for blending with motor spirit/petrol to oil marketing companies such as Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited

and Hindustan Petroleum Corporation Limited. We have entered into an arrangement in the year 2010 with these companies for supply of approximately 4,200 KLs of Ethanol per annum.

Competition:

Fuel ethanol is sold to Oil Marketing Companies as per the rate fixed by Government. We face competition from all distilleries, which manufacture fuel ethanol and participate in the supply procedure. We also face competition from other distilleries in our Ethanol sales for industrial uses. We face competition in IMFL market from all the bottling units across the State and even outside the State of Karnataka.

❖ **Spirit Production Process**

Fermentation:

Molasses containing 48% to 50% fermentable sugars from the sugar plant is diluted with water in the ratio of 1:3. During the fermentation, yeast strains of the species *saccharomyces cerevisiae*, a living micro-organism belonging to class fungi converts sugar present in the Molasses, such as sucrose or glucose to Ethanol. Normally one (1) ton of Molasses containing 50% fermentable sugars give an alcoholic yield of 250 litres. Optimum parameters like pH and temperature control and substrate concentration are required for fermentation.

Distillation:

The fermented wash is pre-heated and pumped to the top of analyzer column. Steam or vapors are induced at the bottom of the analyzer column, which strip the Ethanol from the fermented wash. The vapors coming from analyzer column consist approximately 50% Ethanol and 50% water with impurities such as higher alcohols, aldehydes, acids, sulphur dioxide, etc. Spent wash from the analyzer column bottom is sent for treatment to the Effluent Treatment Plant. The vapor draw from top of the analyzer is fed to pre-rectifier column for removal of low boiling impurities. The vapors coming out of the top of the pre-rectifier column are fed to the condenser. The condensed liquid is collected in the pre-rectifier reflux tank. Impure spirit draw is taken from the reflux and fed to the T.A. mixing bottle where it is mixed with the impure spirit coming from rectified cum exhaust and fusel oil column.

Ethanol water mixture from the pre-rectifier column bottom is fed to the rectifier cum exhaust column. This column serves to strip out Ethanol from liquid stream flowing down. Steam is supplied at the bottom of the column. The rectified spirit vapors coming out from top of the column are condensed in the analyzer reboiler. Balance Ethanol vapors are condensed in the analyzer vent condenser. The condensate from reboiler and vent condenser are collected in rectifier reflux tank. Condensed liquid is pumped back to the Rectifier cum exhaust column from the rectifier reflux tank by reflux pump. Impure spirit draw is taken to the T.A mixing bottle. The rectified spirit is drawn from upper tray of the Rectifier cum Exhaust column and sent to rectified spirit storage via rectified spirit cooler. High Fusel Oil and Low Fusel Oil are drawn from Rectifier cum Exhaust column at the required rate. These draws are taken to the fusel oil cooler and taken to the fusel oil column for further concentration. Spent lees coming out of the Rectifier cum Exhaust column bottom is used to pre-heat the feed to Rectifier cum Exhaust column in the rectifier feed pre-heater. A spent lee is drained to gutter in a controlled manner by the level in the Rectifier cum Exhaust column bottom. Fusel Oil Column basically is concentrating the fusel oil received from the rectifier column so as have effective separation of heavy fusel oils. Steam is supplied as a heat source to concentrate fusel oil.

The Ethanol both pure and impure is first led into separate receivers. The quantity of Ethanol produced is assessed daily in the receiver and it is finally transferred to respective storage vats in the warehouse. The spirit from storage vats will be issued for sale. There is strict control of State Excise Department on raw material used, Ethanol produced, issue of Ethanol and losses of Ethanol, during storage and transfer from one tank to other tank.

❖ **Extra Neutral Alcohol Production**

The Ethanol so produced contains impurities like Esters, Aldehyde and Ketones which need to be removed to make the ethanol potable. The Ethanol is re-distilled by diluting it with water to remove these impurities. After re-distillation, the product obtained does not contain the impurities and is odourless.

❖ **Fuel Ethanol Production Process**

Ethanol manufactured from the above process is 94.5% pure. The Fuel Ethanol is dehydrated Ethyl Alcohol which is 99.6% pure. The Ethanol cannot be distilled further to extract the water present in it; hence Azeotropic Distillation technology is adopted for this purpose, where a third liquid (in this case benzene) is added to suppress the boiling point of one liquid and thereby the concentration of Ethyl Alcohol in the vapors coming out of distillation column increases and is concentrated up to 99.6% or more.

❖ **IMFL Production**

ENA is used for manufacture of IMFL by our Company. To manufacture IMFL, ENA is mixed with demineralized water to form the base liquor which contains about 42% alcohol by volume. To this base liquor special spirits, flavours and coloring agents are blended and the blended mix is allowed to mature for at least seventy two (72) hours. After the approval of each batch (tank) the production is commenced by passing it through pressure filters to remove any impurities and then bottled, labeled and packed into cartons.

Human Resources and Employee Training

As of November 30, 2011, we had 1,119 full-time employees of which 111 are managerial, 158 supervisory, 288 are skilled and 562 are workmen/trainees/semi-skilled workmen. Most of our employees are from the areas in and around our factory premises at Bellad Bagewadi. We have not hired any contract labour as on November 30, 2011.

The average age of our senior management team and skilled employees is approximately 42 years.

Our employees are not currently unionized, and there have been no work disruptions, strikes or other employee unrest to date. Our Company believes that it has maintained good relations with its employees. We also sponsor our engineers, chemists, and other employees for various advanced courses in sugar engineering, sugar technology and alcohol technology at various institutes.

Marketing, Sales and Distribution Network

Sugar is an essential commodity falling within the purview of the Essential Commodities Act, 1955. Thus the production supply and distribution of sugar are regulated by the State and Central Government.

The Central Government regulates the purchase price of sugarcane and fixes the Fair and Remunerative Price (FRP), being the minimum price of sugarcane that the sugar producers must pay to the sugarcane growers within a specified time. The Sugar Directorate functioning under the auspices of the Central Government also has the power to fix the quantity and quality of sugar which may be produced in a factory during any year. The sale of sugar is regulated as per the Sugar Control Order, 1966. Ten percent (10%) of the sugar produced is sold through fair price shops and the public distribution system at governmental notified price, which at times may be below the cost of commercial production and is commercially known as "Levy Sugar". The percentage of "Levy Sugar" may vary depending upon the aggregate production of sugar during the year throughout the country. The Central Government fixes the Monthly Release Mechanism (MRM) which determines the amount of sugar that each factory may release every month. Further, the balance ninety percent (90%) of the produced by our Company may reach the free market for sale and is termed as "Free Sale Sugar" which is regulated under the MRM. The Free Sale Sugar prices are also

modulated to some extent by the Monthly Release Mechanism (MRM). Our Company cannot sell, neither commit to sell, any quantity of sugar without a valid release order.

Generally, IMFL products can be distributed by way of auctions, government canalized markets, licensed shops, etc.. However, in the State of Karnataka, the distribution of liquor is controlled only through government agency viz. Karnataka State Beverages Corporation Limited (KSBCL). We are dependent on the monthly orders placed by KSBCL for sale of our products in Karnataka. Since KSBCL is the sole wholesaler, it also has the ultimate say in deciding on the success of a brand into the State. These restrictions limit the free availability and marketability of our Company's products in outside states like Kerala, Andhra Pradesh also where the distribution of IMFL is regulated by Government agencies.

We also distill rectified spirit for manufacturing industrial Ethanol. We supply this Ethanol for blending with motor spirit/petrol to oil marketing companies such as Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited. We have entered into an arrangement in the year 2010 with these companies for supply of approximately 4,200 KLs of Ethanol per annum. The sale of Ethanol to these oil marketing companies is also routed through KSBCL. The sale of Rectified Spirit (RS) and Neutral Spirit (NS) is also channelized through the offices of KSBCL, which has a setup at the distillery premises of our Company.

Electricity is a unique commodity and as such it cannot be stored and has to be consumed the moment it is generated. Our co-generation unit having an installed capacity of 36.4 MW generates upto 29 MW of which 7 MW is used for captive consumption. Out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Power Purchase Agreement through Tata Power Trading Company Limited and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM).

Utilities & Infrastructure Facilities

❖ Power and Water

Our Company has installed 36.40 MW power plant. At present the generated power is captively utilized to the extent of 7 MW and balance is sold to Tata power and Karnataka State Electricity Board.

The Company has made necessary arrangement to ensure un-interrupted water supply. There is a confluence of two rivers namely Hiranyakeshi and Ghatprabha near the factory site. A reservoir called Dhupdal has been built on the said rivers to tap the water for the purposes of irrigation and industry. Our Company has laid a water line from the said reservoir to the site of our factory and necessary approvals from the Irrigation Department of the Government of Karnataka has been obtained by our Company for use of the water.

❖ Raw materials and Packing materials

Sugarcane is the basic raw material that is needed for running a sugar factory. Our factory is situated in the sugarcane producing belt in the Belgaum district of the State of Karnataka. The sugarcane produced in 49 villages within a radius of 15 kms from the site of our operations has been dedicated to the cane crushing operations of our Company. The Bagasse generated from the cane crushing operations is used as the raw material for producing power from our co-generation unit. The molasses formed out of the procedure of extracting sugar from sugarcane is used as a raw material for our distillery operations.

Sugarcane is the basic raw material for a sugar unit. The unit is situated in a sugarcane producing belt and therefore no problem is envisaged in procuring the same. It has further been understood that 49 villages have been dedicated for the plant for supplying sugarcane. Molasses generated in the process of producing sugar will become raw material for distillation unit. In power generation, there is no need of any raw material except steam which is generated in boiler by feeding bagasse and same is available in house.

❖ **Electricity**

Our co-generation unit generates 28-29 MW of which 7 MW (approx.) is used for captive consumption and out of the surplus of 22 MW, 14 MW is sold on a merchant sale basis under a Short Term Open Access (STOA) arrangement to Tata Power Trading Company Limited and the balance is presently being sold to Hubli Electricity Supply Company (HESCOM). Our Company was one of the first company's in India to obtain permission from the State Electricity Regulatory Commission (SERC) to sell power to third parties under the 'Open Access' arrangement allowed under the Electricity Act, 2003.

Quality Control

Our Company is primarily into the business of production of sugar, alcoholic spirits by distillation including ethanol, blending and bottling of Indian Made Foreign Liquor (IMFL) and generation of power. Production of these products requires our Company to adopt stringent quality control measures. To assess and facilitate compliance with applicable requirements, we regularly review our quality systems to determine their effectiveness and identify areas for improvement. Following quality measures are currently adopted by our Company in relation to production of sugar, IMFL products

❖ **Sugar Production:**

We assess the quality of sugarcane being used for production of sugar along with the quality of bagasse and the sugarcane juice extracted from these sugarcanes. We also monitor the juice clarification process and thereafter syrup and masscuite quality is checked. We have a well equipped laboratory which enables our Company to ensure, monitor and check all the parameters in the various stages of sugar production.

❖ **Spirit and IMFL:**

Our Company ensures that every batch of IMFL products produced is tested in-house and a sample of which is then sent to the Government laboratory, designated by Commissioner of State Excise. Our Company is then granted a certificate from the Commissioner of State Excise confirming whether the product is fit for human consumption after which we release these products for sale.

In order to obtain alcohol content above 99.60% and the water content is only in traces, our Company adheres to strict quality measures for blending with motor spirit (petrol). Our Company has all the facilities to maintain the quality standards and well equipped laboratory and manpower to check the same.

❖ **Co-generation:**

Our co-generation power unit operates boilers at high pressure where the quality of the boiler feed water is very stringent and has to be maintained strictly as per the norms of the boiler manufacturer. The water quality is constantly monitored in our in house co-generation plant laboratory where all testing facilities are available for this purpose and is under constant monitoring.

Environmental and Health Safety Policy

We have adopted safety monitoring procedures. Our Company conducts safety training on the induction of new employees, as well as periodic refresher training. We endeavor that our production facilities are in compliance with the health and safety standards of the jurisdictions in which we operate. In addition to the basic compliance requirements, our Company ensures that each of its facility is well equipped. We maintain a supply of standby equipment for critical items in the event a major piece of equipment becomes in-operational. All major equipment is backed with standby equipment.

Emission and Effluent Management

Our Company has installed effective treatment plants catering to the effluents of all the various operations of segment wise with adequate capacities to treat the effluent generated from the units as per the consent granted by Karnataka State Pollution Control Board (KSPCB). Spent wash, which is an effluent from distillery, is mixed with ash from the Bagasse boilers and press mud, which is discharged from sugar plant and is used to make organic compost. All liquid effluents are treated in effluent treatment plant, and the treated water is used for plantations within the plant premises. The ash from coal is sold to brick and cement manufacturers.

Competition

Our Company faces competition in the sugar segment from the sugar mills operating in North West Karnataka and South West Maharashtra. The competition is in the form of sugarcane purchase from outside the cane reserve area of our factory. Further, our sugar prices need to be competitive against the other neighbouring sugar factories at time of the sale of free sale sugar quota of the month. We do not face competition in the power sector in lieu of huge demand from the consumers. With regards to our distillery unit, our Company faces competition in relation to pricing our brands *vis-à-vis* the other IMFL manufacturers.

Insurance

Our Company's property, plant and machinery, furniture & fixtures, stocks are insured under standard fire & special perils cover. Our Company also maintains insurance. All insurance policies are tariff policies and the rates, terms and conditions and scope of coverage are determined by the Tariff Advisory Committee, a Government body. Our Company believes that its insurance coverage is adequate and consistent with industry standards. We generally maintain insurance covering our assets and operations at levels that we believe to be appropriate.

Our Properties


Our Immovable Properties:

Our immovable properties comprises of our registered office, production units and certain other premises. The details of the properties, both owned and leased, are set out herein below:

Place and Description of Property	Vendor/ Lessor	Date and Instrument/Document executed	Ownership / Term of the Lease & Area
<i>Registered Office and Production facilities of our Company</i>			
Bellad Bagewadi, Taluka Hukkeri, Bellad Bagewadi 591 305, Karnataka, India.	Karnataka Industrial Development Board	Award No. LAQ/SR/1609 dated December 30, 2000	Owned 132 acres 34 guntas
<i>Land of our Company</i>			
Consumer Diesel Pump Off Ghataprabha Chikkodi Road, Taluka Hukkeri, Belgaum 591 305, Karnataka	Mr. Prakash Shrishailappa Katti	Lease Deed dated August 16, 2006	Leased for a period of twenty (20) years with effect from August 16, 2006 2 Acres
Staff Housing Colony, Off Gokak Road, Taluka Hukkeri, Belgaum 591	Mr. Prakash Shrishailappa Katti	Lease Deed dated September 29, 2007	Leased for a period of twenty (20) years with effect from September

Place and Description of Property	Vendor/ Lessor	Date and Instrument/Document executed	Ownership / Term of the Lease & Area
305, Karnataka			29, 2007 5 Acres

Intellectual Property Rights

Our Company has made an application dated May 31, 2011 with the Trade Marks Registry under Class 30 and 33 for its logo  which is pending registration.

REGULATIONS AND POLICIES

The following description is a summary of the relevant regulations and policies as prescribed by the Government of India. The regulations set below are not exhaustive, and is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional legal advice. We set forth below are certain significant legislations and regulations which generally govern the sugar, distillery and power industry in India:

Regulations in relation to Sugar industry:

1. Essential Commodities Act, 1955

The Essential Commodities Act, 1955 (the "**Act**") provides for the control of the production, supply, sales, storage, distribution etc. in certain commodities. The terms 'food stuff' and 'food crop' have been identified as essential commodities under the Act. 'Sugarcane' being a 'food crop' and 'sugar' being 'food stuff' are covered under the class of essential commodities under the Act. Section 2 (e) of the Act defines 'sugar'. Section 3 of the Act empowers the Central Government to issue directions to control production, supply, distribution etc. of the 'essential commodity' produced by the manufacturer or stock holders, and also makes specific provision with regard to the amount payable for the levy sugar sold by the producer. The levy sugar price is fixed by the Central Government as per the provisions of Section 3 (3C) of the Act. Further, Section 3 (3-c) of the Act provides for fixing different prices from time to time for different areas or factories or for different kinds of sugar. The Central Government has also been empowered to direct that no producer, importer or exporter shall sell or otherwise dispose of or deliver any kind of sugar or remove from the bonded go down of the factory in which it is produced, except under and in accordance with the directions issued by the Government. Further, all kinds of sugar including plantation white sugar, raw sugar and refined sugar, whether indigenously produced or imported, fall within the scope of powers of the Central Government for directions in regard to, inter alia, stock, disposal or delivery.

2. Prevention of Food Adulteration Act, 1976

Usually under the Prevention of Food Adulteration Act, 1976, a license is required to be obtained from the Local Health Authority for the production and sale of sugar and Molasses.

3. Sugar Control Order, 1966

The Sugar Control Order authorizes the Central Government to regulate sales etc. of sugar produced or imported. According to Clause 4 of the Sugar Control Order, no producer shall sell or agree to sell or otherwise dispose of or deliver or agree to deliver any kind of sugar or remove any kind of sugar from the bonded go downs of the factory in which it is produced except in accordance with the directions issued in writing by the Central Government. Clause 5 of the Sugar Control Order empowers the Central Government to issue directions to producers or importers or recognized dealers regarding production, maintenance of stocks, storage, sale, grading, packing, marking, weighment, disposal, delivery and distribution of any kind of sugar. Further, the Sugar Control Order provides for powers for attachment, seizure and sale of attached sugar, regulation of quality of sugar and other administrative powers.

4. Sugarcane (Control) Order, 1966

Under the aforesaid Order, the Central Government is empowered to fix the minimum price of sugarcane to be paid by producers of the sugar for sugarcane purchased by them having regard to certain factors as mentioned in Clause 3 of the said Order. Further, a different price may be fixed for different areas or different qualities or varieties of sugarcane. Further, the Central Government or the State Government with the approval of the Central Government, may, subject to such conditions as specified in the Order, allow a suitable rebate in the price so fixed. The said Order also contains various provisions for regulating the

supply and distribution of sugarcane. The Central Government is empowered to direct the producers of the sugar to pay additional price for sugarcane in addition to the minimum sugarcane prices fixed in accordance with the provisions of the second schedule to the said Order. The Central Government is empowered to delegate certain powers conferred upon it by this Order subject to such restrictions, exceptions and conditions, if any, as the Central Government may think fit.

5. **Molasses Control Order, 1966**

The Molasses Control Order, 1961 includes various provisions for regulation of the storage, grading, sale and removal of Molasses. It empowers the Government to fix maximum prices of Molasses.

6. **Sugar (Packaging and Marketing) Order, 1970**

The Sugar (Packing and Marking) Order, 1970 requires sugar to be packaged in A-twill jute bags, unless specifically exempted by the Government, and details of the markings to be indicated on such bags. Bags containing 5 kg or less of sugar and which are destined for the export market do not need to be made of jute. Sugar (Packing and Marking) Order, 1970 was amended on April 19th, 2002. As per the new Order, sugar is to be bagged in 50 kgs. P. P. bags.

7. **Sugar Cess Act, 1982**

The Sugar Cess Act, 1982 (Sugar Cess Act) empowers the Government to levy a cess on sugar. Funds generated by the cess are used to promote the development of the domestic sugar industry by providing financial assistance for the rehabilitation and modernisation of sugar factories and to help expand sugarcane production and by making research grounds to encourage further development of the sugar industry. Net proceeds generated by the cess are credited to the sugar development fund described below. The Sugar Cess Rules, 1982 were promulgated under the Sugar Cess Act, 1982 and govern the accounting reports, accounts and other related returns to be furnished to the Government by sugar factories.

8. **Levy Sugar Supply (Control) Order, 1979 as amended by Levy Sugar (Control) Amendment Order, 2000**

The objective of this legislation is to empower the Government to issue directions to any producer or importer or recognised dealer to supply Levy Sugar to such persons or organisations in such areas or markets or to the State Government / Union Territory administration as the Government may specify. The Levy Sugar mechanism is regulated by this Order. Presently, 10% of the sugar production is reserved for supply as Levy Sugar for the public distribution system set up by the Government.

9. **Levy Sugar Price Equalization Fund Act, 1976, as amended in 1984**

The Levy Sugar Price Equalisation Fund Act, 1976 (LSPEF Act) provides for the establishment, in the public interest, of the LSPEF Act, which is designed to ensure that the price of Levy Sugar is uniform throughout India. The LSPEF is administered by the Government and is funded both by excess realisations made by producers and by Government loans or grants. Money unclaimed by recipients after six months from the date on which it is credited shall vest in the Government and shall be utilised to ensure that the retail price of Levy Sugar is uniform throughout the country. The LSPEF Act also empowers the Government to recover excess realisations made by sugar factories as "Arrears of Land Revenue". The LSPEF Act prescribes certain penal provisions, including imprisonment, fines or both, for defaulting sugar mills seeking credit for excess realisations. The Levy Sugar Price Equalisation Fund Rules, 1977 were promulgated under LSPEF Act and govern (i) how money is credited to the Fund (ii) the account of transactions relating to the Fund (iii) application from buyers for refund, (iv) utilisation of the Fund by the Government.

10. **Sugar Development Fund Act, 1982**

The Sugar Development Fund Act, 1982 (SDF Act) established the sugar development fund to promote the development of the sugar industry by providing low interest loans to rehabilitate and modernise sugar factories and to help expand sugarcane production and by making research grounds to encourage further development of the sugar industry. The Fund is also used to purchase excess sugar production to create a buffer stock to help stabilize the price of sugar. The Sugar Development Fund Rules, 1983 were promulgated pursuant to Section 9 of the SDF Act and govern (i) the terms and conditions of loans or grants made from fund sources, (ii) the manner and form in which applications are to be made, (iii) the composition of the committee and the procedure to be followed by it in the discharge of its functions and (iv) the form in which and the period within which statistical and other information may be furnished by sugar factories.

11. **Sugar Development Fund Rules, 1983**

The Sugar Development Fund Rules, 1983 was promulgated pursuant to Section 9 of the SDF Act and govern (i) the terms and conditions of loans or grants made from fund sources, (ii) the manner and form in which applications are to be made, (iii) the composition of the committee and the procedure to be followed by it in the discharge of its functions and (iv) the form in which and the period within which statistical and other information may be furnished by sugar factories.

12. **Sugar (Regulation of Production) Act, 1961**

The Sugar (Regulation of Production) Act, 1961 ("Sugar Act") empowers the Central Government to fix the quantity of sugar, which may be produced, in a factory during any year. The Act was meant to provide for the regulation of production of sugar in the interests of general public and for the levy and collection of a special excise duty on sugar produced by a factory in excess of the quota fixed for the purpose.

Regulations in relation to Co-generation:

1. **Electricity Act, 2003**

The Electricity Act, 2003 has been recently introduced with a view to rationalise electricity tariff, and to bring about transparent policies in the sector. The Act provides for private sector participation in generation, transmission and distribution of electricity, and provides for the corporatisation of the state electricity boards. The related Electricity Regulatory Commissions Act, 1998 has been enacted with a view to confer on these statutory Commissions the responsibility of regulating this sector.

2. **National Electricity Policy, 2005**

One of the objectives of the National Electricity Policy issued by the Government is to promote co-generation and generation from renewable sources of energy. Industries in which both process heat and electricity are needed are well suited for cogeneration of electricity. A significant potential for cogeneration exists in the country, particularly in the sugar industry. State Electricity Regulatory Commissions have been encouraged to promote arrangements between the co-generator and the concerned distribution licensee for purchase of surplus power from such plants. The policy also stipulates that cogeneration system also needs to be encouraged in the overall interest of energy efficiency and also grid stability.

Environmental Regulations:

1. **Hazardous Waste (Management and Handling) Rules, 1989**

The Hazardous Wastes (Management and Handling) Rules, 1989 provides for control and regulation of

hazardous wastes as defined under the Rules discharged by the operations of undertakings. Prior consent of the Pollution Control Board must be obtained for any new outlet or unit, likely to discharge sewage or effluent.

2. **Water (Prevention and Control of Pollution) Act, 1974**

The Water Act was enacted in 1974 in order to provide for the prevention and control of water pollution by factories and manufacturing industries and for maintaining or restoring the wholesomeness of water. In respect to an Industrial Undertaking it applies to the (i) Occupier (the owner and management of the undertaking) (ii) Outlet (iii) Pollution and (iv) Trade effluents. The Act requires that approvals be obtained from the corresponding Pollution Control Boards in the state.

3. **Air (Prevention and Control of Pollution) Act, 1981**

The Air (Prevention and Control of Pollution) Act 1981 has been enacted to provide for the prevention, control and abatement of air pollution. The statute was enacted with a view to protect the environment and surroundings from any adverse effects of the pollutants that may emanate from any factory or manufacturing operation or activity. It lays down the limits with regard to emissions and pollutants that are a direct result of any operation or activity. Periodic checks on the factories are mandated in the form of yearly approvals and consents from the corresponding Pollution Control Boards in the state.

4. **Environment Protection Act, 1986**

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

5. **Public Liability Insurance Act, 1991**

The Public Liability Insurance Act, 1991 (the "**Public Liability Act**") imposes liability on the owner or controller of hazardous substances for any damage arising out of an accident involving such hazardous substances. A list of hazardous substances covered by the legislation has been enumerated by the Government by way of a notification. The owner or handler is also required to take out an insurance policy insuring against liability under the legislation. The rules made under the Public Liability Act mandate that the employer has to contribute towards the environment relief fund, a sum equal to the premium paid on the insurance policies. The amount is payable to the insurer.

Industrial Laws:

1. **Factories Act, 1948**

The Factories Act, 1948 regulates occupational safety, health and welfare of workers of the industries, in which 10 or more workers are employed on any day of the preceding 12 months and are engaged in the manufacturing process being carried out with the aid of power. The ambit of the Factories Act includes provisions as to the approval of factory building plans before construction or extension, investigation of

complaints, maintenance of registers and the submission of yearly and half-yearly returns

2. **Indian Boilers Act, 1923**

The Indian Boilers Act, 1923 was enacted with the objective of ensuring the safety of public life and property by administering and enforcing the provisions of the Act with respect to steam boilers. As per the provisions of the Act, the Chief Inspector of Boilers or an Inspector appointed under the Act periodically reviews the administration of the regulations by (a) Approval of manufacturers, (b) Inspection of designs relating to boilers and inspection of boilers / boiler components manufacture, (c) approval of boiler repairers and boiler erectors, (d) authorization and inspection of boiler repairs and (e) certification of boiler operating engineers, boiler operators and welders.

3. **Standards of Weights and Measures Act, 1976 and Standards of Weights and Measures (Enforcement) Act, 1985**

The Standard of Weights and Measures Act, 1976 aims at introducing standards in relation to weights and measures used in trade and commerce, to provide better protection to consumers by ensuring accuracy in weights and measures and to regulate trade or commerce where goods are sold or distributed by weights, measures or numbers. Use of non-standard weights and measures is a criminal offence under the Weights and Measures Act. Although the Weights and Measures Act is a central legislation, it is enforced by the state governments under the Standard of Weights and Measures (Enforcement) Act, 1985 ("Weights and Measures Enforcement Act"). The Rajya Sabha has recently passed the Legal Metrology Bill, 2008 which seeks to repeal the Weights and Measures Act and the Weights and Measures Enforcement Act, to introduce a single comprehensive statute which would be enforced centrally, with delegation of certain powers and responsibilities to state governments for inter-state trade and commerce.

4. **Industries (Development and Regulation) Act, 1957**

The Industries (Development and Regulation) Act, 1951 (the "**IDRA**") was enacted to provide for the development and regulation of certain industries. The Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India ("**DIPP**") has, by issue of Press Note Number 12/1998 dated August 31, 1998, delicensed the sugar industry. Sugar industries, therefore, no longer come within the purview of compulsory licensing under the provisions of the IDRA. Entrepreneurs desirous of setting up sugar factories are only required to file an Industrial Entrepreneurs Memorandum ("**IEM**") in the prescribed form with the Secretariat of Industrial Assistance, Ministry of Commerce and Industry, Government of India ("**SIA**") as provided in Press Note dated August 2, 1991 issued by the SIA. To avoid unhealthy competition among sugar factories to procure sugarcane, the DIPP has provided that a minimum distance of 15 kilometres must be maintained between an existing sugar mill and a new mill.

5. **Industrial Disputes Act, 1947**

The Industrial Disputes Act, 1947 makes provisions for investigation and settlement of industrial disputes and for providing certain safeguards to the workers.

6. **Employees Provident Fund and Miscellaneous Provisions Act, 1952**

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 was introduced with the object to institute provident fund for the benefit of employees in factories and other establishments. It empowers the Central Government to frame the "Employee's Provident Fund Scheme", "Employee's Deposit linked Insurance Scheme" and the "Employees' Family Pension Scheme" for the establishment of provident funds under the EPFA for the employees. It also prescribes that contributions to the provident fund are to be made by the employer and the employee.

7. **Minimum Wages Act, 1948**

The Minimum Wages Act, 1948 came into force with an objective to provide for the fixation of a minimum wage payable by the employer to the employee. Every employer is mandated to pay the minimum wages to all employees engaged to do any work skilled, unskilled, and manual or clerical (including out-workers) in any employment listed in the schedule to this Act, in respect of which minimum rates of wages have been fixed or revised under the Act.

8. **Payment of Bonus Act, 1965**

The Payment of Bonus Act, 1965 was enacted with the objective of providing of payment of bonus to employees on the basis of profit or on the basis of productivity. This 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. 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 ₹ 100, whichever is higher.

9. **Payment of Gratuity Act, 1972**

The Payment of Gratuity Act, 1972 was enacted with the objective to regulate the payment of gratuity, to an employee who has rendered for his long and meritorious service, 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:

- i) On his/her superannuation; or
- ii) On his/her retirement or resignation; or
- iii) On his/her death or disablement due to accident or disease (in this case the minimum requirement of five years does not apply).

10. **Payment of Wages Act, 1936**

The Payment of Wages Act, 1936 applies to persons employed in factories and industrial or other establishments where the monthly wages payable are less than Rs 10,000. It requires the persons responsible for payment of wages to maintain certain registers and display of the abstracts of the rules made thereunder.

11. **Workmen's Compensation Act, 1923**

The Workmen's Compensation Act, 1923 has been enacted with the objective to provide for the payment by certain classes of employers to their workmen or their survivors, compensation for industrial accidents and occupational diseases resulting in death or disablement. In case the employer fails to pay compensation due under the Act within one month from the date it falls due the Commissioner may direct the employer to pay the compensation amount along with interest and may also impose a penalty.

12. **Employment (Standing Orders) Act, 1950**

The Industrial Employment (Standing Orders) Act, 1946 requires employers in industrial establishments, which employ 100 or more workmen to define with sufficient precision the conditions of employment of workmen employed and to make them known to such workmen. The Standing Orders Act requires every employer to which the Standing Orders Act applies to certify and register the draft standing order proposed by such employer in the prescribed manner. However until the draft standing orders are certified, the prescribed standing orders given in the Standing Orders Act must be followed.

Taxation Statutes:**1. State laws on Excise and Prohibition and Rules governing Alcohol**

The alcoholic beverages sector under the Constitution is a State subject and accordingly States and Union Territories frame their own policies/taxation regime. With a view to raising resources to meet the growing developmental needs, excise revenue is generated through duties and fees such as additional excise duty, license fee, sales tax, brand/label registration fee, import/export fee, vend fee, gallonage fee, turnover tax etc. Rates of such duties/fees vary widely from State to State.

2. Income Tax Act, 1961

The Income Tax Act, 1961 deals with the taxation of individuals, corporates, partnership firms and others. As per the provisions of this Act the rates at which they are required to pay tax is calculated on the income declared by them or assessed by the authorities, after availing the deductions and concessions accorded under the Act. The maintenance of Books of Accounts and relevant supporting documents and registers are mandatory under the Act. Filing of returns of Income is compulsory for all assesses.

3. Service Tax

Chapter V of the Finance Act 1994 (as amended), and Chapter V-A of the Finance Act, 2003 requires that where provision of certain listed services, whole taxable services exceeds ₹ 10,00,000, a service tax with respect to the same must be paid. Every person who is liable to pay service tax must register himself for the same.

4. Central Sales Tax

The main object of this Act is to formulate principles for determining (a) when a sale or purchase takes place in the course of trade or commerce (b) When a sale or purchase takes place outside a State (c) When a sale or purchase takes place in the course of imports into or export from India, to provide for levy, collection and distribution of taxes on sales of goods in the course of trade or commerce, to declare certain goods to be of special importance trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. CST Act imposes the tax on interstate sales and states the principles and restrictions as per the powers conferred by Constitution.

5. Value Added Tax

VAT is a system of multi-point levy on each of the purchases in the supply chain with the facility of set-off input tax on sales whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is a consumption tax applicable to all commercial activities involving the production and distribution of goods and the provisions of services, and each state that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register and obtain a registration number from Sales Tax Officer of the respective State.

6. Foreign Trade (Development and Regulation) Act, 1992

This statute seeks to increase foreign trade by regulating the imports and exports to and from India. This legislation read with the Indian Foreign Trade Policy provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for an importer exporter code number has to be made to the office of

the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

Foreign Investment Regime in India:

1. Regulation of Foreign Investment in India

Foreign investment in India is governed primarily by the provisions of the Foreign Exchange Management Act ("**FEMA**"), and the rules, regulations and notifications thereunder, as issued by the RBI from time to time, and the policy prescribed by the Department of Industrial Policy and Promotion, which provides for whether or not approval of the Foreign Investment Promotion Board ("**FIPB**") is required for activities to be carried out by foreigners in India. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("FEMA Regulations") to prohibit, restrict or regulate, transfer by or issue security to a person resident outside India. As laid down by the FEMA Regulations, no prior consents and approvals is required from the RBI, for FDI under the "automatic route" within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI. At present, FDI in the Indian manufacturing sector is permitted up to 100% through the "automatic route", which does not require prior approval of the GoI or the RBI.

2. Approvals from Local Authorities

Setting up of a Factory or Manufacturing/Housing unit entails the requisite Planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents from the state Pollution Control Board(s), the relevant state Electricity Board(s), the Central Excise Authorities, State Excise Authorities, Sales Tax, Factory Inspector etc. are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

HISTORY AND CERTAIN CORPORATE MATTERS

History and Background

Our Company was originally incorporated as a public limited company under the Companies Act, 1956 in the name of Vishwanath Sugars Limited at Bengaluru, Karnataka vide a Certificate of Incorporation dated May 2, 1995 now bearing CIN U85110KA1995PLC017730. Our Company was granted the Certificate of Commencement of Business by the RoC, Karnataka on December 21, 1999. The name of our Company was subsequently changed to Vishwanath Sugar and Steel Industries Limited and a Fresh Certificate of Incorporation dated December 28, 2010 was issued by the RoC, Karnataka.

The registered office of our Company is situated at Bellad Bagewadi, Taluka Hukkeri, Bellad Bagewadi 591 305, Karnataka, India.

Changes in registered office of our Company since inception:

We set out below the changes in registered office of our Company since inception which has been changed for administrative convenience of our Company.

Date of Shareholders resolution	From	To
On Incorporation	Vaccine Depot Road, Katti Building Tilakwadi, Belgaum 590 006 Karnataka, India	--
April 1, 2001	Vaccine Depot Road, Katti Building Tilakwadi, Belgaum 590 006 Karnataka, India	Bellad Bagewadi, Taluka Hukkeri Bellad Bagewadi, Karnataka 591 305, India

Key Milestones

Year	Events
1995	✓ Incorporation of our Company
1997	✓ Letter of Intent issued by Government of India (GoI) to set up a sugar unit at Bellad Bagewadi
1999	✓ Allotment of sugarcane command area for the proposed sugar unit by Govt. of Karnataka ✓ Grant of distillery license by Government of Karnataka (GoK)
2000	✓ Consent to establish sugar unit, distillery and co-generation power plant obtained from Karnataka State Pollution Control Board ✓ Land award of 132 acres 34 gunthas done by GoK for the purpose of setting up of sugar unit
2001	✓ Commercial operations of distillery unit commenced
2006	✓ Commercial operations of the sugar unit and co-generation unit commenced ✓ Power flow under 'Open Access Arrangement' commenced
2008	✓ Commercial operations of Indian Made Foreign Liquor (IMFL) unit of distillery commenced
2009	✓ Commercial operations of enhanced capacity of sugar unit and 2nd unit of co-generation power plant commenced ✓ Manufacturing of IMFL brands of our Company commenced at Yelahanka, Bengaluru

Main Objects

The main objects of our Company as contained in its Memorandum of Association are:

- To purchase, manufacture, produce, boil, prepare, brew, import, export, buy, sell and generally to deal in all varieties of sugar candy, jaggery, khandasari sugar, sugar beet, sugar cane, molasses, syrups, melada, alcohol, spirits and all products and by-products, thereof such as confectionery, glucose, bagasse boards,

paper, paper pulp, alcohol, acetone, carbon-dioxide, hydrogen, potash, cane wax, fertilizers, cattle feed and food products generally.

2. To plant, cultivate, produce and raise and/or get cultivated through others or purchase sugar cane, sorghum, sugar beet sago, palmyra juice and crops or raw materials used in the production of sugar and its products and by-products.
3. To buy, develop, erect, install, engage generators, turbines, apparatus and other equipments to generate electricity for the business of the company using coal, oils, water, any other substances, solar energy, wind energy, atomic energy or any other form of energy, and to buy, distribute and utilize electricity for the aforesaid business or otherwise.
4. To carry on the business of manufacture of, dealers in, exporters and importers of all varieties of steel, special steel and any other kind /grades of steel and to carry on and execute the work of steel engineers including manufacturing and dealing in steel billets, steel rods, steel ingots, steel sheets, steel wires and all kind of steel products whether forged, rolled or drawn and consequently to manufacture, sell and deal in all or any of the by-products which will be obtained in the process of manufacturing these steel products. To carry on the business of manufacturers fabricators and dealers of all types of steel, sheet and metal parts, pressure vessels, components, castings, machinery and in particular to undertake fabrication on contract or otherwise of sheet metal parts, pressure vessels, components, castings and machinery.
5. To carry on the business of miners, importers and exporters of and dealers in iron ores, chromium ores, magnesite ores, thorium, uranium, asbestos, nickel, copper, lead, tin, bauxite ores and all ferrous and non-ferrous ores of every description and grades whatsoever in any part of the world and to carry on the business of processing, cleaning, melting, forging, grading and machining to convert the ores into marketable metals.
6. To carry on any business relating to the mining and working of mineral, the production and working of metals and the production, manufacture and preparation of any other materials which may be usually or conveniently combined with the engineering or manufacturing business of the Company or any contracts undertaken by the Company and either for the purpose only of such contracts or as an independent business.
7. To carry on the business of crushing, whining, grating, quarrying, smelting, calcining, refining, dressing, cutting, polishing and preparing for market, ores, metals, mineral substances, of all kinds of metal and its allied products.

Amendments to the Memorandum of Association of our Company

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

Date of the Shareholder's resolution	Amendment
December 11, 2000	Increase in Authorised Share Capital from ₹50,00,000 to ₹10,00,00,000 divided into 1,00,000 Equity Shares of ₹1,000 each.
February 15, 2002	Increase in Authorised Share Capital from ₹10,00,00,000 to ₹20,00,00,000 divided into 2,00,000 Equity Shares of ₹1,000 each.
January 18, 2003	Increase in Authorised Share Capital from ₹20,00,00,000 to ₹30,00,00,000 divided into 3,00,000 Equity Shares of ₹1,000 each.
August 2, 2004	Increase in Authorised Share Capital from ₹30,00,00,000 to ₹35,00,00,000 divided into 3,50,000 Equity Shares of ₹1,000 each.
July 5, 2005	Increase in Authorised Share Capital from ₹50,00,000 to ₹10,00,00,000 divided into

Date of the Shareholder's resolution	Amendment
	1,00,000 Equity Shares of ₹1,000 each.
May 13, 2010	Increase in Authorised Share Capital from ₹35,00,00,000 to ₹50,00,00,000 divided into 5,00,00,000 Equity Shares of ₹10 each. At the Shareholders Meeting held on May 13, 2010 a resolution was passed for Sub-division of the face value of Equity Shares from ₹ 1,000 to ₹ 10.
October 19, 2010	<p>i) Change of name of our Company from Vishwanath Sugars Limited to Vishwanath Sugar and Steel Industries Limited; and</p> <p>ii) Change of object clause by addition of the following new objects pertaining to steel manufacturing and mining:</p> <p>4. <i>To carry on the business of manufacture of, dealers in, exporters and importers of all varieties of steel, special steel and any other kind /grades of steel and to carry on and execute the work of steel engineers including manufacturing and dealing in steel billets, steel rods, steel ingots, steel sheets, steel wires and all kind of steel products whether forged, rolled or drawn and consequently to manufacture, sell and deal in all or any of the by-products which will be obtained in the process of manufacturing these steel products. To carry on the business of manufacturers fabricators and dealers of all types of steel, sheet and metal parts, pressure vessels, components, castings, machinery and in particular to undertake fabrication on contract or otherwise of sheet metal parts, pressure vessels, components, castings and machinery.</i></p> <p>5. <i>To carry on the business of miners, importers and exporters of and dealers in iron ores, chromium ores, magnesite ores, thorium, uranium, asbestos, nickel, copper, lead, tin, bauxite ores and all ferrous and non-ferrous ores of every description and grades whatsoever in any part of the world and to carry on the business of processing, cleaning, melting, forging, grading and machining to convert the ores into marketable metals.</i></p> <p>6. <i>To carry on any business relating to the mining and working of mineral, the production and working of metals and the production, manufacture and preparation of any other materials which may be usually or conveniently combined with the engineering or manufacturing business of the Company or any contracts undertaken by the Company and either for the purpose only of such contracts or as an independent business.</i></p> <p>7. <i>To carry on the business of crushing, whining, grating, quarrying, smelting, calcining, refining, dressing, cutting, polishing and preparing for market, ores, metals, mineral substances, of all kinds of metal and its allied products.</i></p>
February 15, 2011	Increase in Authorised Share Capital from ₹50,00,00,000 to ₹60,00,00,000 divided into 6,00,00,000 Equity Shares of ₹10 each.

Capacity creation

For details of capacity enhancement, please refer to section titled "Our Business" beginning on page 70 of this Draft Red Herring Prospectus.

Changes in activities of our Company during the last five (5) years

Our Company has not changed its line of activities in the last five (5) years. Though our Company had plans to diversify into the steel sector by way of setting up a facility for manufacturing TMT Bars at the site of our existing sugar production facility, we have deferred our plans indefinitely in view of the Order of the Hon'ble Supreme Court of India restricting mining and transportation of ore in the State of Karnataka from where we were proposing to source our iron ore requirements.

Awards and Accreditations

Our Company has not received any awards and accreditations as on the date of this Draft Red Herring Prospectus.

Subsidiary of our Company

Our Company does not have any Subsidiary within the meaning of Section 4 of the Companies Act, as on the date of this Draft Red Herring Prospectus.

Capital raising (Debt / Equity)

Except as set out in the sections titled "Capital Structure" and "Financial Indebtedness" beginning on pages 49 and 223 respectively of this Draft Red Herring Prospectus, our Company has not raised any capital in the form of Equity Shares or debentures.

Shareholders of our Company

Our Company has 4,972 shareholders as on the date of this Draft Red Herring Prospectus.

Shareholders Agreements

Our Company has not entered into any Shareholder's Agreement as on the date of this Draft Red Herring Prospectus.

Other Agreements

Our Company has not entered into any other material agreements, other than disclosed in this Draft Red Herring Prospectus.

Strategic Partners

Our Company does not have any strategic partners as on the date of this Draft Red Herring Prospectus.

Financial Partners

Our Company does not have any financial partners as on the date of this Draft Red Herring Prospectus.

OUR MANAGEMENT

Board of Directors

As per our Articles of Association our Company shall not appoint less than three (3) and more than twelve (12) Directors. Currently, our Company has eight (8) Directors out of which four (4) are Independent Directors. We confirm that the composition of our Board of Directors complies with Clause 49 of the Listing Agreement.

The following table sets forth details regarding our Board of Directors as on the date of this Draft Red Herring Prospectus:

Name, Father's Name, Residential Address, Nature of Directorship, Occupation, Term and DIN	Nationality	Age	Other Directorships as on the date of this Draft Red Herring Prospectus
Mr. Umesh Vishwanath Katti S/o Mr. Vishwanath M. Katti <u>Residential Address:</u> 341, Town/Village: Bellad Bagewadi, Taluka: Hukkeri, Belgaum, 591 305, Karnataka, India. <u>Nature of Directorship:</u> Chairman and Non-Executive Director <u>Date of Re-Appointment:</u> July 10, 2008 <u>Term:</u> Not liable to retire by rotation <u>Occupation:</u> Agriculturist <u>DIN:</u> 01461050	Indian	51 years	1. Vishwaraj Infrastructure Private Limited 2. U. R. Agro-fresh Private Limited 3. Karnataka State Agricultural Produce Processing and Export Corporation Limited
Mr. Nikhil Umesh Katti S/o Mr. Umesh Vishwanath Katti <u>Residential Address:</u> No 828 Vaccine Depot Road, Tilakwadi, Belgaum 590 006, Karnataka, India. <u>Nature of Directorship:</u> Managing Director <u>Date of Re-Appointment:</u> April 1, 2011	Indian	28 years	1. Vishwaraj Infrastructure Private Limited 2. U. R. Agro-fresh Private Limited

Name, Father's Name, Residential Address, Nature of Directorship, Occupation, Term and DIN	Nationality	Age	Other Directorships as on the date of this Draft Red Herring Prospectus
<u>Term:</u> Five (5) years from April 1, 2011 <u>Occupation:</u> Industrialist <u>DIN:</u> 02505734			
Mr. Mukesh Kumar S/o Mr. Parasnath Sharma <u>Residential Address:</u> F-201, Mantri Paradise, Araker Gate, Bannerghatta Road, Bengaluru 560 076, Karnataka, India. <u>Nature of Directorship:</u> Executive Director <u>Date of Re-Appointment:</u> April 1, 2011 <u>Term:</u> Five (5) years from April 1, 2011 <u>Occupation:</u> Service <u>DIN:</u> 02827073	Indian	48 years	--
Mr. Mallikarjun K. Pujar S/o Mr. Kadayya S. Pujar <u>Residential Address:</u> 458, Bellad-Bagewadi, Hukkeri, Belgaum, 591 305, Karnataka, India. <u>Nature of Directorship:</u> Whole Time Director <u>Date of Re-Appointment:</u> April 1, 2011 <u>Term:</u> Five (5) years from April 1, 2011 <u>Occupation:</u> Service <u>DIN:</u> 00508939	Indian	49 years	--

Name, Father's Name, Residential Address, Nature of Directorship, Occupation, Term and DIN	Nationality	Age	Other Directorships as on the date of this Draft Red Herring Prospectus
Mr. Kiran Ganapatrao Kore S/o Mr. Ganapatrao B. Kore <u>Residential Address:</u> 1028 Ankali, Tal: Chikodi, Belgaum, 591 247, Karnataka, India. <u>Nature of Directorship:</u> Independent and Non-Executive Director <u>Date of Re-Appointment:</u> February 15, 2011 <u>Term:</u> Liable to retire by rotation <u>Occupation:</u> Business <u>DIN:</u> 01492643	Indian	50 years	--
Mr. Shrinivas Ranganath. Koujalgi S/o Mr. Ranganath Shyamacharya Koujalgi <u>Residential Address:</u> 307, 'Balaji Enclave', 5 th Main, ITI Layout, Katriguppe, Banashankari 3rd Stage, Bengaluru. 560085. <u>Nature of Directorship:</u> Independent and Non-Executive Director <u>Date of Appointment:</u> March 20, 2011 <u>Term:</u> Liable to retire by rotation <u>Occupation:</u> Retired Banker <u>DIN:</u> 03504808	Indian	61 years	--
Mr. Surendra Shantaveer Khot S/o Mr. Shantaveer Khot	Indian	66 years	--

Name, Father's Name, Residential Address, Nature of Directorship, Occupation, Term and DIN	Nationality	Age	Other Directorships as on the date of this Draft Red Herring Prospectus
<p>Mahalingappa</p> <p><u>Residential Address:</u> 116 Ramatirth Nagar, Belgaum (Kanbargi), Belgaum, Karnataka, India 590 015.</p> <p><u>Nature of Directorship:</u> Independent and Non-Executive Director</p> <p><u>Date of Appointment:</u> March 20, 2011</p> <p><u>Term:</u> Liable to retire by rotation</p> <p><u>Occupation:</u> Retired Banker</p> <p><u>DIN:</u> 03504813</p>			
<p>Mr. Jibu Cherian</p> <p>S/o Mr. Kurudamannil Chacko Cherian</p> <p><u>Residential Address:</u> B- 72 / 725 MIG Colony, Bandra (East), Mumbai, 400 051, Maharashtra, India.</p> <p><u>Nature of Directorship:</u> Independent and Non-Executive Director</p> <p><u>Date of Re-Appointment:</u> February 15, 2011</p> <p><u>Term:</u> Liable to retire by rotation</p> <p><u>Occupation:</u> Professional</p> <p><u>DIN:</u> 03433340</p>	Indian	54 years	--

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 or member of a senior management as on the date of this Draft Red Herring Prospectus.

Relationships between our Directors

None of the directors are related to each other except Mr. Nikhil Umesh Katti who is the son of Mr. Umesh Vishwanath Katti.

Brief Biographies of our Directors

1. **Mr. Umesh Vishwanath Katti**, aged 51 years, is the Promoter and Non-Executive Chairman of our Company. Mr. Katti has done his Pre-University Course from K. L. E. Society's Lingaraj College, Belgaum. He has nearly thirty (30) years of experience in the sugar industry. Mr. Katti has been elected as an M.L.A. of the Karnataka Legislature six (6) times from Hukkeri. He was a Cabinet Minister in the Government of Karnataka between 1996-1999 holding the portfolio of the Sugar Ministry as well as Public Works. He had held various positions in the Government of Karnataka over the years being Minister in Charge of Belgaum District, Minister in charge of Prisons, Horticulture Minister etc. Currently, he is holding the rank of a Cabinet Minister in charge of the Ministry of Agriculture. The expertise of Mr. Katti in the sugar industry as well as in agriculture helps in the formulation of the policies of our Company.
2. **Mr. Nikhil Umesh Katti**, aged 28 years, is a Promoter and the Managing Director of our Company. Mr. Katti holds a degree of business administration from Karnataka University, Dharwad as well as a degree of Masters in Business Administration (MBA) in International Marketing from the University of Wales. Mr. Katti got involved in managing our Company since 2009. He has experience in handling and managing the business especially the distillery unit of our Company. He is involved in the marketing of the products of our Company and is particularly interested in the positioning of our Indian Made Foreign Liquor (IMFL) and with its brand positioning and expansion.
3. **Mr. Mukesh Kumar**, aged 48 years, is the Executive Director of our Company. Mr. Kumar holds a degree of B.Sc (Engineering) from the Ranchi University. He has over twenty four (24) years of experience in various fields of manufacturing, marketing and administration. Before joining our Company, Mr. Kumar was associated with Bharat Petroleum Corporation Limited (BPCL) in the marketing and operations departments and also was in charge of the operations of a distillery of Ratlam Breweries Private Limited in the Bidar district of Karnataka. He has been associated with our Company since 2003 and had been instrumental in setting up of the sugar plant as well as the co-generation unit of our Company. Mr. Kumar looks after the day to day functioning of the sugar unit, the co-generation unit and the distillery unit.
4. **Mr. Mallikarjun K. Pujar**, aged 49 years, is a Whole Time Director of our Company. He holds a Certificate from the Department of Pre-University Education of the Government of Karnataka. He has over twenty (20) years of experience in the agricultural sector and had been especially involved with sugarcane production in the region of Bellad Bagewadi. He had been associated with our Company since its incorporation in 1995. He has been involved in the procurement of the basic raw material sugarcane which forms the core of the entire operations of our Company from the farmers and is also involved in the sugarcane crushing operations of our Company.
5. **Mr. Kiran Ganpatrao Kore**, aged 50 years, is an Independent and Non-Executive Director of our Company. Mr. Kore is holding a degree of Bachelor of Engineering from the Karnataka University. He has over twenty two (22) years of experience as a Mechanical Engineer and he is also a Class I Electrical Contractor for setting up of transmission towers and high tension lines along with electrical substations. He had been associated with our Company since 2009. He is instrumental in advising our Company in the power trading business of our Company.
6. **Mr. Shrinivas Ranganath Koujalgi**, aged 61 years, is an Independent and Non-Executive Director of our Company. Mr. Koujalgi is holding a degree of Bachelor of Sciences (BSC) from G.S.Sc College, Belgaum, and Master of Sciences (MSc, Physics) from Karnataka University, Dharwad. He is also a Certified Associate of Indian Institute of Bankers since 1986. He has over thirty seven (37) years of work experience

in the banking sector across multiple areas of Banking Services, with experience in Credit processing for medium and large scale industries, Vigilance, Branch Management, Banking rules and practices. He retired as a Deputy General Manager of the State Bank of India in 2010. He had been associated with our Company since 2011. He is also the head of the Audit Committee of our Company.

7. **Mr. Surendra Shantaveer Khot**, aged 66 years, is an Independent and Non-Executive Director of our Company. Mr. Khot is holding a degree of M.A. from the Karnatak University. He has over thirty seven (37) years of experience in the banking sector. He retired as a General Manager of the Belgaum District Central Co-operative Bank in 2003. He has been associated with our Company since 2011.
8. **Mr. Jibu Cherian**, aged 54 years, is an Independent and Non-Executive Director of our Company. Mr. Cherian holds the degree of B.Sc (Technology) from the University of Bombay as well as the degree of Master of Management Studies from the University of Bombay. He had been previously associated as a Partner in Summit Aviation and as Sales Officer and Installation Manager in Bharat Petroleum Corporation Limited. Currently, he is serving as a Vice President in Astrotech Aviation representing the multinational aviation companies in India and South East Asia. He has over twenty (20) years of experience in the field of finance and administration. Our Company will be benefited from his expertise in the field of finance.

Service Contracts

Our Company has not executed any service contracts with its directors providing for benefits upon termination of their employment.

Borrowing Powers of the Board

Our Articles, subject to the provisions of the Companies Act, authorize our Board to raise, borrow or secure the payment of any sum or sums of money for the purposes of our Company. Our shareholders have, pursuant to a resolution passed at the Extra-Ordinary General Meeting held on February 15, 2011, in accordance with the Companies Act, authorized our Board to borrow any sum or sums of money from time to time, notwithstanding that the money or moneys to be borrowed by our Company, apart from temporary loans obtained from our Company's bankers in the ordinary course of business, may exceed the aggregate of the paid-up capital of our Company and its free reserves i.e. to say reserves not set apart for any specific purposes, provided however that such monies shall not exceed ₹1,00,000 Lakhs.

Remuneration to Non-Executive Directors

Our Non-Executive Directors are not paid any sitting fees to attend the meetings of the Board and any committee of the Board.

Remuneration to Executive Director:

1. **Mr. Nikhil Umesh Katti**

Our Company has executed Employment Agreement dated May 23, 2011, enumerating the terms of his employment along with remuneration, details of which are set out below:

Particulars	Remuneration
Basic Salary	₹18 Lakhs per annum
Appointment as a Managing Director	Five years (5 years with effect from April 1, 2011)
Other Allowances	--
Remuneration paid for F.Y. 2011	₹12 Lakhs

2. **Mr. Mukesh Kumar**

Our Company has executed Employment Agreement dated May 23, 2011, enumerating the terms of his employment along with remuneration, details of which are set out below:

Particulars	Remuneration
Basic Salary	₹15 Lakhs per annum
Appointment as a Executive Director	Five years (5 years with effect from April 1, 2011)
Other Allowances	--
Remuneration paid for F.Y. 2011	₹6 Lakhs

3. **Mr. Mallikarjun K. Pujar**

Our Company has executed Employment Agreement dated May 23, 2011, enumerating the terms of his employment along with remuneration, details of which are set out below:

Particulars	Remuneration
Basic Salary	₹6 Lakhs per annum
Appointment as a Whole Time Director	Five years (5 years with effect from April 1, 2011)
Other Allowances	--
Remuneration paid for F.Y. 2011	--

Shareholding of Directors in our Company as on the date of this Draft Red Herring Prospectus

The shareholding of our Directors as on the date of filing of this Draft Red Herring Prospectus is as below:

Name of the Director	Number of Equity Shares held	Shareholding (%)
Mr. Nikhil Umesh Katti	20,40,925	5.91
Mr. Umesh Vishwanath Katti	14,02,475	4.06
Mr. Mallikarjun Kadayya Pujar	3,000	Negligible

Interests of Directors

All of our Directors may be deemed to be interested to the extent of fees payable, if any, to them for attending meetings of the Board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them under our Articles of Association, and to the extent of remuneration paid to them for services rendered as an officer or employee of our Company.

Further, our Executive Directors are also directors on the boards of certain Group entities and they may be deemed to be interested to the extent of transactions, if any entered into by our Company with these Group entities. For the payments that are made by our Company to certain Group entities, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

Our Directors may also be regarded as interested in the Equity Shares held by them, if any, or that may be subscribed by or allotted to their relatives or the companies in which they are interested as directors, members, partners, trustees and promoters, pursuant to this Issue.

Our Directors may also be deemed to be interested to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares. Except as stated in this section "Our Management" or the section titled "Financial Statements - Related Party Transactions" beginning on page 144 and 171 respectively of this Draft

Red Herring Prospectus, and except to the extent of shareholding in our Company, our Directors do not have any other interest in our business.

Our Directors have no interest in any property acquired by our Company within two (2) years of the date of this Draft Red Herring Prospectus.

Common directorships of our Directors in companies whose shares are/were suspended from trading on the BSE and/ or the NSE for a period beginning from five (5) years prior to the date of this Draft Red Herring Prospectus

None of our Directors are/ were directors of any company whose shares were suspended from trading by Stock Exchange(s) or under any order or directions issued by the stock exchange(s)/ SEBI/ other regulatory authority in the last five (5) years.

None of the Directors are associated with securities market.

Common directorships of our Directors in listed companies that have been/ were delisted from stock exchanges in India

None of our Directors are/ were directors of any entity, whose shares were delisted from any Stock Exchange(s) or which have been debarred from accessing the capital markets under any order or directions issued by the Stock Exchange(s), SEBI or anyother Regulatory Authority.

Changes in our Company's Board of Directors during the last three (3) years

The changes in the Board of Directors of our Company in the last three (3) years are as follows:

No.	Name of the Director & Designation	Date of Appointment	Date of Resignation	Reason
1.	Mr. Surendra Shantaveer Khot	March 20, 2011	--	Appointment
2.	Mr. Shrinivas Ranganath Koujalgi	March 20, 2011	--	Appointment
3.	Mr. Shankar Virupaxi Nesargi, Independent and Non-Executive Director	February 15, 2011	March 20, 2011	Resignation
4.	Mr. Prabhuling Navadgi, Independent and Non-Executive Director	February 15, 2011	March 20, 2011	Resignation
5.	Mr. Nikhil Umesh Katti, Director	April 1, 2011	--	Change in designation from Director to Managing Director
6.	Mr. Mallikarjun Pujar, Managing Director	April 1, 2011	--	Change in designation from Managing Director to Whole Time Director
7.	Mr. Mukesh Kumar, Whole Time Director	April 1, 2011	--	Appointed as Executive Director
8.	Mr. Lava Ramesh Katti, Non-Independent and Non-Executive Director	September 30, 2009	February 15, 2011	Resignation
9.	Mr. Kush Ramesh Katti,	September 30, 2009	February 15, 2011	Resignation

No.	Name of the Director & Designation	Date of Appointment	Date of Resignation	Reason
	Non-Independent and Non-Executive Director			
10.	Mr. Jibu Cherian, Independent and Non-Executive Director	February 15, 2011	--	Appointment
11.	Mr. Ramappa Bharamappa Khemalapure, Non-Independent and Non-Executive Director	September 30, 1996	February 15, 2011	Resignation
12.	Mr. Lava Ramesh Katti, Non-Independent and Non-Executive Director	September 30, 2009	--	Appointment
13.	Mr. Kush Ramesh Katti, Non-Independent and Non-Executive Director	September 30, 2009	--	Appointment
14.	Mr. Mukesh Kumar, Executive Director	September 30, 2009	--	Appointed as Executive Director
15.	Mr. Kiran Ganapatrao Kore, Independent and Non-Executive Director	September 30, 2009	--	Appointment
16.	Mr. Ashok Shekhar Utture, Non-Independent and Non-Executive Director	March 22, 2003	September 30, 2009	Resignation
17.	Mr. Prakash Shrishailappa Katti, Non-Independent and Non-Executive Director	March 22, 2003	September 30, 2009	Resignation
18.	Mr. Basavaraj Katti, Non-Independent and Non-Executive Director	September 30, 1996	September 30, 2009	Resignation
19.	Mr. Kadayya Shidalingayya Pujar, Independent and Non-Executive Director	March 22, 2003	September 30, 2009	Resignation
20.	Mr. Mukesh Kumar, Executive Director	September 30, 2009	--	Appointed as Whole Time Director

Corporate Governance

The provisions of the listing agreement to be entered into with BSE and NSE with respect to corporate governance and the SEBI (ICDR) Regulations in respect of corporate governance will be applicable to our Company immediately upon the listing of the Equity Shares on the Stock Exchanges. As of the date of this Draft Red Herring Prospectus, our Company has taken steps to comply with the provisions of Clause 49 of the Listing Agreements, including with respect to the composition of Board of Directors, the constitution of the Audit Committee, Remuneration Committee and Shareholders/Investors Grievance Committee.

The Chairman of our Board is an Non-Executive Director. The Board of Directors consists of eight (8) directors out of which one (1) is a Non-Executive Chairman, three (3) are Executive Directors and four (4) are Independent Directors.

In accordance with Clause 49 of the Listing Agreement, our Company has constituted/re-constituted the following committees:

1. Audit Committee;
2. Shareholder's/ Investor's Grievance Committee; and
3. Remuneration Committee

Audit Committee:

Our Company re-constituted the audit committee in accordance with the Section 292A of the Companies Act, and Clause 49 of the Listing Agreement in the meeting of our Board of Directors held on April 5, 2011. The audit committee presently consists of the following Directors of the Board:

- i) Mr. Shrinivas Ranganath Koujalgi, Chairman, Independent Director
- ii) Mr. Jibu Cherian, Member, Independent Director
- iii) Mr. Nikhil Umesh Katti, Member, Managing Director

Our Company Secretary, Mr. B.V. Saravana Kumar shall act as a secretary to the Audit Committee.

The scope of the Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (2AA) of section 217 of the Companies Act, 1956
 - b. Changes, if any, in accounting policies and practices and reasons for the same
 - c. Major accounting entries involving estimates based on the exercise of judgment by management
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with listing and other legal requirements relating to financial statements
 - f. Disclosure of any related party transactions
 - g. Qualifications in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval
- 5A. 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 utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
6. Reviewing, with the management, performance of statutory and internal auditors, and adequacy of the internal control systems.

7. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
8. Discussion with internal auditors any significant findings and follow up there on.
9. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
10. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
11. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
12. To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- 12A. Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate.
13. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

Explanation (i): The term "related party transactions" shall have the same meaning as contained in the Accounting Standard 18, Related Party Transactions, issued by The Institute of Chartered Accountants of India.

Explanation (ii): If the company has set up an audit committee pursuant to provision of the Companies Act, the said audit committee shall have such additional functions / features as is contained in this clause.

The Audit Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit reports relating to internal control weaknesses; and
5. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

Shareholders and Investors Grievance Committee:

Our Company has constituted shareholders and investors grievance committee in the meeting of our Board of Directors held on April 5, 2011. The shareholders/investors grievance committee presently consists of the following Directors of the Board:

- i) Mr. Jibu Cherian, Chairman, Independent Director

- ii) Mr. Kiran Ganapatrao Kore, Member, Independent Director
- iii) Mr. Shrinivas Ranganath Koujalgi, Member, Independent Director

Our Company Secretary shall act as secretary to the Shareholders and Investors Grievances Committee.

The scope of the Shareholders and Investors Grievance Committee are set out below:

1. To allot equity shares of our Company and to supervise and ensure;
 - a. Efficient transfer of shares including review of cases for refusal of transfer, transmission of shares and debentures;
 - b. Redressal of shareholder and investor complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends etc;
 - c. To consider, approve and issue of duplicate, split, consolidated share certificates;
 - d. Allotment and listing of shares;
 - e. Review of cases for refusal of transfer, transmission of shares and debentures to approve the request for transfer, transmission, etc. of shares;
 - f. To approve the dematerialization of shares and rematerialisation of shares, splitting and consolidation of equity shares and other securities issued by our Company;
 - g. Reference of statutory and regulatory authorities regarding investor grievances and to otherwise ensure proper and timely attendance and redressal of investor queries and grievances;
 - h. Ensure proper and timely attendance and redressal of investor queries and grievances;
 - i. To do all such acts, things or deeds as may be necessary or incidental to the exercise of the above powers;
 - j. Oversee the performance of Registrar and Transfer Agent; and
 - k. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by such committee.

Remuneration Committee:

Our Company has constituted remuneration/compensation committee in the meeting of our Board of Directors held on April 5, 2011. The Remuneration Committee presently consists of the following Directors of the Board:

- i) Mr. Surendra Shantaveer Khot, Chairman, Independent Director
- ii) Mr. Kiran Ganapatrao Kore, Member, Independent Director
- iii) Mr. Shrinivas Ranganath Koujalgi, Member, Independent Director

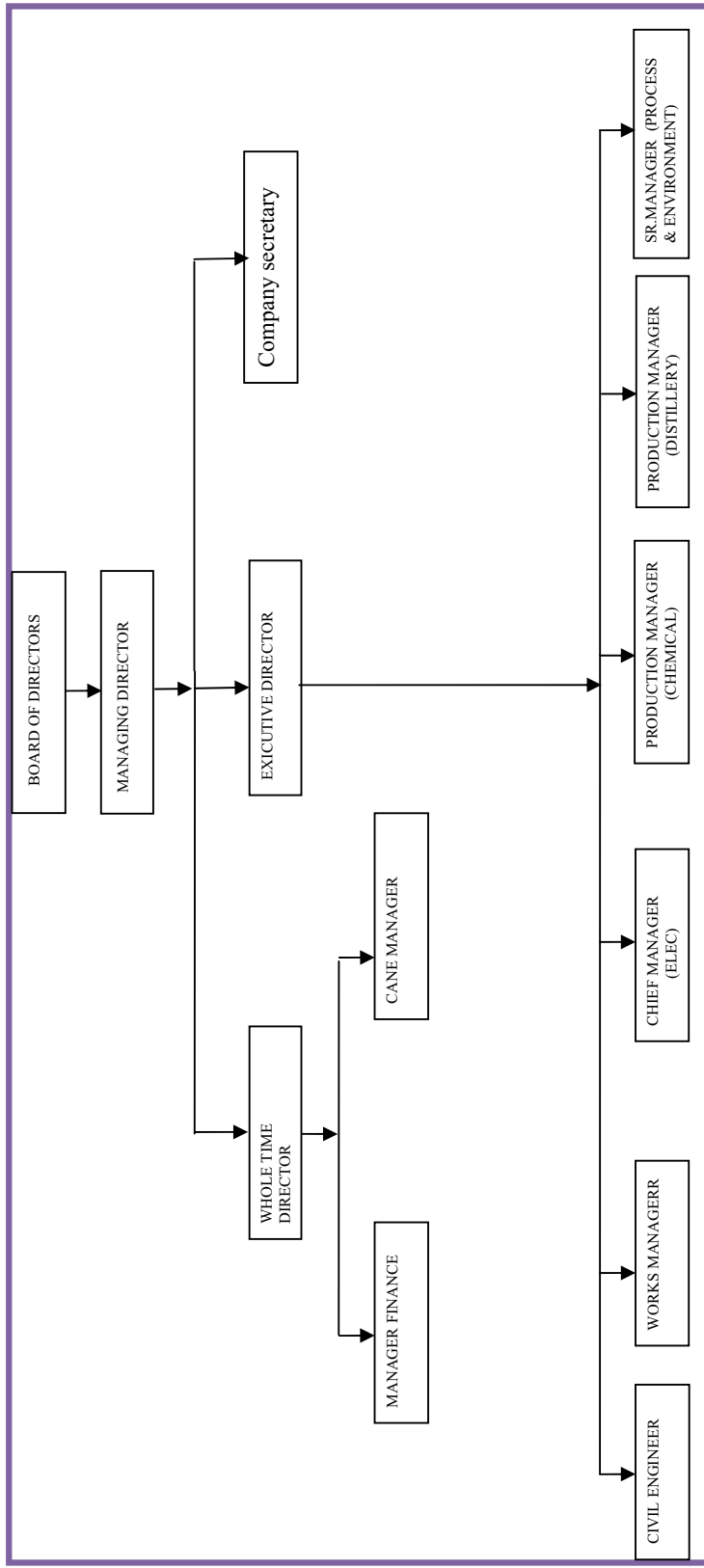
Our Company Secretary, Mr. B.V.Saravana Kumar shall act as secretary to the Remuneration Committee.

The terms of reference of Remuneration Committee are set out below:

1. To decide and approve the terms and conditions for appointment of Executive and/or Non-Executive directors and or Whole Time Director or senior employees and remuneration payable including approving variance of remuneration already approved, if any, to other Non-Executive Directors and matters related thereto;
2. To recommend, fix and finalise to the Board, the compensation plans, policies and programmes, remuneration packages of our Company's Managing Director, Joint Managing Director and Whole Time and Executive Directors including all elements of remuneration package including approving variance of remuneration already approved if any (i.e. salary, benefits, bonuses, perquisites, commission, incentives, stock options, pension, retirements benefits, details of fixed component and performance linked incentives along with the performance criterion service contracts, notice period, severance fees etc.);

3. Recommending payment of compensation / remuneration in accordance with the provisions of the Companies Act;
4. To be authorised at its duly constituted meeting to determine on behalf of the Board of Directors and on behalf of the shareholders with agreed terms of reference, the Company's policy on specific remuneration packages having regard to performance standards and existing industry practice for our Company's Managing, Joint Managing, Deputy Managing, Whole Time and Executive Directors including pension rights and any compensation payment;
5. To decide on increments and promotions, ex-gratia payments;
6. To review and approve any disclosures in the annual report or elsewhere in respect of compensation policies or director's compensation;
7. To attend to such matters with respect to the remuneration of senior and other employees as may be submitted to it by the Managing Director; and
8. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration Committee.

MANAGEMENT ORGANIZATIONAL STRUCTURE



Profile of Key Managerial Personnel

The details of our Key Managerial Personnels as on the date of this Draft Red Herring Prospectus are set out below. All the Key Managerial Personnels are permanent employees of our Company. Except for certain statutory benefits, there are no other benefits accruing to our Key Managerial Personnels.

1. **Mr. D. B. Manepatil**, 39 years, is a Production Manager of our Company. Mr. Manepatil holds a degree of M. SC. (Chemistry) from the University of Poona as well as Diploma in Business Management from the University of Pune. He has also undertaken the Industrial Fermentation and Alcohol Technology programme from the Vasantdada Sugar Institute. He has been associated with our Company as a Production Manager since August 17, 2010. He has more than seventeen (17) years of experience in distillery industry and alcohol production. He was associated in various capacities with several organisations and as Production Manager with Solapur Distilleries Limited and Baramati Agro Limited. Mr. Manepatil was paid a remuneration of ₹2.15 Lakhs in the F.Y. 2010-2011.
2. **Mr. Sivanand M. Katti**, 47 years, is an Electrical Engineer of our Company. Mr. Katti holds a degree of B.E. (Electrical) from the Karnatak University. He has been associated with our Company as an Electrical Engineer since January 11, 2005. He has more than twenty two (22) years of experience in various aspects of electrical engineering including planning, execution and maintenance of electrical equipment, drives and integrated systems. Prior to joining our Company, he was associated as Assistant Engineer with Trinity Engineers, Pune and as Chief Electrical Engineer with Bhoruka Textiles Limited. Mr. Katti was paid a remuneration of ₹ 2.70 Lakhs in the F.Y. 2010-2011.
3. **Mr. K. Subramanian**, 52 years, is a Senior Manager, process and environment of our Company. Mr. Subramanian holds Bachelor of Engineering degree from Bharathiar University Coimbatore, Tamilnadu and has done his Diploma in Mechanical Engineering from State Board of Technical Education, Tamilnadu. He has been associated with our Company as Senior Manager, process and environment since March 1, 2011. He has more than twenty eight (28) years of experience in project management, design & engineering, procurement, contracting etc.. Prior to joining our Company, he was associated as Manager (Projects) with Bhavani Distilleries and Chemicals Limited, Pudduru. Mr. Subramanian was paid a remuneration of ₹0.50 Lakhs in the F.Y. 2010-2011.
4. **Mr. Abasaheb R. Patil**, 51 years, is a Works Manager of our Company. Mr. Patil holds a Diploma in Mechanical Engineering from the Board of Technical Education, Maharashtra State as well as Certificate of Proficiency of Second Class for operating *inter alia* boilers using steam. He has been associated with our Company as a Chief Engineer since March 13, 2009. He has more than twenty eight (28) years of experience in operations and maintenance of sugar plant and co-generation plants. He was associated in various capacities with various factories and prior to joining our Company was associated with Golak Sugars Limited as a Chief Engineer. Mr. Patil was paid a remuneration of ₹ 5.70 Lakhs in the F.Y. 2010-2011.
5. **Mr. Anil B. Patil**, 49 years, is a Cane Manager of our Company. Mr. Patil holds a degree of B. Sc. (Agri) from the University of Agricultural Sciences, Dharwad. He has been associated with our Company as a Cane Manager since June 8, 2010. He has more than twenty three (23) years of experience in advising the farmers on adopting modalities for cultivation of sugarcane. He was associated in various capacities with various factories and prior to joining our Company was associated with Sadashiva Sugars Limited as a Cane Manager. Mr. Patil was paid a remuneration of ₹ 2.44 Lakhs in the F.Y. 2010-2011.
6. **Mr. Manoj Sheetaram Kulkarni**, 29 years, is a Vehicle Engineer of our Company. Mr. Kulkarni holds a Diploma in Automobile Engineering from the Department of Technical Education, Government of Karnataka. He has been associated with our Company as a Vehicle Engineer since September 1, 2006. He has more than four (4) years of experience in vehicle maintenance. He was associated as Automobile

Engineer with Hiranyakeshi SSK Niyamit, Sankeshwar. Mr. Kulkarni was paid a remuneration of ₹ 0.78 Lakhs in the F.Y. 2010-2011.

7. **Mr. Sheshagiri Kulkarni**, 33 years, is a Finance Manager of our Company. Mr. Kulkarni holds a B. Com from the Karnatak University. He has been associated with our Company since June 1, 2007. He has more than four (4) years of experience in managing finance and accounts of sugar companies. Prior to joining our Company, he was associated as an auditor with M/s. P G Ghali & Co. Mr. Kulkarni was paid a remuneration of ₹ 1.59 Lakhs in the F.Y. 2010-2011.
8. **Mr. Dnyaneshwar Rasal**, 49 years, is a Production Manager (Sugar) of our Company. Mr. Rasal holds a degree of B. Sc. from the University of Poona as well as Post Graduate Diploma in Sugar Technology from the Vasantdada Sugar Institute, Pune. He has been associated with our Company as a Production Manager (Sugar) since January 15, 2010. He has more than twenty four (24) years of experience in sugar manufacturing and quality control aspects. Prior to joining our Company, he was associated as Deputy Chief Chemist with Gangakhed Sugar Limited, Parbhani and earlier as Production Manager with Yeshwant SSK Limited. Mr. Rasal was paid a remuneration of ₹5.10 Lakhs in the F.Y. 2010-2011.
9. **Mr. Sunil D. Arbale**, 42 years, is a Civil Engineer of our Company. Mr. Arbale holds a Diploma in Civil Engineering from the LES Polytechnic, Sangli. He has been associated with our Company as a Civil Engineer since March 1, 2007. He has more than fifteen (15) years of experience in project execution and commissioning. Prior to joining our Company, he was associated with various project executing companies such as Design Collaborative Architects and Engineers Kolhapur, SS Manchundi Engineering and Contractors Kolhapur and Ajit B Marsute, Architects and Engineers Jaisinghpur. Mr. Arbale was paid a remuneration of ₹1.59 Lakhs in the F.Y. 2010-2011.
10. **Mr. B.V. Saravana Kumar**, 32 years, is a Company Secretary of our Company. Mr. Kumar is a member of Institute of Company Secretaries of India (ICSI). He has been recently appointed by our Company on February 15, 2011. He has more than three (3) years experience in company and secretarial related matters. Prior to joining our Company, Mr. Kumar was associated with SGP & Associates, Company Secretaries, Hyderabad. Mr. Kumar was paid a remuneration of ₹0.20 Lakhs in the F.Y. 2010-2011.

Shareholding of Key Managerial Personnel in our Company

None of the Key Management Personnel hold Equity Shares in our Company as on the date of this Draft Red Herring Prospectus.

Bonus or profit sharing plan of the Key Managerial Personnel

Our Company does not have a performance linked bonus or a profit sharing plans for the Key Managerial Personnels.

Interests of Key Managerial Personnel

The Key Managerial Personnel 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.

Payment of Benefits to Officers of our Company (non-salary related)

Except for any statutory payments made by our Company upon termination of services of its officer or employees, our Company has not paid any sum, any non-salary amount or benefit to any of its officers or to its employees including amounts towards super-annuation, ex-gratia/rewards. None of the beneficiaries of loans and advances and sundry debtors are related to the Directors of our Company except and otherwise disclosed under Annexure VII

titled "Restated Statement of Related Party Transactions" in the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

Relationship amongst the Key Managerial Personnels of our Company

There is no family relationship amongst the Key Managerial Personnels of our Company.

Relationship between our Promoters/ Directors and Key Managerial Personnel

There is no family relationship between our Promoters/Directors and Key Managerial Personnels of our Company.

Arrangement and Understanding with Major Shareholders/Customers/ Suppliers

None of the above Key Managerial Personnels have been selected pursuant to any arrangement/understanding with major shareholders/customers/suppliers.

Details of Service Contracts of our Key Managerial Personnel

Except for the terms set forth in the appointment letters, our Key Managerial Personnel have not entered into any other contractual arrangements with our Company for provision of benefits or payments of any amount upon termination of employment.

Employee Stock Option or Employee Stock Purchase

Our Company does not have any ESOP/ESOS as on the date of this Draft Red Herring Prospectus.

Loans availed by Directors/Key Managerial Personnels of our Company

None of our Directors or Key Managerial Personnels have availed loan from our Company which are outstanding as on the date of this Draft Red Herring Prospectus.

Changes in our Company's Key Managerial Personnel during the last three (3) years

The changes in the Key Managerial Personnel of our Company in the last three (3) years are as follows:

No.	Name of the Key Management Personnel & Designation	Date of Appointment	Date of Resignation	Reason
1.	Mr. K. Subramanian, Sr. Manager (Process & Environment)	March 1, 2011	--	Appointment
2.	Mr. B. D. Bedakahal, Production Manager (Distillery)	June 1, 2006	April 16, 2009	Resignation
3.	Mr. A. B. Marennabar, Production Manager (Distillery)	May 2, 2009	June 14, 2010	Resignation
4.	Mr. S. H. Shankpal, Chief Engineer (Sugar)	February 1, 2008	February 24, 2009	Resignation
5.	Mr. Anil Kumar Gupta, Senior Process Manager (Sugar)	July 1, 2008	November 7, 2008	Resignation
6.	Mr. J. K. Naik, Chief Chemist (Manufacturing)	November 16, 2008	December 23, 2009	Termination from service
7.	Mr. D. B. Manepatil, Production Manager (Distillery)	August 17, 2010	--	Appointment
8.	Mr. Abasaheb R. Patil, Works Manager	March 13, 2009	--	Appointment

No.	Name of the Key Management Personnel & Designation	Date of Appointment	Date of Resignation	Reason
9.	Mr. Anil B. Patil, Cane Manager	June 8, 2010	--	Appointment
10.	Mr. Dnyaneshwar Rasal, Production Manager (Sugar)	January 15, 2010	--	Appointment
11.	Mr. B.V. Saravana Kumar, Company Secretary	March 1, 2011	--	Appointment



OUR PROMOTERS AND PROMOTER GROUP

Our Promoters

The Promoters of our Company are i) Mr. Umesh Vishwanath Katti; ii) Mr. Ramesh Vishwanath Katti; iii) Mr. Nikhil Umesh Katti; ; iv) Ms. Sheela U. Katti; v) Ms. Jayashree R. Katti; vi) Mr. Lava R. Katti; vii) Mr. Kush R. Katti; viii) Mr. Prakash S. Katti and ix) Mr. Ramappa B. Khemlapure. The brief details of our Promoters are set out below: **[RA Note: photographs of promoters will be included on finalization of the DRHP]**

	<p>Mr. Umesh Vishwanath Katti is the Non-Executive Chairman of our Company. He is a resident Indian national. For further details, please refer to the section titled "Our Management" beginning on page 144 of this Draft Red Herring Prospectus.</p> <p>Permanent Account Number: ABYPK7251L Driving Licence Number: 24145/95 Passport No.: A1685194 Voter Identification Number: LJP1950013</p>
	<p>Mr. Ramesh Vishwanath Katti, aged 47 years, is a Promoter of our Company. He is a resident Indian national. Mr. Katti is the younger brother of Mr. Umesh Katti. He has actively participated in the co-operative movement and is a keen social activist. He is occupying several prestigious positions in various institutions like President of the Belgaum District Central Co-operative Bank Limited, Belgaum, Chairman of Shri Hiranyakeshi Sahakari Sakkare Karkhane Niyamit, Sankeshwar (Belgaum), Director of National Heavy Engineering Co-operative Limited (Pune), Director of Karnataka State Federation of Co-operative Sugar Factories Limited (Bengaluru), Director of Chamber of Commerce and Industries, Belgaum. He has been felicitated with the Bhartiya Udyog Ratna Award in 1996 by The Indian Economic Development & the Rashtriya Udyog Ratna Award and the Udyog Vikas Ratna Award in 1996. Currently he is a Member of Parliament elected from Chikkodi Parliamentary constituency in the year 2009.</p> <p>Permanent Account Number: BCOPK4964J Driving Licence Number: 8892 Passport No.: D133139 Voter Identification Number: LJP1168814</p>
	<p>Mr. Nikhil Umesh Katti is the Managing Director of our Company. He is a resident Indian national. For further details, please refer to the section titled "Our Management" beginning on page 144 of this Draft Red Herring Prospectus.</p> <p>Permanent Account Number: ANCPK9007C Driving Licence Number: JN/90/2006 Passport No.: G4555547 Voter Identification Number: LJP1950146</p>

	<p>Ms. Sheela U. Katti, aged 46 years, is a Promoter of our Company. She is a resident Indian national. Ms. Katti has more than six (6) years of experience in general administration.</p> <p>Permanent Account Number: BBDPK1732N Driving Licence Number: KA2219930001721 Passport No.: G0800459 Voter Identification Number: KT/026/202/075855</p>
	<p>Ms. Jayashree R. Katti, aged 41 years, is a Promoter of our Company. She is a resident Indian national. Ms. Katti has more than six (6) years of experience in general administration.</p> <p>Permanent Account Number: BAJPK3119C Passport No.: D133140 Voter Identification Number: LJP1171735</p>
	<p>Mr. Lava R. Katti, aged 25 years, is a Promoter of our Company. He is a resident Indian national. He has done his graduation from College of Business Administration, Hubli in Business Administration in the year 2010. Presently he is pursuing a Masters in Business Administration from University of Wales.</p> <p>Permanent Account Number: AZTPK3776B Driving Licence Number: KA4920090012850 Passport No.: G0025470 Voter Identification Number: XYF0168104</p>
	<p>Mr. Kush R. Katti, aged 25 years, is a Promoter of our Company. He is a resident Indian national. He has done his graduation from College of Business Administration, Hubli in Business Administration in the year 2010.</p> <p>Permanent Account Number: AZTPK3775C Passport No.: G0232596 Voter Identification Number: XYF0168096</p>

	<p>Mr. Prakash S. Katti, aged 59 years, is a Promoter of our Company. He is a resident Indian national. He is a progressive farmer of the Bellad Bagewadi area. He has contributed significantly in the implementation of modern trends in sugarcane growth in the region. He has a keen understanding of the agricultural trends and is very active in farming activities.</p> <p>Permanent Account Number: ASNPK6628F Driving Licence Number: 17978/93 Passport No.: G9108572 Voter Identification Number: KT/26/202/075102</p>
	<p>Mr. Ramappa B. Khemlapure, aged 73 years, is a Promoter of our Company. He is a resident Indian national. Mr. Khemlapure was actively involved in the day to day management of our Company. He is now involved in the matters related to welfare of the employees.</p> <p>Permanent Account Number: ASNPK6627L Driving Licence Number: 2568/DWR65 Passport No.: G1003708 Voter Identification Number: KT/26/202/075604</p>

Our Company undertakes that the details of the PAN, Bank Account Numbers, and Passport Numbers of our Promoters will be submitted to the Stock Exchanges at the time of filing this Draft Red Herring Prospectus with the Stock Exchanges.

For more details on our Promoters, who are also directors on the Board of our Company, please refer to the section titled "Our Management" beginning on page 144 of this Draft Red Herring Prospectus.

Interests of our Promoters, Group Entities and Common Pursuits

Two of our Promoters are also the Directors of our Company who 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 or reimbursement of expenses payable to them and also to the extent of dividend payable to them and other benefits in respect of the Equity Shares held by them.

Further, some of our Promoters are also directors on the boards of certain Group entities and they may be deemed to be interested to the extent of transactions, if any, entered into by our Company with these Group entities. For the payments that are made by our Company to certain Group entities, please refer to the section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.

One of our Promoters Mr. Prakash S. Katti is interested to the extent of the lease rent from the lease of seven (7) acres of land which has been leased to our Company. For further details, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

Except as stated otherwise in this Draft Red Herring Prospectus, we have not entered into any contract, agreements or arrangements in which our 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.

Common Pursuits

Our Promoters or directors are not involved with any ventures in the same line of activity or business as that of our Company as on the date of this Draft Red Herring Prospectus.

Confirmations

Further, none of our Promoters have been declared as a willful defaulter by the RBI or any other governmental authority and there are no violations of securities laws committed by our Promoters in the past or are pending against them. None of our Promoters, Promoter Group or Directors or persons in control of our Company or bodies corporate forming part of our Promoter Group have been (i) prohibited from accessing the capital markets under any order or direction passed by SEBI or any other authority or (ii) refused listing of any of the securities issued by such entity by any stock exchange, in India or abroad.

Payment or benefits to our Promoters

No payment or benefit has been made to our Promoters except as disclosed in the related party transaction. For further details, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

OUR GROUP ENTITIES

I. Companies forming part of our Group Entities:

No.	Name of Group Entities
1.	Vishwaraj Infrastructure Private Limited
2.	U. R. Agrofresh Private Limited
3.	M/s. Vishwaraj Developers

1. Vishwaraj Infrastructure Private Limited ("*VIPL*")

VIPL, formerly known as Vishwaraj Power Private Limited, was incorporated on November 11, 2009 bearing CIN U45400KA2009PTC051441. VIPL is carrying on infrastructural construction activity. The registered office of VIPL is situated at "Sneh", Bellad Bagewadi Hukkeri Belgaum 591 305, Karnataka.

Board of Directors as on the date of this Draft Red Herring Prospectus

Name of the Director	Designation
Mr. Umesh Vishwanath Katti	Director
Mr. Ramesh Vishwanath Katti	Director
Mr. Nikhil Umesh Katti	Director
Mr. Prabhuling Koodalappa Navadgi	Director
Mr. Shankar Virupaxi Nesargi	Director

Shareholding Pattern as on the date of this Draft Red Herring Prospectus

(Equity Shares of face value ₹10 each)

Particulars	No. of equity shares held	Shareholding (%)
Mr. Umesh Vishwanath Katti	3,400	34.00
Mr. Ramesh Vishwanath Katti	3,400	34.00
Mr. Nikhil Umesh Katti	3,000	30.00

Particulars	No. of equity shares held	Shareholding (%)
Mr. Prabhuling Koodalappa Navadgi	100	1.00
Mr. Shankar Virupaxi Nesargi	100	1.00
Total	10,000	100.00

Financial Performance

Since VIPL has been incorporated in November 2009, it is yet to commence its commercial operations and prepare its financial statements.

VIPL is an unlisted company and has not made any public or rights issue since the date of its incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

2. U. R. Agrofresh Private Limited ("UAPL")

UAPL, formerly known as U R Steel and Cements Private Limited, was incorporated on December 30, 2009 bearing CIN U15490KA2009PTC051995. UAPL is incorporated with an objective of carrying on the business to plant, grow, cultivate, produce, breed, raise, purchase, sell, repurchase, resell, export, import, deal in or otherwise crush, process and pack all kinds of vegetables, fruits, food grains and seeds of all other description, or reprocessing of vegetables, fruits, pulses, cereals, herbs, aromatic grass, plants, trees, crops and its residue and extracts and natural products of any kind. The registered office of UAPL is situated at "Sneh", Bellad Bagewadi Hukkeri Belgaum 591 305, Karnataka.

Board of Directors as on the date of this Draft Red Herring Prospectus

Name of the Director	Designation
Mr. Umesh Vishwanath Katti	Director
Mr. Ramesh Vishwanath Katti	Director
Mr. Nikhil Umesh Katti	Director
Mr. Lava Ramesh Katti	Director
Mr. Kush Ramesh Katti	Director

Shareholding Pattern as on the date of this Draft Red Herring Prospectus

(Equity Shares of face value ₹10 each)

Particulars	No. of equity shares held	Shareholding (%)
Mr. Umesh Vishwanath Katti	3,400	34.00
Mr. Ramesh Vishwanath Katti	3,400	34.00
Mr. Nikhil Umesh Katti	3,000	30.00
Mr. Lava Ramesh Katti	100	1.00
Mr. Kush Ramesh Katti	100	1.00
Total	10,000	100.00

Financial Performance

Since, UAPL has been incorporated in December 2009, it is yet to commence its commercial operations and prepare its financial statements.

UAPL is an unlisted company and has not made any public or rights issue since the date of its

incorporation. It has not become a sick company under SICA, is not under winding up and does not have negative net worth.

3. M/s Vishwaraj Developers ("VD")

VD is a Partnership Firm which has been recently formed pursuant to the Partnership Deed dated January 7, 2011 between Mr. Nikhil Umesh Katti, Mr. Lava Katti, Mr. Kush Katti and Mr. Raju Parasannavar. VD was formed with a primary objective of carrying on the activities of Construction of Flats (commercial/residential), real estate land development and township building and such other allied business. The office of VD is situated at "Rahul" vaccine depot Road, Tilakwadi, Belgaum 590 006, Karnataka.

Partners as on the date of this Draft Red Herring Prospectus

Name of the Partner	Designation
Mr. Nikhil Umesh Katti	Partner
Mr. Lava Ramesh Katti	Partner
Mr. Kush Ramesh Katti	Partner
Mr. Raju .K. Parasannavar	Partner

Share of Investment as on the Date of this Draft Red Herring Prospectus

Name of the Partner	Investment	Profits (%)
Mr. Nikhil Umesh Katti	25,000	25.00
Mr. Lava Ramesh Katti	25,000	25.00
Mr. Kush Ramesh Katti	25,000	25.00
Mr. Raju .K. Parasannavar	25,000	25.00
Total	1,00,000	100.00

Financial Performance

Since VD has been recently formed in January 2011, it is yet to commence its commercial operations and prepare its financial statements.

Defunct group companies

None of our Group Entities are defunct companies.

Disassociation by our Promoters from entities in last three (3) years

Our Promoters have not disassociated themselves from any Company in the past three (3) years.

Common Pursuits

Our Promoters or directors are not involved with any ventures in the same line of activity or business as that of our Company as on the date of this Draft Red Herring Prospectus.

Related Party Transactions

- ❖ There have been no sales or purchases between entities in our Group Entities and Promoter Group of our Company exceeding in value in the aggregate 10% of the total sales or purchases of our Company. For further details, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in

the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

- ❖ Some of our Group Entities have commercial interest in our Company. For further details, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

Changes in Accounting Policies in last three (3) years

There are no changes in Accounting Policies of our Company in the last three (3) years except as mentioned under the section titled "Financial Statements" beginning on page 171 of this Draft Red Herring Prospectus.

RELATED PARTY TRANSACTION

For details on related party transactions of our Company, please refer to Annexure VII titled "*Restated Statement of Related Party Transactions*" in the section titled "Financial Information" beginning on page 171 of this Draft Red Herring Prospectus.

DIVIDEND POLICY

The declaration and payment of dividends will be recommended by our Board of Directors and approved by our shareholders, in their discretion, and will depend on a number of factors, including but not limited to our earnings, general financial conditions, capital requirements, results of operations, contractual obligations and overall financial position, applicable Indian legal restrictions, our Articles of Association and other factors considered relevant by the Board of Directors. Our Company has not paid any dividends in the in last five (5) years and it has no stated dividend policy.

SECTION V: FINANCIAL INFORMATION

FINANCIAL STATEMENTS

AUDITORS REPORT

To
**The Board of Directors,
Vishwanath Sugar and steel Industries Limited
Bellad - Begewadi**

- 1) We have examined the attached financial information of Vishwanath Sugar and Steel Industries Limited(the Company), having registered office at Bellad -Bagewadi, Tal: Hukkeri, Dist: Belgaum - 591305 which have been prepared by the management and approved by the Board of Directors of the Company in terms of the requirements of Paragraph B, Part II of Schedule II of the Companies Act, 1956 and the Securities and Exchange Board of India (Issue of Capital & Disclosure Requirements) Regulations 2009 (SEBI Regulations) for the proposed issue of equity shares of the Company.
- 2) These information have been extracted by the Management from the financial statements for the quarter ending 30th June, financial years ended 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008, and 31st March, 2007 audited by us. The restated financial information has been made after incorporating adjustments for the material amounts in the respective years.
- 3) The financial information for the above period was examined to the extent practicable, for the purpose of audit of financial information in accordance with the Auditing and Assurance Standards issued by the Institute of Chartered Accountants of India. Those standards require that we plan and perform our audit to obtain reasonable assurance, whether the financial information is free of material misstatement.

Based on the above, we report that in our opinion and according to the information and explanations given to us, we have found the same to be correct and the same have been accordingly used in the financial information appropriately.

- 4) In accordance with the requirements of Paragraph B of Part-II of Schedule-II of the Act, the SEBI Regulations and terms of our engagement agreed with you, we further report that:
 - a) The Restated Summary of Assets and Liabilities of the Company as at 30th June, 2011, 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008 and 31st March, 2007 as set out in **ANNEXURE – I** to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Notes and Significant Accounting Policies. (**ANNEXURE IV and V**)
 - b) The Restated Summary of Profit and Loss Account of Company for the quarter ended 30th June, 2011 and year ended 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008, and 31st March, 2007 as set out in **ANNEXURE – II** to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Notes and Significant Accounting Policies. (**ANNEXURE IV and V**)
 - c) The Restated Cash Flow Statements of the Company for the quarter ended 30th June, 2011 and year ended 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008, and 31st March, 2007 as set out in **ANNEXURE – III** to this report are after making adjustments and regrouping as in our opinion were appropriate and more fully described in the Notes and Significant

Accounting Policies (**ANNEXURE – IV and V**).

- d) Based on the above, we are of the opinion that the restated financial information have been made in accordance with SEBI Regulations after incorporating adjustment for material amounts in the respective financial years to which they relate.
- e) Based on our examination, we are of the opinion that there has been a change in accounting policy relating to gratuity in the year ending on 31st March, 2011 and Transitional Provision of Rs. 7.31 Lakhs made in that year has not been adjusted in respective years for want actuarial valuation. There was qualification in the Audit Report for the years ended March 31, 2007 to 2010 which was as follows:

“Company has not made any provision for gratuity payment and other employee’s benefit schemes estimate of the said liability is not made available.”
- f) There are no extra-ordinary items to be disclosed separately and no adjustment has been made for qualification relating to Leave Encashment Liability as the quantum is unascertained.

Dividend paid / proposed:

We confirm that the Company has not declared / paid any dividend on its equity / preference shares for the quarter ended 30th June, 2011 and years ended 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008, and 31st March, 2007 audited by us.

- 5) We have also examined the following other financial information set out in ANNEXURES prepared by the management and approved by the Board of Directors for the quarter ended 30th June, 2011 and year ended 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008, and 31st March, 2007.

(i) **Dividend paid / proposed:**

We confirm that the Company has not declared / paid any dividend on its equity / preference shares for the quarter ended 30th June, 2011 and year ended 31st March, 2011, 31st March, 2010, 31st March, 2009, 31st March, 2008, and 31st March, 2007 audited by us.

- (ii) Statement of Material Regrouping - **ANNEXURE – VI**
- (iii) Statement of Related Party Transactions – **ANNEXURE VII**
- (iv) Statement of Contingent Liability – **ANNEXURE VIII**
- (v) Statement of Secured Loans – **ANNEXURE – IX**
- (vi) Statement of Unsecured Loans – **ANNEXURE – X**
- (vii) Statement of Sundry Debtors – **ANNEXURE – XI**
- (viii) Statement of Loan & Advances and Current Assets – **ANNEXURE XII**
- (ix) Statement of Other Income – **ANNEXURE – XIII**
- (x) Statement of Capitalization– **ANNEXURE – XIV**
- (xi) Statement of Significant Accounting Ratios - **ANNEXURE – XV**

- (xii) Statement of Current Liabilities and Provisions – ANNEXURE XVI
 - (xiii) Statement of Tax Shelter – ANNEXURE – XVII
 - (xiv) Statement of Segment Revenue - ANNEXURE –XVIII
 - (xv) Statement of Segment Reserve and surplus -ANNEXURE –XIX
- 6) In our opinion the financial information contained in annexure I to Annexure XIX of this report read along with the Significant Accounting Policies, and Notes to Accounts prepared after making adjustments and regrouping as considered appropriate have been prepared in accordance with Paragraph B (1) of Part II of Schedule II of the Act and the SEBI Regulations.
- 7) Our report is intended solely for use of the management and for inclusion in the offer document in connection with the proposed issue of equity shares of the Company. Our report and should not be used, referred to or distributed for any other purpose except with our prior written consent.

**For M/s P G Ghali & Co.,
Chartered Accountants**

**CA Prakash G. Ghali
Partner
Membership No. 13132
FRN. 011092S**

**Place: Belgaum
Dated: December 12, 2011**

Peer Review Certificate No. 005298

Annexure – I
Restated Summary statement of Assets & Liabilities

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
FIXED ASSETS						
Gross Block						
a) Tangible	22,970.22	22,811.27	21,830.86	18,007.96	9,655.74	9,128.82
b) Intangible	-	-	-	-	-	-
Total	22,970.22	22,811.27	21,830.86	18,007.96	9,655.74	9,128.82
Less: Depreciation	3,859.66	3,574.72	2,466.88	1,699.05	1,246.62	809.30
NET BLOCK	19,110.56	19,236.55	19,363.98	16,308.91	8,409.12	8,319.52
Capital work in progress				196.60		
NET FIXED ASSETS (A)	19,110.56	19,236.55	19,363.98	16,505.51	8,409.12	8,319.52
INVESTMENT (B)	10.15	10.15	10.15	10.15	10.15	10.15
Current Assets, Loans & Advances						
Inventories	15,618.64	18,602.54	15,224.14	7,292.89	3,478.08	2,544.85
Sundry debtors	1,028.26	1,008.61	1,102.39	746.51	246.05	53.51
Cash & Bank Balances	254.09	194.48	573.83	67.98	487.60	168.19
Other Current Assets	1,261.27	1,374.48	1,860.94	1,446.29	1,439.80	695.69
Loans and Advances	1,404.03	1,758.61	1,435.54	1,642.41	1,184.26	758.43
TOTAL (C)	19,566.29	22,938.72	20,196.84	11,196.08	6,835.79	4,220.67
Liabilities and Provisions						
Secured Loans	15,572.46	16,807.23	19,710.52	13,300.98	6,380.64	5,823.81
Unsecured Loans	19.20	8.20	368.49	232.43	0.00	1,612.18
Deferred Tax Liabilities	34.78	34.78	34.78	34.78	34.78	8.44
Current Liabilities and Provisions	7,321.69	9,893.20	9,326.00	5,808.98	2,758.58	1,753.48
TOTAL (D)	22,948.13	26,743.41	29,439.79	19,377.17	9,174.00	9,197.91
NET WORTH (A+B+C-D)	15,738.87	15,442.01	10,131.18	8,334.57	6,081.06	3,352.43
Represented by:						
Equity Share Capital	3,455.60	3,455.60	3,403.59	3,403.59	3,403.59	3,307.95
Preference Share Capital		-	-	-	-	-
Share Application Money		-	-	-	-	11.76
Reserves and Surplus	12,368.12	12,026.17	6,735.77	4,941.21	2,689.41	46.36
Less: Miscellaneous Expenditure	84.85	39.76	8.18	10.23	11.94	13.64
NET WORTH	15,738.87	15,442.01	10,131.18	8,334.57	6,081.06	3,352.43

Notes:

- The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses and Significant Accounting Policies as appearing in annexure (IV), and (V).

Annexure – II
Restated Summary Statement of Profits & Losses

(₹ in Lakhs)

Particulars	For the quarter ended June 30,2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
INCOME						
Sales	8,373.01	36,171.98	28,036.50	11,607.05	9,428.78	5,168.91
Other income	1,326.48	7,945.75	5,560.78	3,613.38	2,384.47	2,025.45
Increase/(Decrease) in Inventories	(2,983.89)	3,378.40	7,931.24	3,849.33	1,013.20	2,130.82
TOTAL INCOME	6,715.60	47,496.13	41,528.52	19,069.76	12,826.45	9,325.18
EXPENSES						
Raw Material Consumed	3,229.71	24,908.72	23,369.04	10,306.56	7,458.95	6,415.36
Manufacturing Expenses	509.97	3,460.58	3,564.99	1,878.58	984.32	810.34
Administrative / Other Expenses	1,695.38	9,837.34	9,946.44	2,989.60	527.37	280.94
Interest Expenses	568.12	2,764.01	1,749.75	930.01	945.59	687.36
Depreciation	284.93	1,119.81	773.64	452.89	437.32	422.50
TOTAL EXPENSES	6,288.11	42,090.46	39,403.86	16,557.64	10,353.55	8,616.50
Total Profit	427.49	5,405.67	2,124.66	2,512.12	2,472.90	708.68
Less: Preliminary Expenses	0.00	2.05	2.04	1.71	1.71	1.71
Profit Before Tax	427.49	5,403.62	2,122.62	2,510.41	2,471.19	706.97
Less: Provision for Taxation						
Current Tax	85.54	1,101.41	328.06	258.61	280.00	0.00
Deferred Tax Liability					26.34	0.00
Profit After Tax	341.95	4,302.21	1,794.56	2,251.80	2,164.85	706.97
Add: Opening Balance of Profit & Loss	10,559.78	6,257.57	4,463.01	2,211.21	46.36	(660.61)
Amount carried to Balance Sheet	10,901.73	10,559.78	6,257.57	4,463.01	2,211.21	46.36

Notes:

- The above statement should be read with the Notes to the Restated Statement of Assets and Liabilities and Profits & Losses and Significant Accounting Policies as appearing in annexure (IV) and (V).
- Other Income includes inter segment transfer of productions.

Annexure – III
Restated Summary of Cash Flow

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Cash Flow from Operating Activities						
Net Profit/(Loss) before Taxation & extraordinary items	427.49	5,403.62	2,122.62	2,510.41	2,471.19	706.97
Adjustments for :						
Depreciation	284.93	1,119.81	773.64	452.89	437.32	422.50
Interest charged to P&L A/c	568.12	2,764.01	1,749.75	930.01	945.59	687.36
Dividend		(0.02)	(0.02)	(0.06)	0.00	(0.03)
Interest / Other Income		(0.92)	(8.64)	(41.91)	(35.83)	(41.25)
Depreciation Written Back		(11.97)	(5.81)	(0.46)	0.00	(673.06)
Preliminary expenses written off		2.05	2.05	1.71	1.70	1.70
Operating Profit before Working Capital Changes	1,280.54	9,276.58	4,633.59	3,852.59	3,819.97	1,104.19
Adjustment for:						
Trade & other receivable	93.56	580.24	(770.53)	(506.95)	(936.65)	694.71
Loans & Advances	354.58	(323.07)	206.87	(458.15)	(425.83)	(444.46)
Inventories	2,983.90	(3,378.40)	(7,931.25)	(3,814.81)	(933.23)	(2,134.60)
Trade payables	(2,657.04)	(206.15)	3,447.57	3,071.79	725.10	1,301.83
Current Tax (MAT)	-	(328.06)	(258.61)	(280.00)	0.00	0.00
Net Cash from Operating Activities (A)	2,055.54	5,621.14	(672.36)	1,864.47	2,249.36	521.67
Cash Flow from Investing Activities						
Purchase of Fixed Assets (including Capital WIP)	(158.95)	(980.41)	(3,626.30)	(8,548.82)	(526.92)	(765.61)
Preliminary Expenses Incurred	(45.09)	(33.63)				
Interest Received	-	0.92	8.64	41.91	35.83	41.25
Dividend	-	0.02	0.02	0.06	0.00	0.03
Net Cash used in Investing Activities (B)	(204.04)	(1,013.10)	(3,617.64)	(8,506.85)	(491.09)	(724.33)
Cash Flow from Financing Activities.						
Proceeds from Unsecured Loans (Net)	11.00	(360.29)	136.06	232.43	(1,612.18)	(931.04)
Proceeds from Bank borrowings (Net)	(1,234.77)	(2,903.29)	6,409.54	6,920.34	556.83	1,920.24
Share Capital	-	52.01	0.00	0.00	95.64	0.00
Share Premium	-	988.19	0.00	0.00	478.20	0.00

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Interest Paid	(568.12)	(2,764.01)	(1,749.75)	(930.01)	(945.59)	(687.36)
Share Application money Converted in to Shares					(11.76)	0.00
Net Cash Receipt/ Used in Financing Activities (C)	(1,791.89)	(4,987.39)	4,795.85	6,222.76	(1,438.86)	301.84
Net Increase/ Decrease in Cash & Cash Equivalents (A + B + C)	59.61	(379.35)	505.85	(419.62)	319.41	99.18
Cash & Cash Equivalents As on beginning of year	194.48	573.83	67.98	487.60	168.19	69.01
Cash & Cash Equivalents As on end of year	254.09	194.48	573.83	67.98	487.60	168.19

Annexure – IV

NOTES TO THE RESTATED STATEMENT OF ASSETS AND LIABILITIES AND PROFITS AND LOSSES

1. Secured Loans: (Refer Annexure – IX)

As on 30-06-2011, the Term Loan of ₹1,603.41 Lakhs is outstanding from BDCC Bank Branch Bellad-Bagewadi for Expansion Project of Sugar Unit and the same is secured by Mortgage of Land & Building in Paripasu with SBI and Hypothecation of Plant & Machinery of Expansion Project.

As on 30-06-2011, the Term Loan of ₹4730.00 Lakhs is outstanding from State Bank of India, Commercial Branch, Belgaum the loan are secured by equitable mortgage of Land & Building of Co-generation Project and Hypothecation of Plant & Machinery of Co-generation Project on Paripasu basis.

As on 30-06-2011, the Term Loan of ₹354.33 Lakhs is outstanding from Bank of India against the Central Government Scheme namely “Scheme for Extending Financial Assistance to Sugar Undertaking 2007” on the security residential charge on the Fixed Assets of the Sugar Factory.

As on 30-06-2011, the Working Capital Loan in the form of CC from Bank of India & State Bank of India was secured by pledge of Sugar & Distillery products. The Loan outstanding as on 30-06-2011 is ₹5,746.19 & ₹ 1199.81 Lakhs respectively.

The Housing Loan from the Bank of India, Shahapur Branch, Belgaum was received. The Loan outstanding as on 30.06.2011 is ₹347.44 Lakhs.

The Basal Dose Loan from the Bank of India, Shahapur Branch, Belgaum was received. The Loan outstanding as on 30.06.2011 is ₹1503.62 Lakhs.

The Term Hypothecation Loan for Bolero SLX (New White) ₹3,50,080/-, Bolero SLX DI ₹ 3,61,440/-, Hero Honda CD Delux ₹84,000/-, L & T ₹ 5,10,000/- Maxi Truck ₹26,600/-, Tata Winger Ambulance ₹2,57,400/-, Hero Honda CD Delux ₹3,42,000/-, Indo Farm Tractor ₹4,80,200/-, TATA SFC 407 Pickup ₹2,98,560/-, Bolero Camper DI ₹ 2,94,560/- and Audi Car ₹57,60,163/- is secured by respective Hypothecation of Vehicles.

2. Unsecured Loans:

The Unsecured Loan from Co-operative Banks & Societies has been partly repaid during the financial year and hence the net outstanding unsecured loan at the end of the year is ₹19.20 Lakhs.

3. Fixed Assets:

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31				
		2011	2010	2009	2008	2007
Plant & Machinery including Building, Furniture & Fixtures	22,970.21	22,811.27	21,830.86	18,007.95	9,655.74	9,128.83

Depreciation includes amortization and diminution in value of Assets.

4. Installed Capacity and Production of goods Manufactured.

I. Sugar Unit

Particulars	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
Licensed Capacity * (MT)	5500	5500	5500	2500	2500	2500
Installed Capacity	5500	5500	5500	2500	2500	2500
Production (Sugar Qtls)	--	797600	597750	419450	605250	382314

Capacity as shown above is as per information submitted to appropriate authorities.

II. Distillery & IMFL Unit

Particulars	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
Licensed Capacity (Rectified Spirit) (KLPD)	35,000	35,000	35,000	35,000	35,000	35,000
Installed Capacity	35,000	35,000	35,000	35,000	35,000	35,000
Production (KL)	2125.96	7,137.61	3,734.83	5,484.84	5,181.06	6,982.20
Licensed Capacity (Natural Spirit) (KLPD)	30,000	30,000	30,000	10,000	10,000	10,000
Installed Capacity	30,000	30,000	30,000	10,000	10,000	10,000
Production (KL)	437.18	3,591.08	3,722.54	1,041.26	109.45	113.70
Licensed Capacity (IMFL Bottling) (CB)	1,500	1,500	1,500	1,500	1,500	--
Installed Capacity	1,500	1,500	1,500	1,500	1,500	--
Production (CB)	1,06,279	4,46,400	3,94,530	2,48,543	22027	--

III. Co Gen Unit

Particulars	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
Licensed Capacity (Electricity) (MW)	39.0	36.4	36.4	14	14	14
Installed Capacity	36.4	36.4	36.4	14	14	14
Production (Kwh)	1,73,83,800	9,46,53,400	77368500	67141500	68909200	46904900

5. Raw Materials Consumed

I. Sugar Unit

Particulars	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
Cane Crushed in MT	--	749437	596840	389922	551049	377506

II. Distillery Unit

Particulars		As at Mach 31				
		2011	2010	2009	2008	2007
Molasses Consumption in MT	8,232.,00	26,471.95	14,090.75	19,024.17	22,144.54	29,825.45

III. Co-Gen Unit

Particulars	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
Bagasse Consumption in MT	12336.60	1,83,296.190	1,79,587.963	1,52,672.200	1,59,817.380	1,14,731.000
Coal Consumption in MT	4391.270	31,951.08	24,928.94	---	2,717.83	1,983.83

Particulars of Imported and Indigenous Raw Materials, Components and Tools consumed.

(₹in Lakhs)

Particulars	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
1. Raw Materials Indigenous	3229.71	24908.72	23369.04	10306.56	7458.95	6415.36
Total	3229.71	24908.72	23369.04	10306.56	7458.95	6415.36

6. Foreign Exchange:

(Rs in Lakhs)

C.I.F. Value of Imports	As at June 30, 2011	As at Mach 31				
		2011	2010	2009	2008	2007
(a) Raw Materials	NIL	1243.66	1040.28	NIL	NIL	NIL
(b) Stores and Spares	NIL	NIL	NIL	NIL	NIL	NIL
(c) Machinery and Tools	NIL	NIL	1153.28	NIL	NIL	NIL
(d) Others Expenses	NIL	11.32	NIL	NIL	NIL	NIL

7. Retirement Benefits:

The company has contributed for the Provident Fund Scheme under PF Act 1925 for its employees which provides for Provident Fund and pension and the company contributions made have been charged to Profit & Loss Account. However the company has made provision for gratuity payment of the employees during the year based on actuarial valuation as on 31st March, 2011 for an amount of ₹7.31 Lakhs.

8. Segment Information: (Refer Annexure – XVIII)

The Segment reporting is based on the following Accounting policies adopted by the company which is in line with the regular accounting policy.

- a. Inter Segment revenue has been accounted on the basis of estimated price on the basis of ruling market prices.
- b. Revenue and expenses directly relatable to the segment has been ascertained on the basis of their relationship to the activities of the segment.
- c. Expenses not relatable to segment and not allocable have been included under unallocated corporate expenses.

As per AS-17 of ICAI, the company has identified four product wise segments i.e. Sugar, Co-generation, Distillery & IMFL based on return and risk and the required disclosure is enclosed in the format. The segment reporting Information has been enclosed.

9. Earning per Share:

- (i) Basic Earning per Equity Share is calculated by using weighted average number of Equity Shares outstanding during the period.
- (ii) In case of any fresh allotment or any other corporate action during the year affecting number of outstanding shares, the number of equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported. In case of Bonus issue, the issue is treated as outstanding since the beginning of the year.

The following table sets out the computation of basic and diluted earnings:

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
a) Profit/(Loss) attributable to Equity Shareholders (Rs in Lakhs)	341.95	4302.21	1794.56	2251.80	2164.85	706.97
b) Weighted Average number of equity shares (Rs. In Lakhs)	345.56	341.95	3.40	3.40	3.33	3.31
c) i. Nominal value of shares (Rs.)	10	10	1000	1000	1000	1000
ii. Basic/Diluted Earnings Per Share (EPS)	0.99	12.58	527.81	662.29	650.11	213.59

- The face value of Equity Share was ₹ 1000/- each for the year 2007 to 2010 and the same was converted in to ₹10/- each on 13.05.2010.
- The Aforesaid computation is based on Restated Financial Information.
- Earning per share has been calculated on the basis of weighted average method based on number of days.

10. Deferred Tax:

Deferred tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted by the balance sheet date.

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
Deferred Tax Liability:						
On Account of Difference between book depreciation and depreciation under the Income Tax Act, 1961	-	-	-	-	1,80,19,999	-
Deferred Tax Assets:	-	-	-	-	63,71,109	-
On Provision for Doubtful Debts	-	-	-	-	63,71,109	-
On Disallowances of 43(B) items	-	-	-	-	1,87,44,109	-
On unabsorbed depreciation as per Income Tax Act, 1961*	-	-	-	-	5,30,15,590	-
Net Deferred Tax Assets / (Liability)	-	-	-	-	26,34,365	-

- Deferred tax asset which is on account of unabsorbed depreciation has been recognized only to the extent of the deferred tax liabilities.
- The aforesaid computation is based on Restated financial Information.

11. Director Remuneration:

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Nikhil U Katti (Chairman/ Non Executive)		10.50	12.00	1.50	NIL	NIL
Nikhil U Katti (Managing Director)	4.50	1.50	NIL	NIL	NIL	NIL
Mukesh Kumar (Whole time Director)	-	5.25	NIL	NIL	NIL	NIL
Mukesh Kumar (Executive Director)	3.75	0.75	NIL	NIL	NIL	NIL
Mallikarjun K Pujar (Whole time Director)	1.50					

12. Payment to Auditors:

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Statutory Audit Fees	-	4.00	2.76	2.50	1.69	1.69
For Other Maters	-	1.00	0.50	0.50	0.56	0.56
Total	-	5.00	3.26	3.00	2.25	2.25

13. Other Notes:

- (i) The Balances of certain Sundry Creditors, Sundry Debtors, and Loans and Advances are under reconciliation / confirmation.
- (ii) In the opinion of management Current Assets are value stated, it realized in the ordinary course of business and provision has been made for all known liabilities.
- (iii) Previous year figures have been regrouped wherever necessary to make them comparable with the current year.

Annexure - V

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES ADOPTED BY THE COMPANY IN THE PREPARATION OF FINANCIAL STATEMENTS As at 30th June, 2011

The financial statements have been prepared in accordance with applicable accounting standards and are based on historical cost convention. The significant accounting policies are as under:

1. Fixed Assets:

- i) Fixed assets are stated at cost of construction/ acquisition less accumulated depreciation. Cost comprises interest on borrowings, attributable to construction or acquisition of fixed assets for the period up to the completion of construction or acquisition and all revenue expenses in so far as such expenses relate to the period prior to the commencement of commercial production.
- ii) The product development cost incurred on new product and transmissions are recognized as intangible assets and included in the fixed assets.

2. Capital Work In Progress:

It includes both advances given for acquisition/construction of fixed assets and expenditure incurred in relation to assets where construction has not been completed or commercial production has not started.

3. Depreciation:

Depreciation on fixed assets is provided on Straight Line Method on double shift basis on plant & Machinery and on Written down Value Method on other assets other than Intangible Assets as per rates prescribed in Schedule XIV to the Companies Act, 1956. Intangible Assets are amortized over a period of ten years.

4. Inventories:

Inventories are valued in accordance with the requirements of revised accounting standard (AS-2) on Valuation of Inventories.

1. Stores, Spare parts & Chemicals are valued at cost.
2. Raw-materials, stock in process and finished goods are valued at cost or net realisable value \ whichever is lower.
3. Waste is valued at net realisable value
4. By product is valued at net realisable value
5. Cost of inventories is ascertained on FIFO basis.

5. Revenue Recognition:

- The Company follows mercantile system of accounting and recognizes income and expenditure on accrual basis.
- Sale of goods is accounted for at the point of dispatch of goods to customers and is exclusive of excise duty except IMFL Sales, wherever applicable, and exclusive of vat tax.
- Loose tools are charged to consumption in the year of issue to the job irrespective to their life.

6. Foreign Exchange:

During the year company has incurred following Foreign Exchange Transactions:

(₹ in Lakhs)	
C.I.F. Value of Imports	30.06.2011
(a) Raw Materials	NIL
(b) Stores and Spares	NIL
(c) Machinery and Tools	NIL
(d) Others Expenses	NIL

7. Taxation:

- (i) Current tax expense is determined in accordance with the provisions of the Income Tax Act, 1961. Deferred tax assets and liabilities are measured using the tax rates, which have been enacted or substantively enacted at the Balance Sheet date. Deferred tax expense or benefit recognized on timing differences being the differences between taxable incomes and accounting incomes that originate in one period and are capable of reversing in one or more subsequent periods.
- (ii) In the event of unabsorbed depreciation and carry forward of losses, deferred tax assets are recognized only to the extent of deferred tax liabilities. In other situations, deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available to realize these assets.

8. Employees Benefits:

(i) **Provident fund:**

The eligible employees of the Company are entitled to receive benefits under the provident fund, a defined contribution plan, in which both employees and the Company make monthly contributions at a specified percentage of the covered employees' salary (currently 12% of employees' salary). The Contributions as specified under the law are paid to respective Regional Provident Fund Commissioner. The Company is liable for annual contributions and recognizes such contributions as an expense in the year incurred.

(ii) **Compensated absences:-**

Employees are entitled to accumulate leave subject to certain limits, for future encashment. This is being accounted for on actual payment basis. The accrued liability as per actuarial valuation has not been ascertained.

(iii) **Gratuity:**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount equivalent to 15 days salary payable for each completed year of service. Vesting occurs upon completion of five years of service. Up to 31st March, 2011 Gratuity was accounted for on payment basis and there after it is accounted for on accrual basis as per actuarial valuation in accordance with AS-15.

9. Provisions, Contingent Liabilities and contingent Assets :

Provisions involving substantial degree of estimation in measurement are recognized when there is present obligation as a result of past events and it is probable that there will be an outflow of resources.

Contingent Liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statement.

10. Earning Per Share:

Basic Earnings per Equity Share is computed by dividing the net profit or loss after tax by the weighted average number of Equity Shares outstanding during the year.

- Basic Earning per Equity Share is calculated by using weighted average number of Equity Shares outstanding during the period.
- In case of any fresh allotment or any other corporate action during the year affecting number of outstanding shares, the number of equity shares outstanding before the event is adjusted for the proportionate change in the number of equity shares outstanding as if the event had occurred at the beginning of the earliest period reported. In case of Bonus issue, the issue is treated as outstanding since the beginning of the year.

Sl. No.	Particulars	30.06.2011	2010-11
1	Amount of Profit (₹ in Lakhs)	341.95	4302.21
2	Weighted average number of Equity Shares (in Lakhs)	345.56	341.95
3	Basic/ Diluted Earnings per share	0.99	12.58

11. Segment Reporting:

The Segment reporting is based on the following Accounting policies adopted by the company which is in line with the regular accounting policy.

- Inter Segment revenue has been accounted on the basis of estimated price on the basis of ruling market prices.
- Revenue and expenses directly related to the segment has been ascertained on the basis of their relationship to the activities of the segment.
- Expenses not related and not allocable to any segment have been included under unallocated corporate expenses.

As per AS-17 of ICAI, the company has identified four product wise segments i.e. Sugar, Co-generation, Distillery & IMFL based on return and risk and the required disclosure is enclosed in the format. The segment reporting Information has been enclosed.

Annexure – VI

Statement showing net adjustments/rectifications made in the audited accounts of the respective year and its net impact on Profit and Loss Account

(₹ in Lakhs)

SL. No	Particulars	As at March 31,				
		2011	2010	2009	2008	2007
1	Profit & Loss					
	As per Audited Profit and Loss Account	4,300.33	1,795.31	2,252.18	2,164.98	707.59
	Correction in Accounting Policy					
	Less: Gratuity provision made	-	0.75	0.38	0.13	0.62
	Add: Gratuity Provision allocation all years	1.88				
	As per Restated Profit and Loss Account	4,302.21	1,794.56	2,251.80	2,164.85	706.97

Statement of Material Regroupings - Inter Head - Balance Sheet

(₹ in Lakhs)

SL. No	Particulars	As at March 31,				
		2011	2010	2009	2008	2007
1	Current Liabilities & Provisions					
	As per Audited Balance Sheet	9,927.98	9,358.90	5,842.63	2,792.61	1,517.09
	LESS: Deferred Tax Liabilities , now shown separately	34.78	34.78	34.78	34.78	8.44
		9,893.20	9,324.12	5,807.85	2,757.83	1,508.65
	ADD: H & T Loan Advance, earlier shown under Unsecured Loans					244.21
	ADD: Gratuity Provision made		1.88	1.13	0.75	0.62
	As per Restated Balance Sheet	9,893.20	9,326.00	5,808.98	2,758.58	1,753.48
2	Unsecured Loans					
	As per Audited Balance Sheet	8.20	368.49	232.42	-	1,856.39
	LESS: H & T Loan Advance, now shown under Current Liabilities	-	-	-	-	244.20
	As per Restated Balance Sheet	8.20	368.49	232.42	-	1,612.19
3	Sundry debtors					
	As per Audited Balance Sheet	1,008.61	1,554.56	1,403.82	1,236.78	396.28
	LESS: Loans & Advances , now shown under Annexure XII (B)	-	452.17	657.32	990.73	342.77
	As per Restated Balance Sheet	1,008.61	1,102.39	746.50	246.05	53.51
4	Miscellaneous Expenditure					
	As per Audited Balance Sheet	39.76	8.18	206.83	11.93	13.64
	LESS: Pre operative Expenses , now shown under Annexure I (Capital work in progress)	-		196.60		
	As per Restated Balance Sheet	39.76	8.18	10.23	11.93	13.64

Statement of Material Regroupings - Inter Head - Profit and Loss Account

(₹ in Lakhs)

SL. No	Particulars	As at March 31,				
		2011	2010	2009	2008	2007
1	Other Income					
	As per Audited Profit and Loss Account	7,945.75	5,560.78	3,613.38	522.97	842.31
	Add: Inter Segment transfer amount provision made	-	-	-	1,861.50	1,183.14
	As per Restated Profit and Loss Account	7,945.75	5,560.78	3,613.38	2,384.47	2,025.45
2	Raw Material Consumed					
	As per Audited Profit and Loss Account	23,768.19	21,401.07	10,000.46	5,517.48	5,097.86
	Add: Coal consumption amount transfer from Manufacturing Expenses	1,140.53	1,967.97	306.10	79.97	58.37
	Add: Bagasses consumption amount transfer from Manufacturing Expenses					75.99
	Add: Inter Segment transfer amount provision made				1,861.50	1,183.14
	As per Restated Profit and Loss Account	24,908.72	23,369.04	10,306.56	7,458.95	6,415.36
3	Manufacturing Expenses					
	As per Audited Profit and Loss Account	8,804.10	10,767.77	2,184.68	1,064.29	922.80
	Less: Coal consumption amount transfer to Raw material consumed	1,140.53	1,967.97	306.10	79.97	58.37
	Less: Bagasses consumption amount transfer to Raw material consumed	-	-	-	-	75.99
	Less: IMFL Excise duty amount transfer to Administrative / Other Expenses	4,202.99	5,234.81	-	-	-
	Add: Repair & Maintenance amount transfer from Administrative / Other Expenses					21.90
	As per Restated Profit and Loss Account	3,460.58	3,564.99	1,878.58	984.32	810.34
4	Administrative / Other Expenses					
	As per Audited Profit and Loss Account	5,636.23	4,710.88	2,989.22	527.24	302.22
	Add: IMFL Excise duty amount transfer from Manufacturing Expenses	4,202.99	5,234.81	-	-	-
	Add: Gratuity provision made	-	0.75	0.38	0.13	0.62
	Less: Gratuity Provision allocation all years	1.88				

SL. No	Particulars	As at March 31,				
		2011	2010	2009	2008	2007
	Less: Repair & Maintenance amount transfer to Manufacturing Expenses					21.90
	As per Restated Profit and Loss Account	9,837.34	9,946.44	2,989.60	527.37	280.94

Notes for Material Re-grouping

1. In Audited Financial Statements for FY 2007,2008,2009,2010 Balance of Advances for Supplies & Services has been shown under the head of Sundry Debtors, now re-classified under Loans & Advances in Restated Financials.
2. In Audited Financial Statements for FY 2007,2008,2009,2010 Deferred Tax Liabilities was shown under Current Liabilities & Provisions. The same has now been rectified & shown separately in Restated Financial Statements.
3. In Audited Financial Statements for FY 2007 H & T Advance was shown under Unsecured Loans. The same has now been rectified & shown under Current Liabilities & Provisions in Restated Financial Statements.
4. In Audited Financial Statements for FY 2009 Capital Work in Progress under Miscellaneous Expenses. The same has now been rectified & shown under Summary Statement of Assets & Liabilities in Restated Financial Statements.
5. The Sundry Debtors are classified for more than six months and less than six months for 2010 which was shown total as more than six months due to oversight.
6. In Audited Financial Statements for FY 2007,2008,2009,2010 & 2011 Consumption of Coal has been shown under the head of Manufacturing Expenses , now re-classified under Raw material Consumed in Restated Financials
7. In Audited Financial Statements for FY 2007 Bagasses Consumption has been shown under the head of Manufacturing Expenses, now re-classified under Raw material Consumed in Restated Financials.
8. In Audited Financial Statements for FY 2010 & 2011 IMFL Excise Duty has been shown under the head of Manufacturing Expenses, now re-classified under Administrative / Other Expenses in Restated Financials.
9. In Audited Financial Statements for FY 2010 & 2011 Repair & Maintenance has been shown under the head of Administrative / Other Expenses, now re-classified under Manufacturing Expenses in Restated Financials.

Annexure – VII
Statement of Related Party Transactions:

1. List of Related Parties:

Names of related parties :				
a)	Holding Companies:		:	NIL
b)	Subsidiaries		:	NIL
c)	Associates		:	
d)	Companies in which Directors are			

substantially interested

UR Agrofresh Pvt Ltd.

Vishwaraj Infrastructure Pvt Ltd.

e) Key Management Personnel

SL. No	Name	Designation
1	Abasaheb R Patil	Works Manager
2	Dnyaneshwar B Rasal	Chief Chemist
3	Shivanand M Katti	Electrical Engineer
4	D B Manepatil	Production Manager
5	Sunil D Arbale	Production Manger (Sugar)
6	K Subramannian	Senior Process & Environment Manager
7	Anil B Patil	Cane Manager
8	Sheshagiri H Kulkarni	Finance Manager
9	Manoj S Kulkarni	Vehicle Engineer
10	B V Saravan Kumar	Company Secretary

2. Transactions with the related parties are set out in the table below:

(₹ In Lakhs)

Sr. No	Name of Related Party	Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
				2011	2010	2009	2008	2007
Persons								
1	Umesh V Katti ,Chairman	Purchase (Sugar Cane)	--	22.15	1.16	1.00	0.28	0.02
2	Nikhil U Katti, Managing Director	Purchase (Sugar Cane)	--	18.49	0.80	0.28	0.14	0.26
3	Mallikarjun K Pujar, Whole Time Director	Purchase (Sugar Cane)	--	1.36	-	-	-	-

3. Directors Remuneration

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Nikhil U Katti (Chairman/ Non Executive)		10.50	12.00	1.50	NIL	NIL
Nikhil U Katti (Managing Director)	4.50	1.50	NIL	NIL	NIL	NIL
Mukesh Kumar (Whole time Director)	-	5.25	NIL	NIL	NIL	NIL
Mukesh Kumar (Executive Director)	3.75	0.75	NIL	NIL	NIL	NIL
Mallikarjun K Pujar (Whole time Director)	1.50					

4. Key Management Personnel Salary

(₹ in Lakhs)

SL. No	Name	Designation	30.06.2011	2011	2010	2009	2008	2007
1	Abasaheb R Patil	Works Manager	1.35	6.08	4.55	0.35	--	--
2	Dnyaneshwar B Rasal	Chief Chemist	1.50	5.42	1.20	--	--	--
3	Shivanand M Katti	Electrical Engineer	0.90	2.90	2.25	1.95	1.45	1.20
4	D B Manepatil	Production Manager	0.87	2.21	--	--	--	--
5	Sunil D Arbale	Production Manger (Sugar)	0.90	2.90	2.25	1.95	1.50	0.12
6	K Subramannian	Senior Process & Environment Manager	1.50	0.50	--	--	--	--
7	Anil B Patil	Cane Manager	0.75	2.54	--	--	--	--
8	Sheshagiri H Kulkarni	Finance Manager	0.60	1.81	1.38	1.30	1.00	--
9	Manoj S Kulkarni	Vehicle Engineer	0.30	0.82	0.65	0.60	0.48	0.28
10	B V Saravan Kumar	Company Secretary	0.60	0.20				

5. Land Lease

SL. No	Lease Date	Lease No	Land Owner	Survey No.	Lease Rent	Acres (Area)	Period	Purpose
1	16-08-2006	1567	Shri. Prakash Shrishailappa Katti	134/2	Monthly Rs.500/-	2.00	20 Years	Diesel Pump for HSD
2	29-09-2007	1916	Shri. Prakash Shrishailappa Katti	134/2	Monthly Rs.500/-	5.00	20 Years	Staff Housing Colony

Annexure – VIII
Statement of Contingent Liability

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
High Court, Karnataka, Appeal for Purchase Tax	290.05	290.05	290.05	290.05	290.05	221.61
High Court, Karnataka, Appeal for Cenvat Input Credit	145.29	145.29	145.29	145.29	-	-
Central Excise, Belgaum Show cause Notice	117.32	117.32	34.97	16.64	80.17	7.83
Central Excise, Mangalore (Appeals)	18.38	18.38	17.80	13.86	3.00	-
Central Excise, Bengaluru (Appeals)	4.50	4.50	4.50	4.50	4.50	4.50
Addl. Commissioner Income Tax, Belgaum Rectification of Assessment Order A.Y 2008-09	2.62	2.62	2.62	2.62	2.62	-
Bank of India, Shahapur Branch, Belgaum Bank Guarantee (IOCL)	54.00	54.00	-	-	-	5.00
State Bank of India, Commercial Branch, Belgaum Bank Guarantee (HPCL)	16.75	16.75	10.50	10.50	10.50	10.50
State Bank of India, Commercial Branch, Belgaum Bank Guarantee (BPCL)	42.60	42.60	-	-	-	-

Annexure – IX
Statement of Secured Loans

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
Working Capital Loans						
State Bank of India (Commercial Branch, Belgaum)	1,199.80	869.16	1,999.46	1,782.83	1,386.46	974.99
Bank of India (Shahapur Branch, Belgaum)	5,746.20	6,991.03	8,748.23	2,749.99	1,488.53	1,430.46
Bank of India, Basal Dose Loan (Shahapur Branch, Belgaum)	1,503.62	1,503.62				
Total (A)	8,449.62	9,363.81	10,747.69	4,532.82	2,874.99	2,405.45
Term Loan:						
State Bank of India , Commercial Belgaum	4,730.00	4,810.00	-	-	-	43.07
Hudco Bengaluru		-	-	-	1,661.23	2,327.75
IDBI Bank Ltd, Bengaluru		-	189.35	534.60	741.75	1,025.00
Bellad- Bagewadi Urban Souhardha Sahakari Bank Ltd Vehicle Loan	30.05	32.71	18.74	25.62	39.67	22.54
Bank of India, Excise Duty Loan (Shahapur Branch, Belgaum)	354.33	442.92	974.41	1,063.00	1,063.00	-
The Belgaum D C C Bank Ltd., Bellad Bagewadi	1,603.42	1,763.84	2,405.52	2,408.94	-	-
The Belgaum D C C Bank Ltd., Bellad Bagewadi			1,106.00	1,422.00	-	-
The Belgaum D C C Bank Ltd., Belgaum			1,288.20	1,356.00	-	-
Power Finance Corporation Ltd New Delhi			2,576.40	1,695.00	-	-
Bank of India, Housing Loan (Shahapur Branch, Belgaum)	347.44	343.63	404.21	263.00	-	-
Bank of India, Vehicle Loan (Shahapur Branch, Belgaum)	57.60	50.32				
Total (B)	7,122.84	7,443.42	8,962.83	8,768.16	3,505.65	3,418.36
Total (A+B)	15,572.46	16,807.23	19,710.52	13,300.98	6,380.64	5,823.81

Annexure – X
Statement of Unsecured Loan

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
From Directors & Share holders		Nil	Nil	Nil	Nil	Nil
From Friends Related Party						
M V Nooli						30.00
From Others						
Co-operative Societies		-	368.49	232.43	-	1,261.02
Call Deposits			-	-	-	321.16
Fixed Deposit	19.20	8.20	-	-	-	
Total	19.20	8.20	368.49	232.43	-	1,612.18

Annexure – XI
Statement of Sundry Debtors

(₹ in Lakhs)

Particulars		30.06.11	As at March 31,				
			2011	2010	2009	2008	2007
More than six months	Considered good						
	Receivable from Promoter/ Promoter Group Co.						
	Receivable from Others	-	25.48	25.48	-	-	-
	TOTAL (A)	-	25.48	25.48	-	-	-
	Considered Doubtful						
	Receivable from Others						
	Less: Provision						
	TOTAL (B)		-	-	-	-	-
Less than six months	Considered good						
	Receivable from Promoter/ Promoter Group Co*						
	Receivable from Others	1,028.26	983.13	1,076.91	746.51	246.05	53.51
	TOTAL (C)	1,028.26	983.13	1,076.91	746.51	246.05	53.51
	TOTAL (A+B+C)	1,028.26	1,008.61	1,102.39	746.51	246.05	53.51

Note: 1. *Promoter/ Promoter Group Parties as identified by the Management.

Annexure - XII
Statement of Loans & Advances and Current Assets

(₹ in Lakhs)

Particulars	As at June30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
I. Current Assets						
Stores & Spare Parts	426.46	424.51	943.69	261.09	365.42	163.53
KPTCL UI Charges Receivable	-	-	18.14	18.14	30.11	14.42
TDS	23.21	23.21	27.66	25.38	20.39	19.36
Shivakumar & Co	-	-				0.51
Gov't Cane Spl Package Receivable	-	-	-	-	67.92	-
Compost Sales Receivable	18.94	21.62	12.37	170.71	2.18	-
Loan Materials (Hira Sugar) Coal	475.42	475.42	426.20	426.20	-	-
H & T Contractor SB Account	3.12	3.12		1.42	-	-
HESCOM Power Sales Receivable	-	-		144.31	-	-
Cane Transport Subsidy Receivable	-	62.72				
VSL Yalahanka Unit	248.19	297.94	-	128.79	-	-
Security Deposit	65.93	65.94	315.73	148.91	838.72	410.52
Interest Accrued but not due	-	-	117.15	121.34	115.06	87.35
Total	1,261.27	1,374.48	1,860.94	1,446.29	1,439.80	695.69

	As at June 30, 2011	2011	2010	2009	2008	2007
II. Loans & Advances						
Salary Advances	0.29	0.36	0.20	0.24	1.55	
Balance with Income Tax (Net of Provisions)	121.81	121.81	71.81	71.81	76.33	
Balance with Excise, Sales Tax Authorities etc	555.40	636.99	872.60	912.70	112.97	414.94
Advances for Suppliers & Services	464.53	471.67	452.17	657.32	990.73	342.77
Adv to Sugar Cane	-0.77	16.84	21.24	0.18	2.66	
Est. Advance Beed Gang	13.04	14.14	17.52	0.16	0.02	0.72
H & T Advance Recoverable	218.71	395.04			-	-
Store (Cane Account) Diesel	31.02	101.76			-	-
Total	1,404.03	1,758.61	1,435.54	1,642.41	1,184.26	758.43

Annexure – XIII
Statement of Other Income

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
RECURRING						
Conversion Charges Press mud to Compost	-	-	-	-	88.55	-
Cenvat Income	76.37	228.00	192.21	172.78	60.63	99.55
Discount Received	-	-	0.48	-	-	0.23
Ethanol Transport Charges	-	-	-	-	-	6.24
Rent on Building	0.03	0.12	0.12	0.12	0.14	-
Rent on Reliance Tower	-	0.30	0.63	0.23	-	-
Dividend	-	0.02	0.02	0.06	-	0.03
Interest Income	-	0.92	8.64	41.91	35.83	41.25
KPTCL U I Charges	-	-	-	-	-	6.84
Bullock Cart Hire Charges	2.68	4.29	6.44	6.59	9.94	4.03
Store Overhead Charges	-	-	-	1.14	11.65	-
Inter Segment Transfer	1,246.15	7,360.97	5,318.34	3,127.21	2,125.93	1,183.13
Cane Compensation	-	-	-	107.92	-	-
Cane Transport Subsidy	-	62.72	6.45	-	-	-
Compost Transport Charges	-	0.35	1.09	2.97	-	-
HESCOM Power Charges	-	-	-	144.31	-	-
Vehicle Hire Charges	-	-	0.11	0.32	-	-
Repairs Tools & Tackles	-	0.21	0.82	0.23	0.06	-
NON RECURRING						
Dep Written Back (Change of Dep Method)	-	-	1.29	-	-	673.05
Miscellaneous/ Other		7.17	0.02	0.02	0.04	10.12
Fine Received	0.25	0.97	-	0.02	0.43	0.38
Insurance Claim		74.10	24.12	5.76	20.80	0.58
Profit on Sale of Old Machinery		100.28			-	-
Interest on Income Tax		-			0.60	-
Write off Income		104.47			29.87	-
Bullock Cart Insurance	1.00	0.86		1.72	-	-
Recovery Traveling Expenses		-		0.07	-	-
Round off				-	-	0.02
TOTAL	1,326.48	7,945.75	5,560.78	3,613.38	2,384.47	2,025.45

Notes:

1. The classification of other income by the management into recurring and non-recurring is based on the current Operations and business activities of the company.
2. The aforesaid other income relates to business activity

Annexure – XIV
Statement of Capitalization

(₹ in Lakhs)

Particulars	Pre issue as at June 30, 2011	Post Issue
Borrowings:		
Secured:		
Short term Debts	8449.62	[●]
Long term Debts	7122.84	[●]
Unsecured:		
Short term Debts	19.20	[●]
Total Debts	15591.66	[●]
Shareholders' Funds:		
Share Capital	3455.60	[●]
Security Premium Account	1466.39	[●]
General Reserve	10901.73	[●]
Less:-		
Debit Balance in Profit & Loss Account		
Misc. Expenses not written off	84.85	[●]
Total Shareholders' Funds	15738.87	[●]
Long term Debt/ Equity ratio	0.45	[●]
Total Debt/Equity ratio	0.99	[●]

* Post Issue Shareholders' Funds can be calculated only on the conclusion of book building process.

Annexure – XV
Statement of Significant Accounting Ratios

(₹ in Lakhs)

PARTICULARS	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Net Worth	15,738.87	15,442.01	10,131.18	8,334.57	6,081.06	3,352.43
Net Profit After Tax	341.95	4,302.21	1,794.56	2,251.80	2,164.85	706.97
No. of shares outstanding at end of the year	345.56	345.56	3.40	3.40	3.40	3.31
Weighted Average no. of shares outstanding at the end of the year	345.56	341.95	3.40	3.40	3.33	3.31
Nominal Value of Shares	10.00	10.00	1,000.00	1,000.00	1,000.00	1,000.00
Basic/Diluted Earning Per Share (EPS) Rs.	0.99	12.58	527.81	662.29	650.11	213.59
NAV Per Share (Rs)	45.55	44.69	2,976.62	2,448.76	1,788.55	1,013.45
Return on Net Worth:	2.17	27.86	17.71	27.02	35.60	21.09

Notes:

- The face value of Equity Share was Rs 1000/- each for 2007 to 2010 and the same was converted into Rs 10/- each as on 13.05.2010. The aforesaid statement of Significant Accounting ratios is based on Restated Statement of Assets & Liabilities and Profits & Losses Account

The Ratios have been computed as per the following formula:

- Earning per Equity Share: (Adjusted Net Profit after Tax)/ (Weighted Average number of Equity Shares)
- Net Asset Value: (Adjusted Net assets after reduction of Miscellaneous Expenditure not written off)/ (Equity Shares outstanding at the end of year)
- Return on Net Worth: (Adjusted Net Profit after Tax/Adjusted Equity Share holders Fund after reduction of Miscellaneous Expenditure not written off at the end of the year)
- Net Profit, as restated and appearing in the statement of profit and losses has been considered for the purpose of computing the above ratios. These ratios are computed on the basis of the restated financial statements of the company
- Earnings per share calculations have been done in accordance with Accounting standard- 20 "Earning per share" issued by the Institute of Chartered Accountants of India.

Annexure XVI
Statement of Current Liabilities and Provisions:

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
CURRENT LIABILITIES						
Sundry Creditors	281.46	397.63	1,598.34	2,043.05	84.53	167.72
Other Liabilities	5,558.15	8,186.65	7,274.24	3,405.35	2,327.42	1,550.81
Sub-Total	5,839.61	8,584.28	8,872.58	5,448.40	2,411.95	1,718.53
PROVISIONS						
Provisions for Income Tax (MAT)	1,186.95	1,101.41	328.06	258.61	280.00	-
Gratuity Payable	7.31	7.31	1.88	1.12	0.74	0.61
Interest on Term Loan SBI	59.56	58.63	-	-	-	-
Interest on H & T Loan	211.13	141.57	123.48	100.85	65.89	34.34
Interest on BDCC Bank Term Loan	17.13					
Sub-Total	1,482.08	1,308.92	453.42	360.58	346.63	34.95
TOTAL AS PER AUDITED STATEMENT	7,321.69	9,893.20	9,326.00	5,808.98	2,758.58	1,753.48
Add: Prior Period Adjustment						
ADJUSTED CURRENT LIABILITIES & PROVISIONS	7,321.69	9,893.20	9,326.00	5,808.98	2,758.58	1,753.48

Note :

- Deferred Tax Liabilities Rs. 34.78 Lakhs shown in separately Annexure I (E) (Restated Summary statement of Assets)
- Break-up of Other Liabilities**

Particulars	As at June 30, 2011	As at 31st March,				
		2011	2010	2009	2008	2007
Duties & Taxes Payable	1,136.46	1,111.64	862.19	492.21	319.24	231.11
H & T Contractors adv recovered & payment to bank	-	-	229.96	218.07	178.11	163.41
Advance From Hira Sugar Sankeshwar (Coal)	-	-	-	500.00	-	-
Cane Payable	33.00	2,681.95	3,149.32	663.26	856.49	664.19
H & T Payable	25.49	434.32	162.23	43.77	81.58	76.73
H & T Contractors Commission Payable	177.50	248.65	253.01	73.74	120.60	70.00
H & T Loan Advance	2,480.00	2,480.00	1,996.51	871.89	541.94	244.21
EST Advance (3)	-	-	0.23	0.23	0.23	-
Vehicle Loan (Staff)	-	0.41	0.48	0.48	0.53	-
Sinking Fund	0.92	0.92	0.92	0.92	0.78	-

Particulars	As at June 30, 2011	As at 31st March,				
		2011	2010	2009	2008	2007
Audit & Tax Consultation Fees Payable	5.00	5.00	3.00	3.00	2.24	2.25
Company Secretary Fees Payable	2.00	2.00	1.00	1.00	-	-
Salary Payable	60.50	60.11	20.51	16.82	14.19	14.32
Security Deposit Payable	1,337.13	823.56	985.46	510.46	211.49	64.52
Interest on Unsecured Loan\ Call Deposit	-	-	-	9.50	-	20.07
VSSIL Yalahanka Unit	249.03	258.44	-	-	-	-
Director Remuneration Payable	5.25	1.68	-	-	-	-

Annexure-XVII
Statement of Tax Shelter

(₹ in Lakhs)

Particulars	For the quarter ended June 30, 2011	For the year ended March 31,				
		2011	2010	2009	2008	2007
Profit/(Loss) before taxes as per books	427.49	5,403.62	2,122.62	2,510.41	2,471.19	706.97
Income Tax Rates						
Normal Tax Rates	30.00	30.00	30.00	30.00	30.00	30.00
Minimum Alternate Tax Rates (MAT Rates)	18.50	18.00	15.00	10.00	10.00	0.00
Adjustments:						
Permanent Differences						
Others (Net)						
Total Permanent Differences		-	-	-	-	-
Timing Differences						
Difference between book depreciation and tax depreciation		(1,192.07)	(772.24)	(314.91)	(530.15)	(1,112.73)
Net disallowances under section 43B		362.84	355.69	195.26	0.00	223.83
Others U/s 37		0.00	25.95	0.00	0.25	
Total Timing Differences	0.00	(829.23)	(390.60)	(119.65)	(529.90)	(888.90)
Net Adjustments	0.00	(829.23)	(390.60)	(119.65)	(529.90)	(888.90)
Profit/(Loss) before brought forward losses	427.49	4,574.39	1,732.02	2,390.76	1,941.29	(181.93)
Brought Forward Loss / unabsorbed Depreciation	0.00	0.00	0.00	0.00	(1,744.41)	(1,009.83)
Total Profit (Loss)	427.49	4,574.39	1,732.02	2,390.76	196.88	(1,191.76)
Deduction		2,228.56	1,567.62	2,470.47	0.00	673.49
Total Taxable Profit(Loss)	427.49	2,345.83	164.40	(79.71)	196.88	(1,865.25)
Tax as per normal provisions	Nil	Nil	56.14	Nil	Nil	Nil
Books Profit as per MAT Provisions	427.49	5,403.62	2,122.62	2,510.41	2,471.19	Nil
Tax as per MAT Provisions	85.54	1,101.41	328.06	258.61	280.00	Nil

Note: F.A 2011 MAT Provision is made at 19.9305% instated of 20.394 as per current tax rate.

**Annexure XVIII
Segment Report : Sugar**

(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	SEGMENT REVENUE						
	External Sales	5,133.82	19,553.35	11,822.54	4,104.61	6,418.20	2,911.13
	Inter- segment Sales	555.49	3,981.04	2,455.36	980.54	903.70	-
	Total Revenue	5,689.31	23,534.39	14,277.90	5,085.15	7,321.90	2,911.13
2	SEGMENT RESULT	525.73	10,096.46	5,835.57	1,559.56	2,471.00	68.23
3	OTHER INFORMATION						
	Segment Assets	10,242.55	10,109.77	9,493.89	6,991.64	3,650.38	3,218.43
	Unallocated corporate Assets						
	Total assets	10,242.55	10,109.77	9,493.89	6,991.64	3,650.38	3,218.43
	Segment Liabilities	14,108.03	18,083.97	19,079.17	9,285.80	5,638.05	3,994.73
	Unallocated corporate liabilities						
	Total Liabilities	14,108.03	18,083.97	19,079.17	9,285.80	5,638.05	3,994.73
	Capital expenditure	7,815.51	615.88	2,502.26	3,341.26	431.95	791.39
	Unallocated Corporate Capital Expenditure						
	Total Capital expenditure	7,815.51	615.88	2,502.26	3,341.26	431.95	791.39
	Depreciation	127.08	495.43	328.53	174.34	161.52	149.10
	Unallocated corporate Depreciation						
	Total Depreciation.	127.08	495.43	328.53	174.34	161.52	149.10

Segment Report : Co-generation

(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	SEGMENT REVENUE						
	External Sales	953.13	3,445.91	3,300.68	3,145.50	1,933.76	977.68
	Inter- segment Sales	330.78	2,183.66	1,843.64	1,678.11	1,199.96	881.83
	Total Revenue	1,283.91	5,629.56	5,144.32	4,823.61	3,133.73	1,859.51
2	SEGMENT RESULT	1,266.51	3,840.07	2,768.35	4,332.13	2,975.41	1,783.11
3	OTHER INFORMATION						
	Segment Assets	10,950.21	10,950.13	10,764.42	9,501.65	4,858.60	4,823.57
	Unallocated corporate						

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
	Assets						
	Total assets	10,950.21	10,950.13	10,764.42	9,501.65	4,858.60	4,823.57
	Segment Liabilities	4,789.55	4,868.63	4,970.60	4,473.00	1,661.23	2,327.75
	Unallocated corporate liabilities						
	Total Liabilities	4,789.55	4,868.63	4,970.60	4,473.00	1,661.23	2,327.75
	Capital expenditure	0.08	185.71	1,262.77	4,643.05	35.03	769.56
	Unallocated Corporate Capital Expenditure						
	Total Capital expenditure	0.08	185.71	1,262.77	4,643.05	35.03	769.56
	Depreciation	137.15	546.59	384.49	229.03	228.09	227.63
	Unallocated corporate Depreciation						
	Total Depreciation.	137.15	546.59	384.49	229.03	228.09	227.63

Segment Report : Distillery

(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	SEGMENT REVENUE						
	External Sales	434.17	1,586.54	713.75	1,161.76	913.70	1,255.18
	Inter- segment Sales	359.88	1,196.27	1,019.34	228.57	22.26	301.30
	Total Revenue	794.05	2,782.81	1,733.09	1,390.33	935.96	1,556.48
2	SEGMENT RESULT	341.94	846.55	(146.27)	626.38	211.50	676.19
3	OTHER INFORMATION						
	Segment Assets	1,642.34	1,616.25	1,550.65	1,492.77	1,124.87	1,086.82
	Unallocated corporate Assets						
	Total assets	1,642.34	1,616.25	1,550.65	1,492.77	1,124.87	1,086.82
	Segment Liabilities	1,199.81	869.16	1,999.46	1,782.83	1,386.46	974.99
	Unallocated corporate liabilities						
	Total Liabilities	1,199.81	869.16	1,999.46	1,782.83	1,386.46	974.99
	Capital expenditure	26.09	65.59	57.88	367.91	38.04	50.47
	Unallocated Corporate Capital Expenditure						
	Total Capital expenditure	26.09	65.59	57.88	367.91	38.04	50.47
	Depreciation	18.91	73.65	59.46	48.36	47.13	45.77
	Unallocated corporate Depreciation						
	Total Depreciation.	18.91	73.65	59.46	48.36	47.13	45.77

Segment Report : IMFL
(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	SEGMENT REVENUE						
	External Sales	1,193.10	5,998.95	5,283.46	3,192.61	113.24	-
	Inter- segment Sales	-	-	-	-	-	-
	Total Revenue	1,193.10	5,998.95	5,283.46	3,192.61	113.24	-
2	SEGMENT RESULT	586.21	(827.33)	(709.69)	(0.64)	(20.17)	-
3	OTHER INFORMATION						
	Segment Assets	135.12	135.12	21.90	21.90	21.90	-
	Unallocated corporate Assets						
	Total assets	135.12	135.12	21.90	21.90	21.90	-
	Segment Liabilities	-	-				
	Unallocated corporate liabilities						
	Total Liabilities	-	-	-	-	-	-
	Capital expenditure	-	113.22	-	-	21.90	-
	Unallocated Corporate Capital Expenditure						
	Total Capital expenditure	-	113.22	-	-	21.90	-
	Depreciation	1.79	4.14	1.16	1.16	0.58	
	Unallocated corporate Depreciation						
	Total Depreciation.	1.79	4.14	1.16	1.16	0.58	-

Segment Report : IMFL YALAHANKA UNIT
(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	SEGMENT REVENUE						
	External Sales	613.60	5,550.10	6,912.64	-	-	-
	Inter- segment Sales	-	-	-	-	-	-
	Total Revenue	613.60	5,550.10	6,912.64	-	-	-
2	SEGMENT RESULT	30.10	185.73	306.57	-	-	-
3	OTHER INFORMATION						

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
	Segment Assets	-	-	-	-	-	-
	Unallocated corporate Assets						
	Total assets	-	-	-	-	-	-
	Segment Liabilities	61.16	61.16	69.35	-	-	-
	Unallocated corporate liabilities						
	Total Liabilities	61.16	61.16	69.35	-	-	-
	Capital expenditure	-	-	-	-	-	-
	Unallocated Corporate Capital Expenditure						
	Total Capital expenditure	-	-	-	-	-	-
	Depreciation	-	-	-	-	-	-
	Unallocated corporate Depreciation						
	Total Depreciation.	613.60	5,550.10	6,912.64	-	-	-

Segment Report : OTHERS

(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	SEGMENT REVENUE						
	External Sales	45.19	37.13	3.44	2.58	49.89	24.93
	Inter- segment Sales						
	Total Revenue	45.19	37.13	3.44	2.58	49.89	24.93
2	SEGMENT RESULT						
		-	-	-	-	-	-
3	OTHER INFORMATION						
	Segment Assets	-	-	-	-	-	-
	Unallocated corporate Assets	-	-	-	-	-	-
	Total assets						
	Segment Liabilities	-	-	-	-	-	-
	Unallocated corporate liabilities	-	-	-	-	-	-
	Total Liabilities						-
	Capital expenditure	-	-	-	-	-	-
	Unallocated Corporate Capital Expenditure	-	-	-	-	-	-
	Total Capital expenditure						
	Depreciation	-	-	-	-	-	-

Segment Report : TOTAL
(₹ in Lakhs)

SL.NO	Particulars	As at June 30, 2011	As at March 31,				
			2011	2010	2009	2008	2007
1	REVENUE						
	External Sales	8,373.01	36,171.98	28,036.50	11,607.05	9,428.79	5,168.91
	Inter- segment Sales	1,246.15	7,360.97	5,318.34	2,887.22	2,125.93	1,183.13
	Total Revenue	9,619.16	43,532.95	33,354.83	14,494.27	11,554.72	6,352.05
	Less: Elimination (Inter-Segment)	1,246.15	7,360.97	5,318.34	2,887.22	2,125.93	1,183.13
	Net Revenue	8,373.01	36,171.98	28,036.50	11,607.05	9,428.79	5,168.91
2	SEGMENT RESULTS	2,795.69	14,178.62	8,057.96	6,520.01	5,687.63	2,552.46
	Unallocated corporate expenses	1,595.49	5,474.76	3,652.34	3,351.14	2,090.35	1,576.22
	Operating Profit	1,200.20	8,703.86	4,405.62	3,168.87	3,597.28	976.24
	Interest Expenses	568.11	2,764.02	1,749.75	930.01	945.59	687.36
	Interest & other Income	80.32	585.64	242.43	726.16	258.53	842.31
	Profit from Ordinary Activities	712.42	6,525.48	2,898.31	2,965.01	2,910.22	1,131.18
	Extra- ordinary items	370.47	2,223.27	1,103.75	713.21	745.37	424.21
	Net profit	341.95	4,302.21	1,794.56	2,251.80	2,164.85	706.97
3	OTHER INFORMATION						
	Segment Assets	22,970.22	22,811.27	21,830.86	18,007.96	9,655.75	9,128.83
	Unallocated corporate Assets	19,243.91	19,402.86	17,748.29	9,714.00	5,611.23	3,435.15
	Total assets	42,214.13	42,214.13	39,579.15	27,721.96	15,266.98	12,563.98
	Segment Liabilities	20,158.55	23,882.91	26,118.59	15,541.63	8,685.74	7,297.47
	Unallocated corporate liabilities	22,055.58	18,331.22	13,460.56	12,180.33	6,581.23	5,266.51
	Total Liabilities	42,214.13	42,214.13	39,579.15	27,721.96	15,266.98	12,563.98
	Capital expenditure	158.95	980.41	3,822.90	8,352.21	526.92	1,611.43
	Unallocated Corporate Capital Expenditure						
	Total Capital expenditure	158.95	980.41	3,822.90	8,352.21	526.92	1,611.43
	Depreciation	284.93	1,119.81	773.64	452.89	437.32	422.50

Notes:

- Extra ordinary items includes Depreciation, Preliminary Expenses Written off, Deferred Tax Liabilities & MAT Provision
- Segment reporting has been reworked as per the requirement of Accounting Standard-17.

Annexure – XIX
Statement of Reserve & Surplus

(₹ in Lakhs)

Particulars	As at June 30, 2011	As at March 31,				
		2011	2010	2009	2008	2007
Profit & Loss Account						
Opening Balance (Accumulated Profit/loss)	10,559.78	6,257.57	4,463.01	2,211.21	46.36	(660.61)
Add: Net Profit	341.95	4,302.21	1,794.56	2,251.80	2,164.85	706.97
Less: Net Loss	-	-	-	-	-	-
Total A	10,901.73	10,559.78	6,257.57	4,463.01	2,211.21	46.36
Security Premium Account	1,466.39	1,466.39	478.20	478.20	478.20	-
Total B	1,466.39	1,466.39	478.20	478.20	478.20	-
Total A + B	12,368.12	12,026.17	6,735.77	4,941.21	2,689.41	46.36

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations unless otherwise stated, is based upon, and should be read in conjunction with our restated financial statements for the quarter ended June 30, 2011 and financial years ended March 31, 2011, 2010, 2009, 2008 and 2007, including the schedules, annexure and notes thereto and the reports thereon beginning on page 208 of this Draft Red Herring Prospectus. These financial statements are based on our audited financial statements prepared in accordance with Indian GAAP, the Accounting Standards and other applicable provisions of the Companies Act and are restated in accordance with the SEBI (ICDR) Regulations. Our financial year ends on March 31 of each year. Accordingly, all references to a particular financial year are to the twelve month period ended March 31 of that year.

The following discussion and analysis contains forward-looking statements that reflect our current views with regard to our plans, estimates and beliefs and involve risks and uncertainties. Our actual results may differ materially from those discussed in these forward-looking statements. For additional information regarding such risks and uncertainties, please refer to section titled "Forward Looking Statements" and "Risk Factors" beginning on pages 11 and 12 respectively of this Draft Red Herring Prospectus.

Business Overview

We are primarily into the business of production of sugar, alcoholic spirits by distillation including ethanol, blending and bottling of Indian Made Foreign Liquor (IMFL) and generation of power. Our Company has an integrated sugar production facility located at Bellad Bagewadi, Belgaum District in North West Karnataka, which has been classified as a High Recovery Zone for sugar production by the Government of India.

In the process of sugar production, by-products such as bagasse and molasses are produced which are used as raw materials to generate power and Ethanol/IMFL production respectively. The sugar unit of our integrated production facility first crushes the sugarcane to extract sugarcane juice which is then further processed to produce sugar. After the sugarcane juice is extracted for further processing, the residual fibre i.e. Bagasse is utilized as fuel in the boilers to produce steam for running the turbines of our co-generation unit to generate power. The molasses produced in the process of sugar production is fermented and distilled to manufacture Ethanol and IMFL in the distillery unit of our integrated production facility.

Competitive Strength

1. We have a cane growing area of 49 villages reserved for supply of sugarcane to our integrated production facility.
2. Our consumption of power per ton of sugarcane crushed is low leading to higher availability of exportable power.
3. We sell a major portion of our surplus power on merchant power sale basis.
4. We have installed Distributed Control System (DCS) at our sugarcane milling and co-generation facilities for precision system management.
5. Integrated operations and economies of scale.
6. In-house availability of raw materials and power leads to reduction in cost of production and dependence on third parties.
7. Established presence of our IMFL products.
8. Integrated sugar production facility leading to diversified business segments.
9. Experienced and qualified management and executives.

Key Business Strategy

1. Increasing our revenues from sugar, power and distillery products in the State of Karnataka.

2. Sale of surplus power generated by the co-generation unit.
3. The proposed expansion of the co-generation unit of our integrated production facility will lead to cost effective power generation.
4. Expansion of our distillery unit will enable higher production and sale of our IMFL products.
5. Increase the sale of IMFL products by entering into contract manufacturing arrangements with licensed manufacturers.

Proposed Expansion

We now propose to expand our integrated production facility situated in Belgaum District by increasing the sugarcane crushing capacity from 5500 TCD to 11000 TCD. We further propose to install a new boiler of 150 TPH capacity of 110 kg/cm² pressure and a suitable turbine to our co-generation unit to enable us have a total installed power generation capacity of 66.40 MW. From the proceeds of the Issue, we also propose to deploy a part of the funds as capital expenditure to expand the capacity of our distillery from the present 35 KLPD to 100 KLPD leading to a n increase in our IMFL production capacity from 2500 Boxes per day to 5000 Boxes per day.

Significant Developments after June 30, 2011 that may affect our Future Results of Operations

The Directors confirm that there have been no events or circumstances since the date of the last financial statements as disclosed in the DRHP which materially or adversely affect or is likely to affect the manufacturing or profitability of our company, or the value of our assets, or our ability to pay liabilities within next twelve months.

Factors affecting our Result of Operation

Unless otherwise stated in this Draft Red Herring Prospectus and under the Section titled "Risk Factors" beginning on page 12 of this Draft Red Herring Prospectus, the following important factors could cause actual results to differ materially from the expectations include, among others:

Sugar Pricing

The Government has been following a dual pricing policy for sugar, under which, a fixed percentage of the total production is to be necessarily sold by the sugar mills to the Government or its nominees at a pre-determined price referred to as "*levy sugar*". The sugar so collected is distributed to consumers through Fair Price Shops under the Public Distribution System. The balance sugar referred to as "*free sale sugar*" can be sold in the open market. The current ratio of *free sale sugar* to *levy sugar* is 90:10 i.e. 10% of sugar produced is to be sold at prices fixed by Government for different levy price zones in the country. Every month fixed quantities of *levy* and *free sale* sugar is released to each factory. In respect of *levy sugar*, specified buyers are nominated by the Government.

Availability of Raw Material

Since we do not own any land for cultivation of sugarcane, we purchase all of our sugarcane directly from independent farmers from within and outside our reserved area. A farmer growing sugarcane within the reserved forty nine (49) villages around our manufacturing facility, known as our reserved area, is required to sell the sugarcane to our Company and we are under an obligation to purchase the sugarcane from these farmers. However, the farmers within our reserved area have no legal or contractual obligation to cultivate sugarcane and may instead grow other crops. If the farmers within our reserved area cultivate other crops, or otherwise limit their cultivation of sugarcane, we may have a shortage of the raw material.

Also, Molasses, a by-product of sugarcane, is the primary raw material for making rectified spirit which is further re-distilled to produce neutral spirit, the basic raw material for manufacturing IMFL products. Thus any shortage in supply of sugarcane may adversely impact the production of IMFL and the operations of Distillery Unit.

Cost of Raw Material

Sugarcane is the main raw material in the production of sugar and accounts for around 65-70% of the cost of production. Financial performance therefore has a high co-relation to sugar cane prices. Any increase in the sugarcane price adversely impacts profitability. Sugarcane prices are regulated by the Government. The Central Government regulates the purchase price of sugarcane and fixes the Fair and Remunerative Price (FRP), being the minimum price of sugarcane that the sugar producers must pay to the sugarcane growers within a specified time.

Sugar Prices are cyclical and affected by general economic conditions

The production cycle affects the sugar industry which is sensitive to changes in the domestic market prices, supply and demand. Being cyclical in nature, realisations get adversely affected during a downturn. Higher cane price or higher production than demand affects profitability. The sugar industry in India has often witnessed periods of limited supply of sugar because of various reasons. This has impact on the price of sugar and profit margins of the various players in the industry. Further, any decrease in the prevailing duty rates on the import of sugar by the Central Government may make the import of sugar an attractive proposition, thereby severely affecting the price of domestic sugar and consequently affecting the financial condition of our Company.

Central and State Government Policy

Sugar is the second largest agro processing industry in India Sugar being an essential commodity and having a high weightage (3.63 %) in the Wholesale Price Index (WPI), is regulated by the Government through control on cane pricing, external trade, and control on sugar that can be sold in the open market. Domestic sugar sales are regulated by the Central Government which decides how much a mill can sell in the open market i.e. free sale quota and how much is to be released by the mills for distribution through the public distribution system that is levy quota.

The IMFL industry is subject to the State Government policies. This industry is subject to heavy levy of excise and other duties which is above three hundred percent (300%). Any increase in the excise levies of the State Government may have an adverse effect on the consumption patterns of the consumer of our IMFL products leading to reduced sales of our products which may adversely affect our financials

Our ability to successfully implement its strategy and its growth and expansion plans

Our growth plans are considerable and would put significant demands on our management team and other resources. Any delay in implementation of our strategy and growth and expansion plans could impact our Company's roll out schedules and cause cost and time over runs.

Financial Management

Sugar industry is highly working capital intensive. Sugar operations are seasonal in nature. Crushing operations last for an average of around 125 days, whereas sale of sugar is throughout the year. However, crushing duration varies across the country depending on cane availability etc. Working capital is therefore required during the crushing season and gets liquidated out of sales proceeds. Efficient working capital management lowers interest cost and improves profitability.

Climatic Conditions

Sugar cultivation is monsoon-dependent. Consequently, business is often unpredictable and vulnerable, particularly in adverse climatic conditions.

Increasing competition in the industry

Our Company faces competition from imported and cheaper products. Our Company operates in competitive

environment which may force us to reduce the price of the products and it may have an effect on our margins.

Changes in the foreign exchange control regulations, interest rates and tax laws in India

Any change in the foreign exchange control regulation, mainly interest rates and tax laws pertaining to India affects the liquidity of cash in the market which in turn affects the purchasing power of the economy. Any changes in aforesaid regulations may adversely affect our operations.

Any adverse outcome in the legal proceedings in which we are involved

We are involved in certain legal proceedings. In the event that all of the cases are decided against us, they could have a material adverse effect on our results of operations.

Production & Revenue Generation

We have a wider range of operations consisting of Sugar, IMFL, Co-Generation, Distillery and Others. We earn majority of our revenue from manufacture & sale of Sugar and IMFL.

Statement of Turnover

(₹ In Lakhs)										
Particulars	June 30, 2011	% of Total Sales	March 31, 2011	% of Total Sales	March 31, 2010	% of Total Sales	March 31, 2009	% of Total Sales	March 31, 2008	% of Total Sales
Sugar Unit	5133.82	61.31	19,553.35	54.06	11,822.54	42.17	4,104.61	35.36	6,418.20	68.07
IMFL Unit	1806.70	21.58	11,549.05	31.93	12,196.10	43.50	3,192.61	27.51	113.24	1.20
Distillery Unit	434.17	5.19	1,586.54	4.39	713.75	2.55	1,161.76	10.01	913.70	9.69
Co-generation Unit	953.13	11.38	3,445.91	9.53	3300.68	11.77	3145.50	27.10	1,933.76	20.51
Other	45.19	0.54	37.13	0.10	3.44	0.01	2.58	0.02	49.89	0.53
Total Turnover	8,373.01	100	36,171.98	100	28036.51	100	11,607.06	100	9,428.79	100

Results of our Operations

(₹ In Lakhs)								
Particulars	March 31, 2011	% of Total Income	March 31, 2010	% of Total Income	March 31, 2009	% of Total Income	March 31, 2008	% of Total Income
Income								
Manufactured Goods	36171.98	76.16	28,036.50	67.51	11,607.05	60.87	9,428.78	73.51
Other Income	7945.75	16.73	5560.78	13.39	3613.38	18.95	2384.47	18.59
Increase/ (Decrease) in Inventory	3378.40	7.11	7931.24	19.10	3849.33	20.19	1013.20	7.90
Total Income	47496.13	100.00	41,528.52	100.00	19,069.76	100.00	12,826.45	100.00

Particulars	March 31, 2011	% of Total Income	March 31, 2010	% of Total Income	March 31, 2009	% of Total Income	March 31, 2008	% of Total Income
Expenditure								
Raw Material Consumed	24908.72	52.44	23369.04	56.27	10,306.56	54.05	7458.95	58.15
Manufacturing Expenses	3460.58	7.29	3564.99	8.58	1878.58	9.85	984.32	7.674
Administrative and Other Expenses	9837.34	20.71	9946.44	23.95	2989.60	15.68	527.37	4.11
Finance Cost	2764.01	5.82	1749.75	4.21	930.01	4.88	945.59	7.37
Depreciation & Amortisation	1119.81	2.36	773.64	1.86	452.89	2.37	437.32	3.41
Total Expenditure	42090.46	88.62	39,403.86	94.88	16,557.26	86.83	8,491.93	66.21
Profit for the Period	5405.67	11.38	2,124.66	5.12	2512.50	13.17	2472.90	19.28
Less : Preliminary Expenses	2.05	0.00	2.04	0.00	1.71	0.01	1.71	0.01
Profit Before Tax	5403.62	11.38	2,122.62	5.11	2510.41	13.16	2471.19	19.27
Provision For Income Tax	1101.41	2.32	328.06	0.79	258.61	1.36	280.00	2.18
Deferred Tax Liability	0.00	0.00	0.00	0.00	0.00	0.00	26.34	0.21
Profit After Tax	4302.21	9.06	1794.56	4.32	2252.80	11.81	2164.85	16.88

Statement of Other Income

(₹ In Lakhs)

Particulars	June 30, 2011	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Other Income:					
Recurring					
Conversion Charges Press mud to Compost	--	--	--	--	88.55
Cenvat Income	76.37	228.00	192.21	172.78	60.63
Discount Received	--	--	0.48	--	--
Ethanol Transport Charges	--	--	--	--	--
Rent on Building	0.03	0.12	0.12	0.12	0.14
Rent on Reliance Tower	--	0.30	0.63	0.23	--
Dividend	--	0.02	0.02	0.06	--
Interest Income	--	0.92	8.64	41.91	35.83
KPTCL U I Charges	--	--	--	--	--
BulLakhk Cart Hire Charges	2.68	4.29	6.44	6.59	9.94
Store Overhead Charges	--	--	--	1.14	11.65
Inter Segment Transfer	1,246.15	7,360.97	5,318.34	3,127.21	2,125.93
Cane Compensation	--	--	--	107.92	--
Cane Transport Subsidy	--	62.72	6.45	--	--

Particulars	June 30, 2011	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008
Compost Transport Charges	--	0.35	1.09	2.97	--
HESCOM Power Charges	--	--	--	144.31	--
Vehicle Hire Charges	--	--	0.11	0.32	--
Repairs Tools & Tackles	--	0.21	0.82	0.23	0.06
Non Recurring					
Depreciation Written Back (Change of Depreciation Method)	--	--	1.29	--	--
Miscellaneous	--	7.17	0.02	0.02	0.04
Fine Received	0.25	0.97	--	0.02	0.43
Insurance Claim	--	74.10	24.12	5.76	20.80
Profit on Sale of Old Machinery	--	100.28	--	--	--
Interest on Income Tax	--	--	--	--	0.60
Wright Off Income	--	104.47	--	--	29.87
Bullock Cart Insurance	1.00	0.86	--	1.72	--
Recovery Traveling Expenses	--	--	--	0.07	--
Round off	--	--	--	--	--
Total	1,326.48	7,945.75	5,560.78	3,613.38	2,384.47

Results for the quarter ended June 30, 2011

Particulars	₹ In Lakhs	
	June 30, 2011	% of Total Income
Income		
Manufactured Goods	8373.01	124.68
Total Sales	8373.01	124.68
Other Income	1326.48	19.75
Increase/(Decrease) in Inventory	(2983.89)	(44.43)
Total Income	6715.60	100.00
Expenditure		
Raw Material Consumed	3229.71	48.09
Manufacturing Expenses	972.80	14.49
Administrative and Other Expenses	1232.55	18.35
Finance Cost	568.12	8.46
Depreciation & Amortization	284.93	4.24
Total Expenditure	6288.11	93.63
Profit for the Period	427.49	6.36
Less : Preliminary Expenses	0.00	0.00
Profit Before Tax	427.49	6.36
Provision For Income Tax	85.54	1.27
Deferred Tax Liability	0.00	0.00
Profit After Tax	341.95	5.09

Results for the Financial Year ended March 31, 2011 as compared to the results for the year ended March 31, 2010***Income***

The total income increased by 14.37%, i.e. ₹47,496.13 Lakhs for the F.Y.2010-2011 compared to ₹ 41,528.52 Lakhs for the F.Y. 2009-2010.

Turnover of our Company has increased by 29.02%, which is ₹36,171.98 Lakhs for the F.Y.2010-2011, compared to ₹28,036.50 Lakhs for the F.Y. 2009-2010. Increase in turnover, was due to capacity expansion of Sugarcane crushing from 2500 TCD to 5500 TCD in November /December 2009 as well as increase in Co-Generation Power Plant capacity from 14 MW to 36.4 MW at the same time.

The Other Income increased by 42.89% i.e. ₹7,945.75 Lakhs for the F.Y. 2010-2011 as compared to ₹5,560.78 Lakhs for the F.Y. 2009-2010. This is mainly due to increase in Inter segment transfer on account of increase in Sugar Cane crushing.

Expenditure

Total expenditure (including finance charges, except depreciation) is ₹40,970.65 Lakhs for the F.Y. 2010-2011 compared to ₹38,630.22 Lakhs for the F.Y. 2009-2010. The increase of 6.06 % in Total Expenditure was on account of overall increase in production.

Raw Material Consumed

The Raw Material consumed is ₹ 24,908.72 Lakhs for the F.Y. 2010-2011 constituting 68.86 % of total sales, as compared to ₹23,369.04 Lakhs constituting 83.35 % of Total Sales for the F.Y. 2009-2010. The change is primarily on account of optimum capacity utilisation in all the business segments.

Manufacturing Expenses

The manufacturing expenses of our Company for the F.Y. 2010-2011 is ₹3,460.58 Lakhs constituting 9.54% of total sales, as compared to ₹ 3,564.99 Lakhs constituting 12.72% of Total Sales for the F.Y. 2009-2010. The decrease is due to optimum utilisation of resources.

Employee Cost

The Employee cost of our Company for the F.Y. 2010-2011 is ₹533.40 Lakhs as compared to ₹ 255.67 Lakhs for the F.Y. 2009-2010. The increase of 108.63% is due to additional manpower recruitment and revision in salaries of existing employees.

Administrative cost

The Administrative cost of our Company for the F.Y. 2010-2011 is ₹ 9,837.34 Lakhs as compared to ₹9,946.44 Lakhs in F.Y. 2009-2010. The decrease of 1.10% is in line with business growth.

Depreciation

Depreciation F.Y. 2010- 2011 was ₹1,119.81 Lakhs as compared to ₹773.64 Lakhs for the F.Y. 2009-2010. The increase of 44.74% is due to addition in fixed assets in the second half of F.Y. 2009- 2010 leading to part provisioning of Depreciation in the F.Y. 2009- 2010 and full provisioning the F.Y. 2010-2011.

Finance Charges

Finance charges of our Company for the F.Y. 2010-11 amounted to ₹2,764.01 Lakhs as compared to ₹1,749.75 Lakhs for the F.Y. 2009-10. The increase of 57.96% is due to increase in interest amount on borrowings of our Company for capital expenditure and enhanced utilisation of working capital due to increase in inventory of finished goods.

Profit after Tax (PAT)

PAT of our Company for the F.Y. 2010-2011 amounted to ₹4,302.21 Lakhs as compared to ₹1,794.56 Lakhs for the F.Y. 2009-2010. The increase of 139.74% is due to increase in sales volume and better sales margin.

Results for the Financial Year ended March 31, 2010 as compared to the results for the year ended March 31, 2009

Income

The total income increased by 117.77%, i.e. ₹41,528.53 Lakhs for the F.Y. 2009-2010 compared to ₹19,069.76 Lakhs for the F.Y. 2008-2009.

Turnover of our Company has increased by 141.55%, i.e ₹28,036.50 Lakhs for the F.Y. 2009-2010, compared to ₹11,607.05 Lakhs for the F.Y. 2008-2009. Increase in turnover, during the year was due to capacity expansion of Sugarcane crushing from 2500 TCD to 5500 TCD in November /December 2009 as well as increase in Co-Generation Power Plant capacity from 14 MW to 36.4 MW at the same time.

The Other Income increased by 53.89% i.e. ₹5,560.78 Lakhs for the F.Y. 2009-2010 as compared to ₹3,613.38 Lakhs for the F.Y. 2008-2009. This is mainly due to increase of volume in Inter segment transfer on account of increase in Sugar Cane crushing.

Expenditure

Total expenditure (including finance charges, except depreciation) is ₹38,630.22 Lakhs for the F.Y. 2009-2010 compared to ₹16,104.75 Lakhs for the F.Y. 2008-2009. The increase of 139.87% in Total Expenditure was because of overall increase in production.

Raw Material Consumed

The Raw Material consumed is ₹23,369.04 Lakhs for the F.Y. 2009-2010 constituting 83.3 % of Total Sales, as compared to ₹10,306.56 Lakhs constituting 88.80% for the F.Y. 2008-2009. The change is due to increased production capacity and optimum utilisation of resources.

Manufacturing Expenses

The manufacturing expenses of our Company for the F.Y. 2009-2010 is ₹3,564.99 Lakhs constituting 12.72% of Total Sales, as compared to ₹1,878.58 Lakhs constituting 16.18% of Total Sales for the F.Y. 2008-2009. The increase is due production capacity and optimum utilisation of resources

Employee Cost

The Employee cost of our Company for the F.Y. 2009-10 is ₹ 255.67Lakhs as compared to ₹ 218.90 Lakhs in F.Y. 2008-09. The increase of 16.80% is due to some additional manpower recruitment.

Administrative cost

The Administrative cost of our Company for the F.Y. 2009-2010 is ₹9946.44Lakhs as compared to ₹ 2989.60 Lakhs in F.Y. 2008-2009. The increase of 232.70% is mainly due to payments of duties and taxes on increased sales volume.

Depreciation

Depreciation for the F.Y. 2009-10 was ₹773.64 Lakhs as compared to ₹452.89 Lakhs for the F.Y. 2008-2009. The increase of 70.82% is due to addition in fixed assets for capacity expansion in the second half of F.Y. 2009- 2010.

Finance Charges

Finance charges incurred by our Company for the F.Y. 2009-2010 amounted to ₹1,749.75 Lakhs as compared to ₹930.01 Lakhs for the F.Y.2008-2009. The increase of 88.14% is due to increase in interest amount on borrowings of our Company for capital expenditure and increase in inventory of finished goods.

Profit after Tax (PAT)

PAT of our Company for the F.Y. 2009-2010 amounted to ₹ 1,794.56 Lakhs as compared to ₹2,251.80 Lakhs for the F.Y. 2008-2009. The decrease of 20.31% is due to increased depreciation and finance charges (interest during construction) incurred for the capacity expansion.

Results for the Financial Year ended March 31, 2009 as compared to the results for the year ended March 31, 2008***Income***

The total income increased by 48.68%, i.e. ₹19,069.76 Lakhs for the F.Y. 2008-2009 compared to ₹12,826.45 Lakhs for the F.Y. 2007-2008.

Turnover of our Company has increased by 23.10%, i.e. ₹11,607.05 Lakhs for the F.Y. 2008-2009, as compared to ₹9,428.78 Lakhs for the F.Y. 2007-2008. Increase in turnover, during the year was primarily due to increase in power sales.

The Other Income increased by 51.54% i.e. ₹3,613.38 Lakhs for the F.Y. 2008-2009 as compared to ₹2,384.47 Lakhs for the F.Y. 2007-2008. This is mainly due to increase of volume in Inter segment transfer on account of increase in Sugar Cane crushing.

Expenditure

Total expenditure (including finance charges, except depreciation) is ₹16,104.75 Lakhs for the F.Y. 2008-2009 compared to ₹9,916.23 Lakhs for the F.Y. 2007-2008. The increase of 62.41 % in Total Expenditure was because of overall increase in production.

Raw Material Consumed

The Raw Material consumed is ₹10,306.56 Lakhs for the F.Y. 2008-2009 constituting 88.80% of Total Sales, as compared to ₹7,458.95 Lakhs constituting 79.11% of total sales for the F.Y. 2007-2008. The change is due to increase cost of raw material. (Sugarcane)

Manufacturing Expenses

The manufacturing expenses of our Company for the F.Y. 2008-2009 is ₹1,878.58 Lakhs constituting 16.18% of Total Sales, as compared to ₹984.32 Lakhs constituting 10.44% of Total Sales for the F.Y. 2007-2008. The increase in fuel cost of distillery, starting of IMFL business and increase in general repair & maintenance of plant & machinery.

Employee Cost

The Employee cost of our Company for the F.Y. 2008-2009 is ₹218.90 Lakhs as compared to ₹180.17 Lakhs in F.Y. 2007-2008. The increase of 21.50% is due to some additional manpower recruitment.

Administrative cost

The Administrative cost of our Company for the F.Y. 2008-2009 is ₹2,989.60 Lakhs as compared to ₹527.37 Lakhs in F.Y. 2007-2008. The increase of 466.89% is mainly due to payments of duties and taxes on increased sales volume of IMFL.

Depreciation

Depreciation for the F.Y. 2008-2009 was ₹452.89 Lakhs as compared to ₹437.32 Lakhs for the F.Y. 2007-2008. The increase of 3.50% is due to marginal increase in fixed assets.

Finance Charges

Finance charges incurred by our Company for the F.Y. 2008-2009 amounted to ₹930.01 Lakhs as compared to ₹ 945.59 Lakhs for the F.Y.2007-2008. The decrease of 1.65% is due to decrease in long term borrowings of our Company.

Profit after Tax (PAT)

PAT of our Company for the F.Y. 2008-2009 amounted to ₹2,251.80 Lakhs as compared to ₹ 2,164.85 Lakhs for the F.Y. 2007-2008. The increase of 4.02% is mainly due to decreased depreciation and finance charges.

Financial Condition

Assets

The following table shows principal components of assets as on June 30, 2011 and March 31, 2011

(₹ In Lakhs)		
Particulars	June 30, 2011	March 31, 2011
Fixed Assets	19,110.56	19,236.55
Investments	10.15	10.15
Inventories	15,618.64	18,602.54
Sundry debtors	1,028.26	1,008.61
Cash & Bank Balances	254.09	194.48
Other Current Assets	1,261.27	1,374.48
Loans and Advances	1,404.03	1,758.61
Total Assets	38,687.00	42,185.42

The overall decrease in our total assets by 8.29% from ₹42,185.42 Lakhs as on March 31, 2011 to ₹38,687.00 Lakhs as on June 30, 2011. The elements are, decrease in inventory by 16.04%, increase in Cash and Bank Balances by 30.65%, decrease in Other Current Assets by 8.23% and decrease in Loans and advances by 20.16%. The decrease in inventory is due to the seasonal nature of sugar industry. The decrease in Other Current Assets is due to decrease in deposit on Cenvat & taxes. The decrease in Loans and Advances is in the normal course of business.

Liabilities

The following table shows principal components of liabilities as on June 30, 2011 and March 31, 2011

(₹ In Lakhs)		
Particulars	June 30, 2011	March 31, 2011
Secured Loans	15,572.46	16,807.23
Unsecured Loans	19.20	8.20
Deferred Tax Liabilities	34.78	34.78
Current Liabilities and Provisions	7,321.69	9,893.20
Total Liabilities	22,948.13	26,743.41

The overall decrease in our total liabilities by 16.53% from ₹ 26,743.41 Lakhs as on March 31, 2011 to ₹22,948.13 Lakhs as on June 30, 2011. The elements are, decrease in Secured Loans by 7.35%, increase in Unsecured Loans by 134.14%, decrease in Current Liabilities and Provisions by 25.99%. The decreases in Secured Loans are due to servicing of one installment of Term loan and reduced utilization of short term credit facilities. The increase in Unsecured Loans is in the normal course of business. The decrease in Current Liabilities and Provisions is due to

reduced utilization of short term credit facilities corresponding to lower inventory levels.

Off Balance Sheet Commitments and Arrangements

Except for the Contingent Liability mentioned under the section titled "Risk Factors" beginning on page 12 of this Draft Red Herring Prospectus, we do not have any off-balance sheet arrangement, derivative instruments, swap transactions or relationships with unconsolidated entities or financial partnership that would have been established for the purpose of facilitating off-balance sheet arrangement.

Information required as per Schedule VIII Part A (IX) (E) (5) of the SEBI (ICDR) Regulations

(a) **Unusual or infrequent events or transactions**

Other than as stated in this Draft Red Herring Prospectus, there have been no unusual or infrequent transactions that have taken place during the last three (3) years.

(b) **Significant economic changes that materially affected or are likely to affect income from continuing operations**

Any slowdown in the growth of Indian Economy or future volatility in global commodity prices, could affect the business including the future financial performance, shareholders' funds and ability to implement strategy and the price of the Equity Shares.

(c) **Known trends or uncertainties that have had or are expected to have a material adverse impact on sales, revenue, or income from continuing operations**

To our knowledge there are no known trends or uncertainties that have had or are expected to have a material adverse impact on revenues or income of our company from continuing operations.

(d) **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 in this section and the sections titled "Risk Factors" and "Our Business" beginning on pages 12 and 112 respectively of this Draft Red Herring Prospectus to our knowledge, there are no known factors which will materially impact the future changes in relationship between our costs and revenues.

(e) **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**

The increase or decrease in revenue is by and large linked to increases in sales prices or volume of business.

(f) **Total turnover of each major Industry segment in which our Company operated**

Relevant published data, as available, for the industry turnover has been included under the section titled "Industry Overview" beginning on page 97 of this Draft Red Herring Prospectus.

(g) **Status of any publicly announced new products or business segment**

Our Company has no plans to introduce new products or new business segments except those, if any, mentioned in this Draft Red Herring Prospectus.

(h) **The extent to which the business is seasonal**

There is seasonality in our business.

(i) **Competitive Condition**

We face competition from sugar factories of North West Karnataka and South West Maharashtra.

FINANCIAL INDEBTEDNESS

Our Company has availed several term loans and working capital facilities as on June 30, 2011, details of which are set out below:

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
Term Loans					
Bank of India	Term Loan I: 1,063.00	354.33	12% p.a. as per GoI Scheme	Repayable in twenty four (24) monthly installments of ₹44.29 lakhs commencing from February 2010. Interest is to be serviced by GoI under full interest subvention scheme.	<p><u>Collateral Security:</u></p> <p>i) Residual Charge on the fixed assets of our Company's Sugar Unit</p> <p>ii) Hypothecation of all the present and future book-debts, money receivables, claims, bills which are now due and owing or which may any time during the continuance of the security become due and owing to our Company in the course of its business by any person, firm, company or body corporate or by the Central Government or any State Government or any Government Department or office or any municipal or local or public or semi-governmental body or authority or any body corporate or undertaking or project whatsoever.</p> <p><u>Personal Guarantee:</u></p> <p>i) Personal Guarantee of Mr. Umesh V. Katti, Mr. Ramappa B.</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					Khemalapure, Mr. Prakash S. Katti and Mr. Nikhil Umesh Katti
Bank of India	Term Loan II: 500.00	347.44	0.75% over BPLR	Repayable in twenty four (24) quarterly installments of ₹20.84 lakhs commencing from March 2010. Interest is to be serviced separately as and when charged.	<p>Primary Security:</p> <p>i) Equitable Mortgage of twenty (20) years leasehold rights on five (5) Acres of land situated at R.S. Mo.134/2, Bellad Bagewadi belonging to Mr. Prakash S. Katti</p> <p>Collateral Security:</p> <p>--</p> <p>Personal Guarantee:</p> <p>i) Personal Guarantee of Mr. Umesh V. Katti, Mr. Ramappa B. Khemalapure, Mr. Prakash S. Katti and Mr. Nikhil Umesh Katti</p>
Belgaum District Central Co-operative Bank Limited	2,887.50	1,603.42	13%	Twenty (20) quarterly installments of ₹ 144.38 lakhs commencing from December 31, 2009.	<p>Primary Security:</p> <p>i) First mortgage over land bearing Survey No. 136, 139/1, 140/1, 140/2, 140/3, 140/4, 141/1, 150/1, 150/2A, 150/2b, 151/1, 151/2A, 151/2B, 151/2 and 152 of village Bellad-Bagewadi, Hukkeri Taluk, Belgaum District, measuring 108 Acres 36 Guntas on pari passu with State Bank of India,</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					<p>IDBI Bank Limited, where the project is established along with existing sugar factory and co-generation plant and all the constructions, erections of every description which are standing, erected or shall at any time be erected during the continuance of this security and all ways, sewerages, drains, waters, water courses, liberties, privileges, easements and appurtenances whatsoever to the said immovable properties.</p> <p>ii) Hypothecation by way of first charge of all plant and machinery for the project and all the plant and machinery of the sugar factory on pari passu basis with PFCL, IDBI Bank Limited</p> <p><u>Collateral Security:</u></p> <p>i) Charge on all intangible assets including but not limited to the goodwill, undertaking and uncalled capital of our Company.</p> <p><u>Personal Guarantee:</u></p> <p>i) Personal Guarantee of Mr. Nikhil Umesh Katti and Mr.</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					Mallikarjun K. Pujar.
State Bank of India	4,970.00	4,730.00	Base Rate + 6%	24 quarterly instalments in yearly ballooning format commencing from October 2010.	<p>Primary Security:</p> <p>i) Pari passu first charge with IDBI Bank (for old sugar unit) and Belgaum District Central Co-operative Bank Limited (BDCC) on 108 Acres and 36 Guntas of land bearing Survey Nos. 136, 139/1, 140/1 to 140/4, 141/1, 150/1, 150/2A, 150/2B, 152/2C, 152 and building thereon</p> <p>ii) Exclusive first charge over Plant & Machinery of the power plant located on 108 Acres and 36 Guntas of land bearing Survey Nos. 136, 139/1, 140/1 to 140/4, 141/1, 150/1, 150/2A, 150/2B, 152/2C, 152 and building thereon.</p> <p>Collateral Security:</p> <p>i) Pari passu first charge with BDCCB of non-agricultural land at Survey No.278, 279 and 280A, 13/2A at Chikalgud Village, Hukkeri, Belgaum admeasuring 3 Acres 11 guntas, 3 Acres 4 Guntas, 39 Guntas and 1 Acre 22 Guntas respectively (total measuring 8 Acres and 356 Guntas)</p> <p>ii) Exclusive first charge</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					<p>over all the assets of distillery unit consisting of (a) Equitable Mortgage of the factory land admeasuring 23 Acres and 387 Guntas and buildings thereon (b) Hypothecation of plant and machinery and other assets</p> <p>iii) Equitable Mortgage over the house property situated at Belgaum belonging to Mr. Ramesh Katti</p> <p>iv) Lien on STDR for Rs.0.08 crore; and</p> <p>v) First charge over plant and machinery of sugar unit on pari passu basis with Bank of India, IDBI Bank and BDCC Bank</p> <p>Personal Guarantee:</p> <p>i) Personal Guarantee of Mr. Umesh Katti, Mr. Ramesh Katti, Mr. Nikhil Umesh Katti and Mr. Mallikarjun K. Pujar.</p>
Fund Based Limit I					
Bank of India	7,500.00	5,745.60	0.75% over BPLR	Repayable on demand	<p>Primary Security:</p> <p>i) Pledge of sugar stocks</p> <p>Collateral Security:</p> <p>--</p> <p>Personal Guarantee:</p> <p>i) Personal Guarantee of Mr. Umesh V. Katti, Mr. Ramappa B.</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					Khemalapure, Mr. Prakash S. Katti and Mr. Nikhil Umesh Katti.
State Bank of India	1,500.00	1,199.81	14.25%	Repayable on demand	<p>Primary Security:</p> <p>i) Pari passu charge on stocks, receivables and other current assets along with Bank of India</p> <p>Collateral Security:</p> <p>i) Pari passu first charge with BDCCB of non-agricultural land at Survey No.278, 279 and 280A, 13/2A at Chikalgud Village, Hukkeri, Belgaum admeasuring 3 Acres 11 guntas, 3 Acres 4 Guntas, 39 Guntas and 1 Acre 22 Guntas respectively (total measuring 8 Acres and 356 Guntas)</p> <p>ii) Exclusive first charge over all the assets of distillery unit consisting of (a) Equitable Mortgage of the factory land admeasuring 23 Acres and 387 Guntas and buildings thereon (b) Hypothecation of plant and machinery and other assets</p> <p>iii) Equitable Mortgage over the house property situated at Belgaum belonging to Mr. Ramesh Katti</p> <p>iv) Lien on STDR for Rs.0.08 crore; and</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					<p>v) First charge over plant and machinery of sugar unit on pari passu basis with Bank of India, IDBI Bank and BDCC Bank</p> <p><u>Personal Guarantee:</u></p> <p>i) Personal Guarantee of Mr. Umesh Katti, Mr. Ramesh Katti, Mr. Nikhil Umesh Katti and Mr. Mallikarjun K. Pujar.</p>
Bank of India	1,500.00	1,503.61	12.00	18 months after disbursement or August 2012, whichever is earlier	<p><u>Collateral Security:</u></p> <p>i) Extension of equitable mortgage of residential building & 5 Acres of leased land at Survey No. 134/2, Bellad Bagewadi, Hukkeri Taluka, Belgaum district for the period of twenty (20) years from September 29, 2007</p> <p><u>Personal Guarantee:</u></p> <p>i) Personal guarantee of Mr. Umesh Katti, Mr. Mallikarjun Kadayya Pujar, Mr. Nikhil Umesh Katti, Mr. Ramesh Vishwanath Katti and Mr. Prakash S. Katti</p>
Non-Fund Based Limit II					
Bank of India	75.00	54.00	0.75% over BPLR	Repayable on demand	<p>i) 25% cash margin by way of Term Deposit Receipt (TDR)</p> <p><u>Personal Guarantee:</u></p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					i) Personal Guarantee of Mr. Umesh V. Katti, Mr. Ramappa B. Khemalapure, Mr. Prakash S. Katti and Mr. Nikhil Umesh Katti.
Bank of India	1,700.00	--	N.A.	Repayable on demand	<p>i) 20% cash margin by way of Term Deposit Receipt (TDR)</p> <p><u>Personal Guarantee:</u></p> <p>i) Personal Guarantee of Mr. Ramesh V. Katti, Mr. Umesh V. Katti, Mr. Mallikarjun K. Pujar, Mr. Prakash S. Katti and Mr. Nikhil Umesh Katti</p>
State Bank of India	2,550.00	59.35	N.A.	Repayable on demand	<p><u>Primary Security:</u></p> <p>i) Pari passu charge on stocks, receivables and other current assets along with Bank of India.</p> <p><u>Collateral Security:</u></p> <p>i) Pari passu first charge with BDCCB of non-agricultural land at Survey No.278, 279 and 280A, 13/2A at Chikalgud Village, Hukkeri, Belgaum admeasuring 3 Acres 11 guntas, 3 Acres 4 Guntas, 39 Guntas and 1 Acre 22 Guntas respectively (total measuring 8 Acres and 356 Guntas)</p> <p>ii) Exclusive first charge</p>

Name of the Lender	Sanctioned Amount as on June 30, 2011 (₹in Lakhs)	Amount outstanding as on June 30, 2011 (₹in Lakhs)	Rate of Interest (%)	Repayment Schedule	Security Provided
					<p>over all the assets of distillery unit consisting of (a) Equitable Mortgage of the factory land admeasuring 23 Acres and 387 Guntas and buildings thereon (b) Hypothecation of plant and machinery and other assets</p> <p>iii) Equitable Mortgage over the house property situated at Belgaum belonging to Mr. Ramesh Katti</p> <p>iv) Lien on STDR for Rs.0.08 crore; and</p> <p>v) First charge over plant and machinery of sugar unit on pari passu basis with Bank of India, IDBI Bank and BDCC Bank</p> <p><u>Personal Guarantee:</u></p> <p>i) Personal Guarantee of Mr. Umesh Katti, Mr. Ramesh Katti, Mr. Nikhil Umesh Katti and Mr. Mallikarjun K. Pujar.</p>

SECTION VI: LEGAL AND OTHER INFORMATION

OUTSTANDING LITIGATION AND MATERIAL DEVELOPMENTS

Except as stated herein, there are no outstanding or pending litigation, suits, civil prosecution, criminal proceedings or tax liabilities against our Company, our Directors, our Promoters and Group Entities and there are no defaults, non-payment of statutory dues, defaults against bank and financial institutions and there are no outstanding debentures, bonds or fixed deposits issued by our Company; no default in creation of full security as per the terms of the issue, no proceedings initiated for economic or other offences (including past cases where penalties may or may not have been awarded and irrespective of whether they are specified under paragraph (I) of Part I of Schedule XIII of the Companies Act, 1956), and no disciplinary action has been taken by SEBI or any stock exchanges against our Company, our Promoters, our Directors or Group Entities.

Further, as stated below, there are no show-cause notices / claims served on our Company, our Promoters, our Directors or Group Entities from any statutory authority / revenue authority that would have a material adverse affect on our business.

I. Cases filed against our Company

Civil Cases

1. A Writ Petition (1620/2008) had been filed in the Karnataka High Court at Bengaluru by several people representing the registered body Kabbu Belgara Sangha, Ugar B. K. and various other farmers against the State of Karnataka and several sugar factories including our Company in Karnataka alleging *inter alia* that the sugar producing factories in the Belgaum district are not following the Minimum Price fixed by the Central Government and had fixed a lower price in contravention of the Central Government directive in this regard. It was alleged in the Writ Petition that despite representation being made to the Deputy Commissioner, Belgaum District, no action has been taken against the erring factories. Our Company has been made a party in the Writ Petition and our Company has filed its reply by way of an Affidavit to the aforementioned Writ Petition. The matter is currently pending before Hon'ble High Court of Karnataka at Bengaluru and shall come up for hearing in due course.

II. Cases filed by our Company

Civil Cases

1. Our Company has filed a Writ Petition (65928/09) against the State of Karnataka and others in the High Court of Karnataka, Dharwad Bench against the arbitrary rejection of the application for deferment of purchase tax benefits accruing to our Company. Our Company was entitled to deferment of purchase tax for ten (10) years and conversion of the same into interest free loan. However, our Company was arbitrarily denied the said benefit on the ground that the commercial production had not started on or before June 1, 2004. The matter is currently pending before the High Court of Karnataka, Dharwad Bench and shall come of for hearing in due course.

III. Cases filed by our Company

Criminal Cases

3. Our Company, through its former Managing Director, Mr. Malikarjun Pujar has filed forty eight (48) cases under Section 138 of the Negotiable Instruments Act, 1881 against transporters of sugarcane from the sugarcane producer to the factory premises. The transporters had been provided with the monies in advance and inspite of the same the transporters had defaulted in their obligations to transport the sugarcane to the factory premises. Though they issued cheques to our Company for refund of the money advanced to the, on

presenting to the bank for encashment, the cheques were returned dishonoured with endorsement from the bank like "fund insufficient" etc. On these grounds, the proceedings were filed against the defaulting transporters under Section 138 of the Negotiable Instruments Act, 1881.

We set out below the list of cases filed by our Company:

No.	Case No.	Complainant	Accused	Amount (₹)	Court where matter is pending
1.	PC/101/2008	M.D., V.S.L.	Shivaji Bahurao Misal	1,04,709.00	J.M.F.C. Court, Hukkeri
2.	PC/102/2008	M.D., V.S.L.	Rajabahu Vittal Munde	1,11,594.00	
3.	PC/103/2008	M.D., V.S.L.	Dasharath Vittal Munde	1,15,950.00	
4.	PC/104/2008	M.D., V.S.L.	Gorak Rakamaji Naikawadi	58,136.00	
5.	PC/106/2008	M.D., V.S.L.	Sudhakar Ranjeet Munde	67,292.00	
6.	PC/107/2008	M.D., V.S.L.	Madhukar Ajinath Sooth	3,64,000.00	
7.	PC/108/2008	M.D., V.S.L.	Nattu Babu Tidake	2,30,900.00	
8.	PC/109/2008	M.D., V.S.L.	Nama Baga Munde	2,28,584.00	
9.	PC/111/2008	M.D., V.S.L.	Parameshwar Dawal Naikawadi	68,227.00	
10.	PC/112/2008	M.D., V.S.L.	Somaning Punnappa Kalli	7,93,550.00	
11.	PC/113/2008	M.D., V.S.L.	Rajaram Mahadev Naikawadi	2,29,375.00	
12.	PC/114/2008	M.D., V.S.L.	Sandeepan Sampati Fad	6,52,240.00	
13.	PC/63/2009	M.D., V.S.L.	Sadashiv Revappa Harijan	2,57,570.00	
14.	PC/64/2009	M.D., V.S.L.	Hanamanth Ramachandra Waghamure	1,25,373.00	
15.	PC/65/2009	M.D., V.S.L.	Mallappa Basappa Savadatti	2,32,833.00	
16.	PC/66/2009	M.D., V.S.L.	Parashuram Avvanna Mane	2,00,209.00	
17.	PC/44/2010	M.D., V.S.L.	Ramesh Maruti Misal	1,04,274.00	
18.	PC/45/2010	M.D., V.S.L.	Jotiba Tukaram Savanth	90,750.00	
19.	PC/46/2010	M.D., V.S.L.	Dondiram Tukaram Mangale	5,28,965.00	
20.	PC/48/2010	M.D., V.S.L.	Namadev Somanna Harijan	3,02,500.00	
21.	PC/49/2010	M.D.,	Shrishail	1,88,155.00	

		V.S.L.	Chandrakanth Teli		
22.	PC/50/2010	M.D., V.S.L.	Ramappa Venkappa Aramani	96,800.00	
23.	PC/51/2010	M.D., V.S.L.	Raosaheb Basagouda Patil	2,98,184.00	
24.	PC/52/2010	M.D., V.S.L.	Nahim Papalal Tabalaji	1,87,803.00	
25.	PC/53/2010	M.D., V.S.L.	Balappa Ningappa Pakandi	1,16,958.00	
26.	PC/54/2010	M.D., V.S.L.	Mallappa Pundalik Naik	1,04,233.00	
27.	PC/55/2010	M.D., V.S.L.	Pramod Mahadev Wandakar	1,46,934.00	
28.	PC/56/2010	M.D., V.S.L.	Ayyanagound Iranagouda Patil	3,02,500.00	
29.	PC/57/2010	M.D., V.S.L.	Rajaram Shivagonda Gourule	2,10,239.00	
30.	PC/58/2010	M.D., V.S.L.	Shankar Anand Naik	3,00,342.00	
31.	PC/59/2010	M.D., V.S.L.	Arun Balavanth Angaj	2,64,482.00	
32.	PC/60/2010	M.D., V.S.L.	Krishnanath Raghu Done	1,25,941.00	
33.	PC/61/2010	M.D., V.S.L.	Appayya Maruti Gotur	1,43,531.00	
34.	PC/62/2010	M.D., V.S.L.	Basavanni Dharigouda Patil	48,400.00	
35.	PC/63/2010	M.D., V.S.L.	Maruti Pandurang Kamirakar	89,637.00	
36.	PC/64/2010	M.D., V.S.L.	Sachin Shankar Naik	2,70,308.00	
37.	PC/65/2010	M.D., V.S.L.	Pandurang Ganapati Ekal	5,28,965.00	
38.	PC/66/2010	M.D., V.S.L.	Gurunath Mallappa Tavadare	2,97,554.00	
39.	PC/67/2010	M.D., V.S.L.	Daji Pundalik Jathar	1,68,251.00	
40.	PC/68/2010	M.D., V.S.L.	Tanaji Krishna Bhosale	78,650.00	
41.	PC/69/2010	M.D., V.S.L.	Annappa Shivappa Halijoli	2,70,308.00	
42.	PC/70/2010	M.D., V.S.L.	Rajashekhar Balachandra Naik	1,51,855.00	
43.	PC/71/2010	M.D., V.S.L.	Baburao Nana Patil	2,68,847.00	
44.	PC/72/2010	M.D.,	Vittal Kallappa	4,27,306.00	

		V.S.L.	Ajamane		
45.	PC/73/2010	M.D., V.S.L.	Balaso Maruti Todakar	1,33,300.00	
46.	PC/74/2010	M.D., V.S.L.	Suresh Shankar Devarade	1,02,901.00	
47.	PC/75/2010	M.D., V.S.L.	Ashok Bapuso More	2,23,514.00	
48.	PC/76/2010	M.D., V.S.L.	Madukar Nana Patil	2,11,580.00	

IV. Revenue Proceedings against our Company

Appeals preferred by our Company

1. Our Company has preferred an appeal 54/11/BM/CE before the Commissioner, Central Excise (Appeals), Mangalore ("**CCE**") against the order dated December 24, 2010 ("**Order**") passed by the Assistant Commissioner of Central Excise, Belgaum ("**ACC**"). Our Company by the aforementioned appeal has prayed for the setting aside the Order passed by the ACC along with such other order, direction or instruction deemed fit and further a stay on the operation of the Order. The matter is currently pending before the CCE (Appeals), Mangalore.
2. Our Company has preferred an appeal 52810/BM/CE before the Commissioner, Central Excise (Appeals), Mangalore ("**CCE**") against the order dated November 3, 2010 ("**Order**") passed by the Superintendent, Central Excise, Belgaum ("**SCE**"). Our Company by the aforementioned appeal has prayed for the setting aside the Order passed by the SCE along with such other order, direction or instruction deemed fit and further a stay on the operation of the Order. The matter is currently pending before the CCE (Appeals), Mangalore.
3. Our Company has preferred an appeal 131/10/BM/CE before the Commissioner, Central Excise (Appeals), Mangalore ("**CCE**") against the order dated February 2, 2010 ("**Order**") passed by the Assistant Commissioner of Central Excise, Belgaum ("**ACC**"). Our Company by the aforementioned appeal has prayed for the setting aside the Order passed by the ACC along with such other order, direction or instruction deemed fit and further a stay on the operation of the Order. The matter is currently pending before the CCE (Appeals), Mangalore.
4. Our Company has preferred an appeal 76/10/BM/CE before the Commissioner, Central Excise (Appeals), Mangalore ("**CCE**") against the order dated December 14, 2009 ("**Order**") passed by the Assistant Commissioner of Central Excise, Belgaum ("**ACC**"). Our Company by the aforementioned appeal has prayed for the setting aside the Order passed by the ACC along with such other order, direction or instruction deemed fit and further a stay on the operation of the Order. The matter is currently pending before the CCE (Appeals), Mangalore.
5. Our Company has preferred an appeal E/328/10 before the Customs, Excise and Service Tax Appellate Tribunal, Bengaluru ("**CESTAT**") against the order dated January 8, 2010 ("**Order**") passed by the Commissioner, Central Excise (Appeals), Mangalore ("**CCE**"). Our Company by the aforementioned appeal has prayed for the setting aside the Order passed by the CCE along with such other order, direction or instruction deemed fit and further a stay on the operation of the Order. The matter is currently pending before the CESTAT, Bengaluru.

Appeals preferred by the Department

1. The Assistant Commissioner of Central Excise, Belgaum ("**ACC**") has preferred an appeal no. E/406/10 on the direction of the Committee of Commissioners before the Customs, Excise and Service Tax Appellate Tribunal, Bengaluru ("**CESTAT**") against the order dated November 24, 2009 passed by the Commissioner,

Central Excise (Appeals), Mangalore ("CCE"). The ACC has preferred the aforementioned appeal for the setting aside the impugned Order and restoration of the order dated February 23, 2009 passed by the ACC. The matter is currently pending before the CESTAT, Bengaluru.

2. The Assistant Commissioner of Central Excise, Belgaum ("ACC") has preferred an appeal E/1703/10 on the direction of the Committee of Commissioners before the Customs, Excise and Service Tax Appellate Tribunal, Bengaluru ("CESTAT") against the order dated June 22, 2010 ("Order") passed by the Commissioner, Central Excise (Appeals), Mangalore ("CCE"). The ACC has preferred the aforementioned appeal for the setting aside the impugned Order and restoration of the order dated February 26, 2008 passed by the ACC. The matter is currently pending before the CESTAT, Bengaluru.
3. The Commissioner of Customs, Central Excise and Service Tax, Belgaum ("CCES") has preferred an appeal (201/2010) before the High Court of Karnataka, Dharwad Bench against the order dated August 3, 2009 ("Order") passed by the Customs, Excise and Service Tax Appellate Tribunal, Bengaluru ("CESTAT"). The CCES has preferred the aforementioned appeal for the setting aside the Order passed by the CESTAT and for restoration and affirmation of the order of the Commissioner of Central Excise (Appeals), Mangalore dated March 22, 2005. The matter is currently pending before the High Court of Karnataka, Dharwad Bench.

Show Cause Notices issued against our Company:

1. The Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated August 7, 2007 requiring our Company to show cause as to why (i) Cenvat Credit of ₹78.35 lakhs (₹78,35,295) availed by our Company on molasses during the period from July 2006 to March 2007 should not be denied and recovered along with interest there on; (ii) Central Excise Duty of ₹78.35 lakhs (₹78,35,295) discharged on clearances of sugar, in-house molasses, denatured spirit debited by utilising the availed Cenvat Credit should not be demanded along with interest thereon; and (iii) Penalty under Rule 25 of the Central Excise Rules, 2002 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated October 22, 2007. The matter is currently pending before the Commissioner of Central Excise and Customs, Belgaum.
2. The Additional Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated February 12, 2008 requiring our Company to show cause as to why (i) Cenvat Credit of ₹7.65 lakhs (₹7,64,615) availed by our Company on molasses during the period from April 1, 2007 to December 31, 2007 should not be denied and recovered from us along with interest there on; (ii) Central Excise Duty of ₹7.65 lakhs (₹7,64,615) discharged on clearances of sugar debited by utilising the availed Cenvat Credit should not be demanded along with interest thereon; and (iii) Penalty under Rule 25 of the Central Excise Rules, 2002 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN. The matter is currently pending before the Commissioner of Central Excise and Customs, Belgaum.
3. The Additional Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated January 29, 2008 requiring our Company to show cause as to why (i) Cenvat Credit of ₹38.95 lakhs (₹38,94,851) availed by our Company during the period from February 2007 to August 2007 should not be recovered from our Company along with interest there on; and (ii) Penalty under Rule 15 of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated June 5, 2008. The matter is currently pending before the Additional Commissioner of Central Excise and Customs, Belgaum.
4. The Assistant Commissioner of Central Excise, Belgaum Division had issued a Show Cause Notice ("SCN") dated June 13, 2008 requiring our Company to show cause as to why (i) Cenvat Credit of Service Tax of ₹0.31 lakhs (₹31,359.09) paid on outward transportation from the factory during the period of June 2006 to December 2006 should not be demanded and recovered from our Company along with interest thereon; and (ii) Penalty under Rule 15 of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these

alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated July 12, 2008. The matter is currently pending before the Assistant Commissioner of Central Excise, Belgaum.

5. The Assistant Commissioner of Central Excise, Belgaum Division had issued a Show Cause Notice ("SCN") dated June 19, 2008 requiring our Company to show cause as to why (i) Cenvat credit of ₹3.35 lakhs (₹3,35,404) during the period from 2004-2005 to 2007-2008 should not be recovered from our Company along with interest thereon; (ii) the amount of ₹1.68 lakhs (₹1,67,522) which has been reversed to our Company should not be appropriated; (iii) interest at appropriate rate under Rule 14 of the Cenvat Credit Rules, 2004 should not be appropriated; and (iv) Penalty under Rule 15(1) of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated August 13, 2008. The matter is currently pending before the Assistant Commissioner of Central Excise, Belgaum.
6. The Additional Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated July 18, 2008 requiring our Company to show cause as to why (i) An amount of ₹10.20 lakhs (₹10,20,381) should not be demanded and recovered from our Company along with interest thereon which has not paid on 1326.118 mts of molasses cleared to our distillery; and (ii) Penalty under Rule 25 of the Central Excise Rules, 2002 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated September 12, 2008. The matter is currently pending before the Additional Commissioner of Central Excise, Belgaum.
7. The Joint Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated September 23, 2008 requiring our Company to show cause as to why (i) Cenvat credit ₹19.71 lakhs (₹19,70,728) during the period from September 2007 to July 2008 should not be demanded and recovered from us along with interest thereon; and (ii) Penalty under Rule 15 of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated June 22, 2009. The matter is currently pending before the Joint Commissioner of Central Excise, Belgaum.
8. The Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated January 22, 2009 requiring our Company to show cause as to why (i) Cenvat Credit of ₹77.92 lakhs (₹77,92,068) availed by us on molasses during the period from January 2008 to November 2008 should not be disallowed to us along with interest thereon; (ii) Central Excise Duty of ₹77.92 lakhs (₹77,92,068) paid on clearances of sugar debited by utilising the availed Cenvat Credit should not be demanded along with interest thereon; and (iii) Penalty under Rule 15(1) of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated March 16, 2009. The matter is currently pending before the Commissioner of Central Excise and Customs, Belgaum.
9. The Assistant Commissioner of Central Excise, Belgaum Division had issued a Show Cause Notice ("SCN") dated April 29, 2008 requiring our Company to show cause as to why (i) Cenvat credit of ₹0.28 lakhs (₹27,709) during the period from April 2008 to March 2009 should not be recovered from our Company along with interest thereon; and (ii) Penalty under Rule 15 of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated May 19, 2009. The matter is currently pending before the Assistant Commissioner of Central Excise, Belgaum.
10. The Assistant Commissioner of Central Excise, Belgaum Division had issued a Show Cause Notice ("SCN") dated September 22, 2009 requiring our Company to show cause as to why (i) Cenvat credit of ₹3.41 lakhs (₹3,40,629) during the period from September 2008 to June 2009 should not be recovered from our Company along with interest thereon; and (ii) Penalty under Section Rule 15 of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company submitted its reply to the aforementioned SCN by a letter dated November 6, 2009. The matter is currently pending before the

Assistant Commissioner of Central Excise, Belgaum.

11. The Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated December 17, 2009 requiring our Company to show cause as to why (i) Cenvat Credit of ₹85.04 lakhs (₹85,04,409) availed by our Company on molasses during the period from December 2008 to June 2009 should not be disallowed along with interest thereon; (ii) Central Excise Duty of ₹85.04 lakhs (₹85,04,409) paid on clearances of sugar debited by utilising the availed Cenvat Credit should not be demanded along with interest thereon; and (iii) Penalty under Rule 15(1) of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company submitted its reply to the aforementioned SCN by a letter dated January 20, 2010. The matter is currently pending before the Commissioner of Central Excise and Customs, Belgaum.
12. The Additional Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated June 16, 2010 requiring our Company to show cause as to why (i) Cenvat Credit of ₹34.98 lakhs (₹34,97,570) availed by us on molasses during the period from July 2009 to December 2009 should not be disallowed along with interest thereon; (i) Central Excise Duty of ₹34.98 lakhs (₹34,97,570) paid on clearances of sugar debited by utilising the availed Cenvat Credit should not be demanded along with interest thereon; and (iii) Penalty under Rule 15(1) of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated July 6, 2010. The matter is currently pending before the Additional Commissioner of Central Excise and Customs, Belgaum.
13. The Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated January 19, 2011 requiring our Company to show cause as to why (i) Cenvat Credit of ₹117.32 lakhs (₹1,17,32,035) availed by our Company on molasses during the period from January 2010 to September 2010 should not be disallowed along with interest thereon; (ii) Central Excise Duty of ₹117.32 lakhs (₹1,17,32,035) paid on clearances of sugar debited by utilising the availed Cenvat Credit should not be demanded along with interest thereon; and (iii) Penalty under Rule 15(1) of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated February 2, 2011. The matter is currently pending before the Commissioner of Central Excise and Customs, Belgaum.
14. The Superintendent of Central Excise, Belgaum Division had issued a Show Cause Notice ("SCN") dated February 1, 2011 requiring our Company to show cause as to why (i) Cenvat credit of ₹0.59 lakhs (₹8,876) during the period from January 2010 to November 2010 should not be demanded and recovered along with interest thereon; and (ii) Penalty under Rule 15(1) of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated February 8, 2011. The matter is currently pending before the Superintendent of Central Excise, Belgaum.
15. The Assistant Commissioner of Central Excise, Belgaum Division had issued a Show Cause Notice ("SCN") dated August 5, 2011 requiring our Company to show cause as to why (i) Cenvat credit of ₹0.11 lakhs (₹11,324) during the period from July 2010 to January 2011 should not be recovered from our Company along with interest thereon; and (ii) Penalty under Section Rule 15 of the Cenvat Credit Rules, 2004 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated August 22, 2011. The matter is currently pending before the Assistant Commissioner of Central Excise, Belgaum.
16. The Commissioner of Central Excise and Customs, Belgaum had issued a Show Cause Notice ("SCN") dated October 25, 2010 requiring our Company to show cause as to why (i) Cenvat Credit of ₹233.12 lakhs (₹2,33,12,259) availed by our Company on molasses during the period from October 2010 to August 2011 should not be denied and recovered along with interest there on; (ii) Central Excise Duty of ₹233.12 lakhs (₹2,33,12,259) should not be demanded along with interest thereon; and (iii) Penalty under Rule 25 of the

Central Excise Rules, 2002 should not be imposed on our Company for these alleged violations. Our Company has submitted its reply to the aforementioned SCN by a letter dated December 7, 2011. The matter is currently pending before the Commissioner of Central Excise and Customs, Belgaum.

V. Cases filed by and against our Directors

Cases filed against our Directors

Nil

Cases filed by our Directors

Nil

VI. Cases filed by and against our Promoter

1. An FIR was lodged at the Sankleshwar Police Station on May 21, 2008 against one of our Promoter, Mr. Umesh Vishwanath Katti ("**Mr. Katti**") and others for alleged violation of the Election Code as they were found to be involved in a heated exchange of words in the morning of May 21, 2008 after the commencement of the Election Code. A charge sheet under Section 173 of the Criminal Procedure Code has been filed against Mr. Umesh Vishwanath Katti and Others alleging offence under Section 143, 147, 171(F) read with Section 149 of the Indian Penal Code and Section 136(4) of the People Act. The case is pending as a Criminal Case bearing No.263/2008 before the Hon'ble Judicial Magistrate First Class, Sankeshwar. Mr. Katti has been granted bail and the case shall come up on January 28, 2012 for recording evidence of other witnesses.

VII. Cases filed by and against our Group Entities

Nil

VIII. SEBI proceedings

Nil

IX. Past cases where penalties have been imposed

Nil

X. Compounding Application filed by our Company

Our Company has filed a petition before the Company Law Board on April 21, 2011 for compounding of non-compliance under Section 383A of the Companies Act for not appointing a Whole Time Company Secretary for a period commencing from December 11, 2000 till February 28, 2011. Our Company and Mr. Nikhil Umesh Katti, Managing Director of our Company have filed an application under Section 621A of the Companies Act with the Registrar of Companies, Bengaluru, for compounding of non-compliance by our Company under the Section 383A as mentioned above. The application is pending for necessary orders.

Pending dues of Small Scale Undertakings:

Our Company does not have any dues exceeding ₹1 Lakh outstanding for more than thirty (30) days to any small-scale industrial undertaking(s).

Material Developments

There have been no other material developments since the last balance sheet date.

GOVERNMENT AND OTHER APPROVALS

On the basis of the indicative list of approvals provided below, our Company can undertake this Issue and its current business activities and no further major approvals from any Government or regulatory authority are required to undertake the Issue or continue these business activities. Unless otherwise stated, these approvals are valid as of the date of this Draft Red Herring Prospectus.

I. Approvals for the Issue

The following approvals have been obtained or will be obtained in connection with the Issue:

- a. The Board of Directors has, pursuant to a resolution adopted at its meeting held April 5, 2011 authorized the Issue, subject to the approval of the shareholders of our Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.
- b. The shareholders of our Company have, pursuant to a resolution under Section 81(1A) of the Companies Act, adopted at an Extra Ordinary General Meeting held on May 2, 2011, authorized the further issue of Equity Shares.
- c. Our Company has obtained in-principle listing approvals dated [●] and [●] from the NSE and the BSE respectively and will be required to obtain final listing and trading approvals prior to the commencement of trading of the Equity Shares on the Stock Exchanges.
- d. NSDL/CDSL: ISIN No.: [●].

II. Approvals obtained by our Company

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
General Approvals obtained by our Company					
1.	The Registrar of Companies, Bengaluru, Karnataka	Certificate of Incorporation in the name of Vishwanath Sugars Limited	(CIN) U85110KA1995PLC017730	May 02, 1995	--
2.	The Registrar of Companies, Bengaluru, Karnataka	Certificate of Commencement of Business	U85110KA1995PLC017730	December 21, 1995	--
3.	The Registrar of Companies, Bengaluru, Karnataka	Fresh Certificate of Incorporation on change of name of our Company from "Vishwanath Sugars Limited" to "Vishwanath Sugar and Steel Industries Limited"	U85110KA1995PLC017730	December 28, 2010	--
4.	Income Tax Department	Permanent Account Number (PAN)	AABCV1727H	--	One Time Registration
5.	Income Tax Department	Tax Deduction Account Number (TAN)	BLRV03401G	April 20, 2004	One Time Registration

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
6.	Sales Tax Officer, Sankeshwar	Tax Payer Identification Number (TIN) under Karnataka Value Added Tax Act, 2003	29610385979	September 22, 2008	One Time Registration
7.	Foreign Trade Development Officer, Bengaluru	Certificate of Importer-Exporter Code (IEC)	0703008790	August 29, 2003	One Time Registration
8.	Value Added Tax Registration Certificate, VAT Sub-Office, Sankeshwar	Certificate certifying that our Company has been registered as a dealer under Section 22 of the Karnataka Value Added Tax Act, 2003	29610385979	January 31, 2011	One Time Registration
9.	KTEG Registration Certificate, VAT Sub-Office, Sankeshwar	Certificate certifying that our Company has been registered under the provisions of the Karnataka Tax on Entry of Goods Act, 1979	29610385979	January 31, 2011	One Time Registration
10.	VAT Sub-Office, Sankeshwar	Certificate certifying that our Company has been registered under the provisions of the CST Act, 1956 and is permitted to purchase certain class of goods availing concessional rates of tax under Section 8(1) of the CST Act, 1956	29610385979	January 31, 2011	One Time Registration
11.	Superintendent of Central Excise, Customs and Service Tax, Nipani I Range	Service Tax Registration for taxable service i.e. transport of goods by road	AABCV1727HST001	February 9, 2011	One Time Registration
12.	Superintendent of Customs and Central Excise, Nipani Range	Central Excise Registration for manufacture of sugar, molasses and ethyle alcohol	AABCV1727HXM001	February 4, 2002	One Time Registration
13.	Assistant Provident Fund Commissioner,	Employees Provident Fund Registration	MN/PF/HBL/ENF/40236/659200	August 24, 2006	One Time Registration

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	Sub-regional Office, Hubli				
14.	Senior Environmental Officer, Karnataka State Pollution Control Board	Consent for discharge of effluents under the Water (Prevention and Control of Pollution) Act, 1974 and emission under Air (Prevention and Control of Pollution) Act, 1981	PCB/157HPI/2011-12/553	November 3, 2011	December 31, 2011

III. Approvals obtained by our Company for our manufacturing units

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
Approvals obtained for our Manufacturing Units – Sugar Unit					
1.	Karnataka Government Secretariat, Commerce and Industries Department	Karnataka Sugarcane (Regulation of Distribution) Vishwanath Sugars Limited, Bellada Bagewadi Order, 1999	CI43/SGF/99	May 6, 1999	--
2.	Executive Engineer, KNNL GRBCC, Division 2, Hidkal Dam	Permission to draw water for industrial use	GRBCC-2/DB-2/09-10	May 5, 2009	July 21, 2012
3.	Chief Director (Sugar), Directorate of Sugar, Department of Food and Public Distribution, Ministry of Consumer Affairs, Food & Public Distribution	Final Allotment of Plant Code and Short Name	6-1(8)/2009-Stat-II/276-281	January 4, 2010	One Time Allotment
4.	Under Secretary, Department of Industrial	IEM for increase in production of White Crystal Sugar to 121000	2678/IIM/PROD/2009	January 25, 2011	--

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	Policy & Promotion, Ministry of Commerce & Industry	TPA, Bagasse to 330000 TPA and Molasses to 44000 TPA			
5.	Under Secretary, Secretariat for Industrial Assistance, Ministry of Commerce & Industry	IEM for increase in production of White Crystal Sugar to 158400 TPA, Bagasse to 432000 TPA and Molasses to 57600 TPA	450/SIA/IMO/2011	February 8, 2011	--
6.	Under Secretary, Secretariat for Industrial Assistance, Ministry of Commerce & Industry	IEM for increase in production of White Crystal Sugar to 242000 TPA, Bagasse to 660000 TPA and Molasses to 88000 TPA	2765/SIA/IMO/2011	August 30, 2011	--
7.	Assistant General Manager, Airports Authority of India	NoC for height clearance of chimney	AAI/420012/839/2005-ARI(NOC)	December 2, 2005	--
8.	Desk Officer (Sugar), Commerce and Industries Department	License for manufacture of sugar from sugarcane by the Vaccum Pan Process for 5500 TCD capacity	CI 195 SGF 2011	December 28, 2011	June 30, 2012
Distillery Unit					
9.	Excise Commissioner, Karnataka, Bengaluru	Distillery Licence	EXE/DST/DSL/55/2011-2012	July 15, 2011	June 30, 2012
10.	Excise Commissioner, Karnataka, Bengaluru	Licence for the bottling of Liquor	EXE/DST/MEB/34/2011-2012	July 15, 2011	June 30, 2012
11.	Excise Commissioner, Karnataka, Bengaluru	Licence for the Wholesale vend of Denatured Spirit	EXE/DIST/DSL/DL2/27/2011-2012	July 15, 2011	June 30, 2012
12.	Excise Commissioner,	Licence for possession and use	ECE/MOL/DST/14/2011-2012	November 8, 2011	October 31, 2012

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	Karnataka, Bengaluru	of Molasses for the manufacture of Rectified Spirit			
13.	Excise Commissioner, Karnataka, Bengaluru	Licence for possession and sale of molasses by the sugar factory	ECE/MOL/SF/15/2011-2012	November 8, 2011	October 31, 2012
14.	Under Secretary, Department of Industrial Policy & Promotion, Secretariat of Industrial Assistance	IEM for increase in production of Rectified Spirit to 10500 KL/Annum, Extra Neutral Spirit to 6000 KL/Annum and Industrial Alcohol (Ethanol) to 4500 KL/Annum	1166/SIA/IMO/2009	January 25, 2011	--
15.	Under Secretary, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry	IEM for increase in the production of Rectified Spirit to 10500 KL/Annum, Extra Neutral Spirit to 6000 KL/Annum and Industrial Alcohol (Ethanol) to 4500 KL/Annum	3418/IIM/PROD/2011	February 7, 2011	--
16.	Under Secretary, Secretariat of Industrial Assistance, Ministry of Commerce and Industry	IEM for increase in the production of Rectified Spirit to 30000 KL/Year, Extra Neutral Spirit to 21000 KL/Year and Industrial Alcohol (Ethanol) to 9000 KL/Year	422/SIA/IMO/2011	February 7, 2011	--
17.	Deputy Director of Boilers, Belgaum Division	Certificate for use of Boiler KTK 2405 with maximum continuous evaporation of 10 TPH	DDBB-2/BLR/CFN-147/10-11	February 26, 2011	February 25, 2012
18.	Deputy Director of Boilers,	Certificate for use of Boiler KTK 3459 with	DDBB-2/BLR/CFN-148/10-11	February 26, 2011	February 25, 2012

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	Belgaum Division	maximum continuous evaporation of 12 TPH			
Co-Generation Unit					
19.	Deputy Director of Boilers, Belgaum Division	Certificate for use of Boiler KTK 2760 with maximum continuous evaporation of 70 TPH	DDBB-2/BLR/CFN-48/11-12	July 25, 2011	July 5, 2012
20.	Deputy Director of Boilers, Belgaum Division	Certificate for use of Boiler KTK 3478 with maximum continuous evaporation of 80 TPH	DDBB-2/BLR/CFN-49/11-12	July 25, 2011	July 5, 2012
21.	Convenor, IPP Evaluation Committee & EE PSS Cell	Approval of evacuation scheme for 7.8 Mw of exportable power	CEE(P&C)/SEE9PLG)/EE(PSS)/AEE-9/F-41/CYS-202	January 19, 2005	One Time Approval
22.	Chief Electrical Inspector to Government of Karnataka	Commissioning approval of 14.4 kms long 110 Kv Single Circuit Line on Double Circuit Tower and one 110 Kv Terminal Bay	CEIG/DCEI/EI(T)/DEI1/16098-101/05-06	October 11, 2005	One Time Approval
23.	Chief Electrical Inspector to Government of Karnataka	Commissioning approval of 15 MW Co-Generation Plant	CEIG/DCEI/EI(T)/DEI1/16093-97/05-06	October 11, 2005	One Time Approval
24.	Chief Electrical Inspector to Government of Karnataka	Commissioning approval of Switch Yard	CEIG/DCEI/EI(T)/DEI1/16089-92/05-06	October 11, 2005	One Time Approval
25.	Deputy General Manager (Tech), Karnataka Power Transmission Corporation	Synchronisation Approval of 14MW gross capacity with an exportable capacity of 7.8 Mw from Co-Generation Power	KPTCL/B-28/4149/2000-01	October 14, 2005	One Time Approval

No.	Issuing Authority	Nature of License / Approval	Registration/ License No.	Date of granting License/ Approval	Validity
	Limited	Project			
26.	Chief Engineer Electrical, Karnataka Power Transmission Corporation Limited	Approval for enhanced generation of 30Mw (22.4 Mw exportable component)	CEE(P&C)/KCO-93/8892/F-41	April 26, 2008	One Time Approval
27.	Chief Electrical Inspector to Government of Karnataka	Approval to commission the electrical installation of additional 22.4 Mw, 11Kv Unit II Co-generation Plant along with 7500 TCD Sugar Plant and Distillery Plant	CEIG/EI-3/31906-10/09-10	January 6, 2010	One Time Approval
28.	Chief Engineer (Electy), Karnataka Power Transmission Corporation Limited	Regular Interconnection Approval for interconnecting 22.4 MW exportable an 39MW gross Co-generation power	CEE9TA&QC)/SEE9Plg)/EE(Plg)/KCO-93/17412/F-41	January 28, 2010	One Time Approval
29.	Under Secretary, Department of Industrial Policy & Promotion, Ministry of Commerce & Industry	IEM for generation of electricity	1167/SIA/IMO/2009	January 25, 2011	--

IV. Applications made and approvals obtained by our Company for the proposed activities under the Objects of the Issue

1. The Ministry of Environment and Forests, Government of India has granted Environmental Clearance to our Company by way of letter dated November 24, 2011 for expansion of its sugar plant from the existing 5500 TCD to 11000 TCD, molasses based distillery from the existing 35 KLPD to 100 KLPD and co-generation plant from the existing 39 MW to 64 MW.
2. Our Company by its letter dated July 12, 2010 has made an application to the Environmental Officer, Karnataka State Pollution Control Board, Belgaum in relation to issue of consent to establish/ enhance the production capacities for expansion of its sugar plant from the existing 5500 TCD to 11000 TCD, molasses based distillery from the existing 35 KLPD to 100 KLPD and co-generation plant from the existing 39 MW

to 64 MW under Section 21 of the Air (Prevention and control of Pollution) Act, 1981 and Section 25 & 26 of the Water (Prevention and control of Pollution) Act, 1974.

V. Approvals to be obtained by our Company for the proposed activities under the Objects of the Issue

No.	Licenses to be obtained for the proposed expansion of the Distillery Unit
1.	License from the Excise Commissioner, Government of Karnataka for expansion of the Distillery Unit
2.	Factory License for the enhanced capacity under the Factories Act
3.	Boiler License from Director of Boilers, Government of Karnataka
4.	Permission from the Local Self Governance Body i.e. the Gram Panchayat, Bellad Bagewadi for the proposed expansion of the unit.

OTHER REGULATORY AND STATUTORY DISCLOSURES

Authority for the Issue

The Board of Directors has, pursuant to a resolution passed at its meeting held on April 5, 2011, authorized the Issue subject to the approval by the shareholders of our Company under Section 81(1A) of the Companies Act, and such other authorities as may be necessary.

Our shareholders have authorised this Issue by a special resolution adopted under to Section 81(1A) of the Companies Act, passed at the Extra Ordinary General Meeting (EGM) held on May 2, 2011.

We have received in-principle approvals from the BSE and NSE for the listing of our Equity Shares pursuant to letters dated [●] and [●] respectively.

Prohibition by SEBI, RBI or governmental authorities

Our Company, Promoters, Promoter Group, Directors, Group Entities have not been prohibited from accessing the capital market for any reason or restrained from buying, selling or dealing in securities, under any order or directions by the SEBI or any other authorities and there are no violations of securities laws committed by any of them in the past or pending against them, nor have any companies with which any of our Company, our Promoter, Directors, persons in control of our Company or any natural person behind the Promoters are or were associated as a promoter, director or person in control, been debarred or prohibited from accessing the capital markets under any order or direction passed by the SEBI or any other authority.

None of our Directors are associated with the securities market and there has been no action taken by the SEBI against the Directors or any other entity with which our Directors are associated as promoters or directors. None of our Company, Promoters, Directors, Group Entities, relatives (as per Companies Act, 1956) of Promoters have been identified as a willful defaulter by the RBI or other governmental authority and there has been no violation of any securities law committed by any of them in the past and no such proceedings are pending against any of them.

Eligibility for the Issue

Our Company is eligible for the Issue in accordance with Regulation 26(1) of the SEBI (ICDR) Regulations, as explained under the eligibility criteria calculated in accordance with financial statements under Indian GAAP.

In terms of a certificate issued by M/s. P.G. Ghali & Co., Chartered Accountants, Belgaum, our Statutory Auditor, dated December 29, 2011 our Company satisfies the eligibility criteria in accordance with Regulation 26(1) of the SEBI (ICDR) Regulations as given below:

1. Our Company has net tangible assets of at least ₹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;
2. Our Company has a track record of distributable profits in terms of Section 205 of Companies Act, 1956, for at least three out of immediately preceding five (5) years;
3. Our Company has a net worth of at least ₹100 lakhs in each of the preceding three (3) full years (of 12 months each);
4. Our Company has pre-issue net worth of ₹ 15,442.01 lakhs as of March 31, 2011 and hence, the proposed Issue in the current financial year should not exceed five times of the pre-Issue net worth of the Company; and
5. Our Company has not changed its name within the last one (1) year.

The distributable profit, net worth, net tangible assets and monetary assets, of the Company for the last five (5) years as per our Company's standalone audited balance sheet are as under:

(₹ in Lakhs)

Particulars	As at June 30, 2011	F.Y. 2011	F.Y. 2010	F.Y. 2009	F.Y. 2008	F.Y. 2007
Net Assets	22,970.22	22,811.27	21,830.86	18,007.96	9,655.74	9128.82
Less intangible assets	Nil	Nil	Nil	Nil	Nil	Nil
Net Tangible assets ⁽¹⁾	22,970.22	22,811.27	21,830.86	18,007.96	9,655.74	9128.82
Monetary assets ⁽²⁾	254.09	194.48	573.83	67.98	487.60	168.19
Monetary assets as % of net tangible assets	1.11	0.85	2.63	0.38	5.04	1.84
Distributable profit as restated ⁽³⁾	12,368.12	12,026.17	6,735.77	4,941.21	2,689.41	46.36
Net worth ⁽⁴⁾	15,738.87	15,442.01	10,131.18	8,334.57	6,081.06	3,352.43

Notes:

- (1) Net tangible assets are all fixed assets (including capital work in progress), investments, current assets less current liabilities and provisions and unsecured loans, excluding 'intangible assets', as defined in Accounting Standard 26 issued by the Institute of Chartered Accountants of India.
- (2) Monetary Assets include cash in hand and bank balances and Liquid Investments.
- (3) The Distributable profits of the Company is as per Section 205 of the Companies Act, 1956.
- (4) Net worth has been defined as aggregate of equity share capital and reserves, after deducting miscellaneous expenditures to the extent not written off.

Further, in accordance with Regulation 26(4) of the SEBI (ICDR) Regulations, number of prospective Allottees will be not less than 1,000, otherwise the entire application money will be returned 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 as per Section 73 of the Companies Act.

This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus. Any Bidder may participate in this Issue through the Application Supported by Blocked Amount ("**ASBA**") process by providing the details of their ASBA Accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks ("**SCSBs**"). It is mandatory for Non-Retail Investors i.e. QIBs and Non Institutional Investors to make an application through this process. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

Compliance with Part A of Schedule VIII of the SEBI (ICDR) Regulations

Our Company is in compliance with the provisions specified in Part A of the SEBI (ICDR) Regulations. No

exemption from eligibility norms has been sought under Regulation 109 of the SEBI (ICDR) Regulations, with respect to the Issue. Further, our Company has not been formed by the conversion of a partnership firm into a company.

Disclaimer Clause

AS REQUIRED, A COPY OF THE DRAFT RED HERRING PROSPECTUS HAS BEEN SUBMITTED TO SEBI. IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF THE DRAFT RED HERRING PROSPECTUS TO SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE DRAFT RED HERRING PROSPECTUS. THE BOOK RUNNING LEAD MANAGER, ASHIKA CAPITAL LIMITED HAS CERTIFIED THAT THE DISCLOSURES MADE IN THE DRAFT RED HERRING PROSPECTUS ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.

IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE OUR COMPANY IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE DRAFT RED HERRING PROSPECTUS, THE BOOK RUNNING LEAD MANAGER ARE EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT OUR COMPANY DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE BOOK RUNNING LEAD MANAGER, ASHIKA CAPITAL LIMITED HAS FURNISHED TO SEBI, A DUE DILIGENCE CERTIFICATE DATED DECEMBER 29, 2011 IN ACCORDANCE WITH THE SEBI (MERCHANT BANKERS) REGULATIONS, 1992 WHICH READS AS FOLLOWS:

- (I) WE HAVE EXAMINED VARIOUS DOCUMENTS INCLUDING THOSE RELATING TO LITIGATION LIKE COMMERCIAL DISPUTES, PATENT DISPUTES, DISPUTES WITH COLLABORATORS, ETC. AND OTHER MATERIAL IN CONNECTION WITH THE FINALISATION OF THE DRAFT RED HERRING PROSPECTUS PERTAINING TO THE SAID ISSUE.**
- (II) ON THE BASIS OF SUCH EXAMINATION AND THE DISCUSSIONS WITH THE COMPANY, ITS DIRECTORS AND OTHER OFFICERS, OTHER AGENCIES 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 COMPANY,**

WE CONFIRM THAT:

- (A) THE DRAFT RED HERRING PROSPECTUS FILED WITH SEBI 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 SEBI, 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.

- (D) WE CONFIRM THAT BESIDE OURSELVES, ALL THE INTERMEDIARIES NAMED IN THE DRAFT RED HERRING PROSPECTUS ARE REGISTERED WITH SEBI AND TILL DATE SUCH REGISTRATION IS VALID.
- (E) WHEN UNDERWRITTEN, WE SHALL SATISFY OURSELVES ABOUT THE CAPABILITY OF THE UNDERWRITERS TO FULFIL THEIR UNDERWRITING COMMITMENTS. – NOTED FOR COMPLIANCE
- (F) WE CERTIFY THAT WRITTEN CONSENT FROM THE PROMOTERS HAS BEEN OBTAINED FOR INCLUSION OF THEIR EQUITY SHARES AS PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN AND THE EQUITY SHARES PROPOSED TO FORM PART OF THE PROMOTERS' CONTRIBUTION SUBJECT TO LOCK-IN WILL NOT BE DISPOSED OR SOLD OR TRANSFERRED BY THE PROMOTERS DURING THE PERIOD STARTING FROM THE DATE OF FILING THE DRAFT RED HERRING PROSPECTUS WITH SEBI UNTIL THE DATE OF COMMENCEMENT OF THE LOCK-IN PERIOD AS STATED IN THE DRAFT RED HERRING PROSPECTUS.
- (G) WE CERTIFY THAT REGULATION 33 OF THE SEBI (ISSUE OF CAPITAL AND DISCLOSURE REQUIREMENTS) REGULATIONS, 2009, WHICH RELATES TO 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. – NOTED FOR COMPLIANCE
- (H) 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 BOARD. WE FURTHER CONFIRM THAT ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT PROMOTERS' CONTRIBUTION SHALL BE KEPT IN AN ESCROW ACCOUNT WITH A SCHEDULED COMMERCIAL BANK AND SHALL BE RELEASED TO THE COMPANY ALONG WITH THE PROCEEDS OF THE PUBLIC ISSUE – NOT APPLICABLE
- (I) 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.
- (J) WE CONFIRM THAT NECESSARY ARRANGEMENTS HAVE BEEN MADE TO ENSURE THAT THE MONEYS RECEIVED PURSUANT TO THE ISSUE ARE KEPT IN A SEPARATE BANK ACCOUNT AS PER THE PROVISIONS OF SECTION 73(3) OF THE COMPANIES ACT,

1956 AND THAT SUCH MONEYS SHALL BE RELEASED BY THE SAID BANK ONLY AFTER PERMISSION IS OBTAINED FROM ALL THE STOCK EXCHANGES MENTIONED IN THE PROSPECTUS. WE FURTHER CONFIRM THAT THE AGREEMENT ENTERED INTO BETWEEN THE BANKERS TO THE ISSUE AND THE ISSUER SPECIFICALLY CONTAINS THIS CONDITION – NOTED FOR COMPLIANCE.

- (K) 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 ISSUE SIZE IS MORE THAN ₹ 100 MILLION, HENCE UNDER SECTION 68B OF THE COMPANIES ACT, THE ALLOTMENT WILL BE MADE ONLY IN DEMAT FORM.
- (L) 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.
- (M) WE CERTIFY THAT THE FOLLOWING DISCLOSURES HAVE BEEN MADE IN THE DRAFT RED HERRING PROSPECTUS:
- (a) AN UNDERTAKING FROM THE ISSUER THAT AT ANY GIVEN TIME THERE SHALL BE ONLY ONE DENOMINATION FOR THE SHARES OF OUR COMPANY; AND
 - (b) AN UNDERTAKING FROM THE ISSUER THAT IT SHALL COMPLY WITH SUCH DISCLOSURE AND ACCOUNTING NORMS SPECIFIED BY THE BOARD FROM TIME TO TIME."
- (N) 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.
- (O) WE ENCLOSE A NOTE EXPLAINING HOW THE PROCESS OF DUE DILIGENCE HAS BEEN EXERCISED BY US IN VIEW OF THE NATURE OF CURRENT BACKGROUND OF THE ISSUER, SITUATION AT WHICH THE PROPOSED BUSINESS STANDS, THE RISK FACTORS, PROMOTERS EXPERIENCE, ETC.
- (P) 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 FROM ANY LIABILITIES UNDER SECTION 63 OR SECTION 68 OF THE COMPANIES ACT, 1956 OR FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY 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 MANAGER ANY IRREGULARITIES OR LAPSES IN THE DRAFT RED HERRING PROSPECTUS.

ASHIKA CAPITAL LIMITED HAS SIGNED THE DUE DILIGENCE CERTIFICATE PRIOR TO FILING OF THE DRAFT RED HERRING PROSPECTUS WITH SEBI AND ACCORDINGLY HAS BEEN DISCLOSED AS A BRLM. FURTHER, IN COMPLIANCE WITH THE PROVISIO TO REGULATION 21A(1) AND EXPLANATION (I) TO REGULATION 21A(1) OF SEBI (MERCHANT BANKERS) REGULATIONS, 1992, READ WITH REGULATION 110 AND SCHEDULE XX OF THE SEBI (ICDR) REGULATIONS, ASHIKA CAPITAL LIMITED WOULD BE INVOLVED ONLY IN THE MARKETING OF THE ISSUE.

All legal requirements pertaining to the Issue will be complied with at the time of filing of the Red Herring Prospectus with the ROC in terms of Section 60B of the Companies Act. All legal requirements pertaining to the Issue will be complied with at the time of registration of the Prospectus with the ROC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Disclaimer from our Company, Directors and the BRLM

Our Company, our Directors and the BRLM accept no responsibility for statements made otherwise than in this Draft Red Herring Prospectus or in the advertisement or any other material issued by or at our Company's instance and that anyone placing reliance on any other source of information, including our Company's website www.vssil.co.in would be doing so at his or her own risk.

Caution

The BRLM accept no responsibility, save to the limited extent as provided in the Issue Agreement entered into among the BRLM, our Company on December 21, 2011, and the Underwriting Agreement to be entered into between the Underwriters and our Company.

All information shall be made available by our Company and the BRLM to the public and investors at large and no selective or additional information would be available for a section of the investors in any manner whatsoever including at road show presentations, in research or sales reports, at bidding centres or elsewhere.

Neither our Company, BRLM nor any Syndicate Member is liable to the Bidders for any failure in downloading the Bids due to faults in any software/hardware system or otherwise.

The BRLM and their respective associates and affiliates may engage in transactions with, and perform services for, our Company, our Promoter Group, Group Entities, or our 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, our Promoter Group, Group Entities, and our affiliates or associates, for which they have received and may in future receive compensation.

The Bidders that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire the Equity Shares. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives accept no responsibility or liability for advising any investor on whether such investor is eligible to acquire the Equity Shares in the Issue.

Disclaimer in Respect of Jurisdiction

This Issue is being made in India to persons resident in India (including Indian nationals resident in India who are majors, HUFs, companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in shares, Indian mutual funds registered with SEBI, Indian financial institutions, commercial banks, regional

rural banks, cooperative banks (subject to RBI permission), or trusts under applicable trust law and who are authorized under their constitution to hold and invest in shares, public financial institutions as specified in Section 4A of the Companies Act, VCFs, state industrial development corporations, insurance companies registered with the Insurance Regulatory and Development Authority, provident funds (subject to applicable law) with a minimum corpus of ₹2,500 lakhs and pension funds with a minimum corpus of ₹2,500 lakhs, and permitted non-residents including FIIs, Eligible NRIs, multilateral and bilateral development financial institutions, FVCIs and eligible foreign investors, insurance funds set up and managed by army, navy or air force of the Union of India and insurance funds set up and managed by the Department of Posts, India provided that they are eligible under all applicable laws and regulations to hold Equity Shares of our Company. This Draft Red Herring Prospectus does not, however, constitute an offer to sell or an invitation to subscribe for Equity Shares offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Draft Red Herring Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions.

Any dispute arising out of this Issue will be subject to the jurisdiction of the competent court(s) in Mumbai, India.

No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose, except that this Draft Red Herring Prospectus has been filed with the SEBI for its observations. Accordingly, the Equity Shares represented hereby may not be offered or sold, directly or indirectly, and this Draft Red Herring Prospectus may not be distributed in any jurisdiction, except in accordance with the legal requirements applicable in such jurisdiction. Neither the delivery of this Draft 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 from the date hereof or that the information contained herein is correct as of any time subsequent to this date.

The Equity Shares have not been, and will not be, registered under the U.S. Securities Act 1933, as amended (the "Securities Act") or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, "U.S. persons" (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares will be offered and sold only outside the United States in compliance with Regulation S of the Securities Act and the applicable laws of the jurisdiction where those offers and sales occur. The Equity Shares have not been, and will not be, registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

Further, each Bidder where required agrees that such Bidder will not sell or transfer any Equity Shares or create any economic interest therein, including any off-shore derivative instruments, such as participatory notes, issued against the Equity Shares or any similar security, other than pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with applicable laws and legislations in each jurisdiction, including India.

Disclaimer clause of the BSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the BSE. The disclaimer clause as intimated by the BSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

Disclaimer clause of the NSE

As required, a copy of this Draft Red Herring Prospectus shall be submitted to the NSE. The disclaimer clause as intimated by the NSE to us, post scrutiny of this Draft Red Herring Prospectus, shall be included in the Red Herring Prospectus prior to filing the same with the RoC.

Disclaimer of IPO Grading Agency

[●]

Filing

A copy of this Draft Red Herring Prospectus has been filed with the SEBI at the Securities and Exchange Board of India, SEBI Bhavan, G Block, 3rd Floor, Bandra Kurla Complex, Bandra (E), Mumbai 400 051, India.

A copy of the Red Herring Prospectus, along with the other documents required to be filed under Section 60B of the Companies Act, will be delivered for registration to the RoC and a copy of the Prospectus to be filed under Section 60 of the Companies Act filed with the Corporation Finance Department of SEBI and will be delivered for registration to the RoC, located at 'E' Wing, 2nd Floor Kendriya Sadana Koramangala, Bengaluru 560 034, India.

Listing

Applications will be made to the BSE and the NSE for permission for listing of the Equity Shares being offered and sold in the Issue. The BSE will be the Designated Stock Exchange with which the basis of Allotment will be finalized.

If the permissions to deal in, and for an official quotation of, the Equity Shares are not granted by any of the Stock Exchanges mentioned above, our Company shall forthwith repay, without interest, all monies received from applicants in reliance on the Red Herring Prospectus. If such money is not repaid within eight (8) Working Days from the date on which our Company has become liable to repay it then our Company and every Director of our Company who is an officer in default shall, on and from the expiry of such eight day period, be liable to repay such monies, together with interest at the rate of 15% per annum on the application monies, in proportion to the Equity Shares offered under the Issue, 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 the Stock Exchanges are taken within twelve (12) Working Days of the Bid/ Issue Closing Date.

Impersonation

Attention of the applicants is specifically drawn to the provisions of sub-section (1) of Section 68A of the Companies Act, which is reproduced below:

“Any person who:

- (a) makes in a fictitious name, an application to a company for acquiring or subscribing for, any shares therein, or***
- (b) otherwise induces a company to allot, or register any transfer of shares therein to him, or any other person in a fictitious name,***

shall be punishable with imprisonment for a term which may extend to five years”.

Consents

Consents in writing of: (a) the Directors, the Company Secretary and the Compliance Officer, the Auditors, the legal advisors, the Bankers to our Company, lenders to our Company, and (b) the BRLM, the Syndicate Members*, the Escrow Collection Banks*, Refund Bankers*, IPO Grading Agency*, and the Registrar to the Issue to act in their

respective capacities, will be obtained and filed along with a copy of the Red Herring Prospectus with the RoC, as required under Sections 60 and 60B of the Companies Act and such consents will not be withdrawn up to the time of delivery of the Red Herring Prospectus for registration with the RoC.

**The aforesaid will be appointed prior to filing of the Red Herring Prospectus with RoC and their consents as above would be obtained prior to the filing of the Red Herring Prospectus with RoC.*

In accordance with the Companies Act and the SEBI (ICDR) Regulations, M/s. P. G. Ghali & Co., Chartered Accountants, our Statutory Auditors, have given their written consent to the inclusion of their report in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Red Herring Prospectus to the RoC.

M/s. P. G. Ghali & Co., Chartered Accountants, our Statutory Auditors, have given their written consent to inclusion of their report relating to the possible tax benefits accruing to our Company and its shareholders in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

M/s. P. G. Ghali & Co., Chartered Accountants, our Statutory Auditors, have given their written consent to the report on restated financial information of our Company, in the form and context in which it appears in this Draft Red Herring Prospectus and such consent and report will not be withdrawn up to the time of delivery of the Prospectus for registration with the RoC.

[●], a SEBI registered credit rating agency engaged by us for the purpose of obtaining IPO grading in respect of this Issue, has given 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 the Prospectus and such consent and report shall not be withdrawn up to the time of delivery of the Prospectus registration with the RoC.

Expert Opinion

Except the report of [●] in respect of the IPO grading of this Issue annexed herewith and except as stated elsewhere in this Draft Red Herring Prospectus, our Company has not obtained any expert opinions.

Undertaking from our Company, our Promoter and Directors

Our Company accepts full responsibility for the accuracy of the information given in this Draft Red Herring Prospectus and confirms that to the best of our knowledge and belief, there are no other facts, their omission of which make any statement in this Draft Red Herring Prospectus misleading and we further confirm that we have made all reasonable inquiries to ascertain such facts. Our Company further declares that the Stock Exchanges to which an application for official quotation is proposed to be made do not take any responsibility for the financial soundness of the Issue or for the price at which the Equity Shares are offered or for the correctness of the statement made or opinions expressed in the Draft Red Herring Prospectus. Our Promoters/Directors declare and confirm that no information/material likely to have a bearing on the decision of investors in respect of the Equity Shares offered in terms of this Draft Red Herring Prospectus has been suppressed, withheld and/or incorporated in the manner that would amount to misstatement, misrepresentation and in the event of its transpiring at any point of time till allotment/refund, as the case may be, that any information/material has been suppressed /withheld and/or amounts to a misstatement/ misrepresentation, our Promoters/ Directors undertake to refund the entire application monies to all the subscribers within seven (7) days thereafter without prejudice to the provisions of Section 63 of the Companies Act.

Expenses of the Issue

The total expenses of the Issue are estimated to be approximately ₹[●] lakhs, which is [●]% of the Issue size. The expenses of this Issue include, among others, underwriting and management fees, selling commissions, SCSBs commissions/fees, printing and distribution expenses, legal fees, statutory advertisement expenses, registrar and

depository fees, stamp duty and listing fees.

The total estimated expenses are ₹ [●] lakhs, which is [●] % of the Issue size.

No.	Particulars	Amount (₹ in Lacs) *	Percentage of Total Estimated Issue Expenditure *	Percentage of Issue Size *
1.	Fees of BRLMs/Syndicate Member(s)/Registrar/Legal Advisor	[●]	[●]	[●]
2.	Underwriting commission ,brokerage & selling expense	[●]	[●]	[●]
3.	IPO Grading fees, Advertising & marketing expenses ,printing & stationery ,distribution ,postage etc.	[●]	[●]	[●]
4.	Filing fees of SEBI & Stock Exchanges fees including processing and bidding terminals fees	[●]	[●]	[●]
5.	Commission to SCSB's and Syndicate/ Sub-Syndicate members	[●]	[●]	[●]
6.	Other expenses (Auditors fees, Research report etc.)	[●]	[●]	[●]
	Total Estimated Issue Expenditure	[●]	[●]	[●]

**will be incorporated after finalization of Issue price*

Fees Payable to the BRLM

The total fees payable to the BRLM will be as per the Engagement Letter dated March 12, 2011 and Issue Agreement dated December 21, 2011 executed between our Company and BRLM, a copy of which is available for inspection at our Registered Office from 10.00 am to 4.00 pm on Working Days from the date of the Draft Red Herring Prospectus until the Bid/ Issue Closing Date.

Fees Payable to the Registrar to the Issue

The fees payable to the Registrar to the Issue for processing of applications, data entry, printing of refund orders, preparation of refund data on magnetic tape and printing of bulk mailing register will be as per the agreement among our Company and the Registrar to the Issue dated December 21, 2011, a copy of which is available for inspection at our Company's Registered Office.

The Registrar to the Issue will be reimbursed for all out-of-pocket expenses including cost of stationery, postage, stamp duty, and communication expenses. Adequate funds will be provided to the Registrar to the Issue to enable it to make refunds in any of the modes described in this Draft Red Herring Prospectus or send allotment advice by registered post/speed post/under certificate of posting.

Underwriting Commission, Brokerage and Selling Commission

The underwriting commission and selling commission for this Issue is as set out in the Syndicate Agreement to be entered into between our Company and the BRLM and the Syndicate Members. The underwriting commission shall be paid as set out in the Underwriting Agreement to be entered into based on the Issue Price and amount underwritten in the manner mentioned in the Prospectus. Payment of underwriting commission, brokerage and selling commission would be in accordance with applicable laws.

IPO Grading

This Issue has been graded by [●] and has been assigned the "[●]" indicating [●], through its letter dated [●], which

is valid for a period of [●]. The IPO grading is assigned on a five point scale from 1 to 5 wherein an "IPO Grade 5" indicates strong fundamentals and an "IPO Grade 1" indicates poor fundamentals. A copy of the report provided by [●], furnishing the rationale for its grading will be annexed to the Red Herring Prospectus and will be made available for inspection at our Registered and Corporate Office from 10.00 a.m. to 4.00 p.m. on Working Days from the date of the Red Herring Prospectus until the Bid/Issue Closing Date.

Summary of rationale for grading by the IPO Grading Agency

[●]

Particulars regarding Public or Rights Issues during the last five (5) years

Our Company has not made any previous public or rights issue in the five (5) years preceding the date of this Draft Red Herring Prospectus.

Previous issues of Equity Shares otherwise than for cash

Our Company has not made any previous issues of shares for consideration other than cash, except Bonus Issue, as mentioned in the section titled "Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus.

Underwriting Commission, brokerage and selling commission on Previous Issues

Since this is the initial public offering of our Company's Equity Shares, no sum has been paid or has been payable as commission or brokerage for subscribing for or procuring or agreeing to procure subscription for any of the Equity Shares since our Company's inception.

Previous issues by companies under the same Management

No company under the same management within the meaning of Section 370(1B) of the Companies Act has made any public issue or rights issue during the last three (3) years.

Performance vis-a-vis objects - Last Three Issues

There has not been any previous public issue of our Equity Shares.

Performance vis-a-vis objects - Last Issue of Group/Associate Companies

All of our Group / Associate Companies are unlisted and have not made a public issue of shares.

Outstanding Debentures or Bond Issues or Redeemable Preference Shares

Our Company does not have any outstanding debentures or bonds or Preference Redeemable Shares as on the date of filing this Draft Red Herring Prospectus.

Outstanding Convertible Instruments

Our Company does not have any outstanding convertible instruments as on the date of filing this Draft Red Herring Prospectus.

Option to Subscribe

Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in dematerialized form only.

Stock Market Data of the Equity Shares

This being an initial public offering of the Equity Shares of our Company, the Equity Shares are not listed on any Stock Exchanges.

Mechanism for Redressal of Investor Grievances

The Agreement amongst the Registrar to the Issue, our Company provides for retention of records with the Registrar to the Issue for a period of at least three (3) year from the last date of dispatch of the letters of allotment, or refund orders, demat credit or where refunds are being made electronically, giving of refund instructions to the clearing system, to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, address of the applicant, application number, number of Equity Shares applied for, amount paid on application, Depository Participant, and the bank branch or collection centre where the application was submitted.

All grievances relating to the ASBA process may be addressed to the SCSBs, giving full details such as name, address of the applicant, number of Equity Shares applied for, amount paid on application and the relevant Designated Branch or the collection centre of the SCSBs where the Bid-cum-Application Form was submitted by the ASBA Bidders.

Disposal of Investor Grievances by our Company

Our Company estimates that the average time required by our Company or the Registrar to the Issue for the redressal of routine investor grievances shall be fifteen (15) Working Days from the date of receipt of the complaint. In case of complaints that are not routine or where external agencies are involved, our Company will seek to redress these complaints as expeditiously as possible.

Our Company has constituted shareholders/investors grievance committee in the meeting of our Board of Directors held on January 18, 2006. For further details on the Shareholder's and Investor's Grievance Committee, please refer to section titled "Our Management" beginning on page 144 of this Draft Red Herring Prospectus.

Our Company has appointed Mr. Mukesh Kumar, Executive Director, as the Compliance Officer to redress complaints, if any, of the investors participating in the Issue. He can be contacted at the following address:

Mr. Mukesh Kumar
Vishwanath Sugar and Steel Industries Limited
Bellad Bagewadi, Taluka Hukkeri
Bellad Bagewadi 591 305, Karnataka, India.
Telephone: + 91 08333 267243
Facsimile: +91 08333 267211
E-mail: ipo@vssil.co.in

Investors can contact the Compliance Officer or the Registrar in case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allocation, credit of allotted Equity Shares in the respective beneficiary account or refund orders, *etc.*

Disposal of investor grievances by listed companies under the same management as our Company

We do not have any other listed company under the same management.

Change in Auditors during the last three (3) years

There have been no changes in our Company's auditors in the last three (3) years.

Capitalization of Reserves or Profits

Except with respect to the bonus shares as disclosed under section titled "Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus, our Company has not capitalized its reserves or profits at any time during the last five (5) years.

Revaluation of Assets

Our Company has not revalued its assets in five (5) years preceeding the date of this Draft Red Herring Prospectus.

Tax Implications

Investors who are allotted Equity Shares in the Issue will be subject to capital gains tax on any resale of the Equity Shares at applicable rates, depending on the duration for which the investors have held the Equity Shares prior to such resale and whether the Equity Shares are sold on the Stock Exchanges. For details, please refer the section titled "Statement of Tax Benefits" beginning on page 89 of this Draft Red Herring Prospectus.

SECTION VII: ISSUE INFORMATION

TERMS OF THE ISSUE

The Equity Shares being issued are subject to the provisions of the Companies Act, SCRR, the Memorandum and Articles of Association, the terms of the Draft Red Herring Prospectus, the Red Herring Prospectus, the Prospectus, the Bid-cum-Application Form, CAN, the Revision Form, Allotment advices and the listing agreement with the Stock Exchanges and other terms and conditions as may be incorporated in the documents/certificates that may be executed in respect of the Issue. The Equity Shares shall also be subject to all applicable laws, guidelines, rules, notifications and regulations relating to the issue of capital and listing and trading of securities issued from time to time by SEBI, the GoI, the Stock Exchanges, the RoC, the FIPB, the 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 Companies Act and our Memorandum and Articles and shall rank *pari passu* in all respects with the existing Equity Shares of our Company including rights in respect of dividend. The allottees will be entitled to dividend or any other corporate benefits, if any, declared by our Company after the Date of Allotment. Please refer to section titled "Main Provisions of Articles of Association" beginning on page **Error! Bookmark not defined.** for a description of the Articles of Association of this Draft Red Herring Prospectus.

Face Value and Issue Price

The Equity Shares with a face value of ₹10 each are being issued in terms of the Draft Red Herring Prospectus at a Issue price of at the lower end of the Price Band is ₹ [●] per Equity Share and at the higher end of the Price Band is ₹ [●] per Equity Share. Anchor Investor Issue Price is ₹ [●] per Equity Share. At any given point of time, there shall be only one denomination for the Equity Shares of our Company, subject to applicable laws.

Mode of Payment of Dividend

Our Company shall pay dividend to the shareholders of our Company in accordance with the provisions of the Companies Act.

Compliance with SEBI (ICDR) Regulations

Our Company shall comply with all disclosure and accounting norms as specified by SEBI from time to time.

Rights of the Equity Shareholders

Subject to applicable laws, the equity shareholders shall have the following rights:

1. Right to receive dividend, if declared;
2. Right to attend general meetings and exercise voting powers, unless prohibited by law;
3. Right to vote on a poll either in person or by proxy;
4. Right to receive offers for rights shares and be allotted bonus shares, if announced;
5. Right to receive surplus on liquidation subject to any statutory and other preferential claims being satisfied;
6. Right of free transferability, subject to applicable law, including any RBI Rules and Regulations; and
7. 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 Company's Memorandum and Articles.

For further details on the main provisions of our Company's Articles of Association dealing with voting rights, dividend, forfeiture and lien, transfer and transmission and/or consolidation/splitting, please refer section titled "Main Provisions of Articles of Association" beginning on page 315 of this Draft Red Herring Prospectus.

Market Lot and Trading Lot

In terms of Section 68B of the Companies Act, the Equity Shares of our Company shall be allotted only in dematerialized form. Hence, the Equity Shares being offered through the Draft Red Herring Prospectus can be applied for in the dematerialised form only.

The Equity Shares, as per the provisions of the SEBI (ICDR) Regulations, shall be allotted only in dematerialised form and trading shall only be in dematerialised form. Since trading of the Equity Shares is in dematerialised form, the tradable lot is one (1) Equity Share. Allotment in this Issue will be only in electronic form in multiples of one (1) Equity Share subject to a minimum Allotment of [●] Equity Shares.

The Price Band and the minimum bid lot will be decided by our Company in consultation with the BRLM, including the relevant financial ratios computed for both the Cap Price and the Floor Price, which shall be published in English and Hindi national newspapers with wide circulation, and regional newspaper with wide circulation, being the newspapers in which the pre-Issue advertisements were published, at least two (2) Working Days prior to the Bid/Issue Opening Date.

Jurisdiction

Exclusive jurisdiction for the purpose of this Issue is with the competent courts/authorities in Mumbai, 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 (1) 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 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 or to the Registrar.

Further, any person who becomes a nominee shall, upon the production of such evidence as may be required by the Board, elect either:

1. To register himself or herself as the holder of the Equity Shares; or
2. To make such transfer of the Equity Shares, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the Equity Shares, and if the notice is not complied with within a period of ninety (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 Issue, including devolvement of the Underwriters, if any, within sixty (60) days from the Bid/Issue Closing Date, our Company shall refund the entire subscription amount received, but not later than ten (10) weeks of the Bid/Issue Closing Date. If there is a delay beyond eight (8) days after our Company becomes liable to pay the amount, our Company shall pay interest as per Section 73 of the Companies Act, 1956.

The requirement for minimum subscription is not applicable to the Offer for Sale.

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, in consultation with the BRLM and the Designated Stock Exchange. Our Company shall ensure that the number of prospective allottees to whom Equity Shares in the Issue is allotted will not be less than 1,000 failing which we shall refund the entire subscription amount received.

Application by Eligible NRIs, FIIs registered with SEBI and FVCIs registered with SEBI

As per existing RBI regulations, OCBs cannot participate in the Issue. The current provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, there exists a general permission for the NRIs, FIIs and foreign venture capital investors registered with SEBI to invest in shares of Indian companies by way of subscription in an IPO. However, such investments would be subject to other investment restrictions under the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000, RBI and/or SEBI regulations as may be applicable to such investors.

It is to be distinctly understood that there is no reservation for eligible NRIs and FIIs registered with SEBI or FVCIs registered with SEBI. All NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation. As per existing RBI regulations, OCBs cannot participate in the Issue. The allotment of the Equity Shares to Non-Residents shall be subject to the conditions, if any, as may be prescribed by the Government of India/RBI while granting such approvals.

Sub accounts of FIIs registered with SEBI, being foreign corporate or foreign individuals are not eligible to participate in this Issue in the QIB Portion.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. The Company and the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. The Company and the BRLM are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of this Draft Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Arrangements for disposal of odd lots

Since the market lot for our Equity Shares will be one, no arrangements for disposal of odd lots are required.

Terms of Payment

Applications should be for minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter. The entire Issue price of the Equity Shares of ₹10 per share is payable on application. In case of allotment of lesser number of Equity Shares than the number of shares applied for, our Company shall refund the excess amount paid on application, subject to minimum allotment size being the minimum application size.

Period of operation of Subscription list of public issue

The subscription list for public issue shall remain open for at least three (3) Working Days and not more than ten (10) Working Days. The Bid /Issue opening date is [●] and the Bid/Issue closing date is [●].

Restriction on transfer of Equity Shares

Except for lock-in of the pre-Issue Equity Shares and Promoters, minimum contribution and Anchor Investor lock-in in the Issue as detailed in the section titled "Capital Structure" beginning on page 49 of this Draft Red Herring Prospectus, and except as provided in the Articles of Association, there are no restrictions on transfers of Equity Shares. There are no restrictions on transfers of debentures except as provided in the Articles of Association. There are no restrictions on transmission of shares/ debentures and on their consolidation/ splitting except as provided in the Articles of Association. For further details, please refer to the section titled "Main Provisions of the Articles of Association" beginning on page 315 of this Draft Red Herring Prospectus.

Joint Holders

Where two (2) or more persons are registered as the holders of the Equity Shares, they shall be entitled to hold the same as joint tenants with benefits of survivorship.

New financial instruments

There are no new financial instruments such as deep discounted bonds, debentures, warrants, secured premium notes, etc. issued by our Company.

Option to Receive Securities in Dematerialised Form

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialised form. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialised segment of the Stock Exchanges.

ISSUE STRUCTURE

Public Issue of [●] equity shares of ₹10 each for cash at a price of ₹[●] per equity share (including a share premium of ₹ [●] per equity share) aggregating upto ₹37,400 lakhs (the "*Issue*") by [●] ("*our Company*" or the "*Issuer*"). The Issue will constitute [●]% of the post Issue paid-up Equity Capital of our Company.

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, in consultation with the BRLM and the Designated Stock Exchange.

The Issue is being made through Book Building Process.

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders
Number of Equity Shares ⁽¹⁾ #	Upto [●] Equity Shares available for allocation or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders	Not less than [●] Equity Shares available for allocation or the Issue Size less allocation to QIB Bidders and Retail Individual Bidders.	Not less than [●] Equity Shares available for allocation or the Issue Size less allocation to QIB Bidders and Non-Institutional Bidders.
Percentage of Issue Size available for Allotment/allocation	Upto 50% of the Issue or the Issue less allocation to Non-Institutional Bidders and Retail Individual Bidders. However upto 5% of the QIB portion (excluding the Anchor Investor Portion) shall be available for allocation proportionately to domestic 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 Allocation or allotment if respective category is oversubscribed **	Proportionate as follows: 1. Equity Shares shall be allocated on proportionate basis to domestic Mutual Funds in the Mutual Funds Portion; 2. Equity Shares shall be allocated on a proportionate basis to al QIBs including domestic Mutual Funds receiving	Proportionate	Proportionate

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders
	allocation as per (a) above		
Minimum Bid	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 2,00,000.	Such number of Equity Shares in multiples of [●] Equity Shares so that the Bid Amount exceeds ₹ 2,00,000.	[●] Equity Shares so that the Bid Amount is less than ₹ 200,000 and in multiples of [●] Equity Shares thereafter.
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 ₹ 2,00,000.
Mode of Allotment	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.	Compulsorily in dematerialised form.
Bid Lot	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.	[●] Equity Shares and in multiples of [●] Equity Shares thereafter.
Allotment Lot	[●] Equity Shares and in multiples of 1 Equity Share thereafter.	[●] Equity Shares and in multiples of 1 Equity Share thereafter.	[●] Equity Shares and in multiples of 1 Equity Share thereafter.
Trading Lot	One Equity Share	One Equity Share	One Equity Share
Who can Apply ⁽²⁾	Public financial institution as defined in section 4A of the Companies Act, 1956, scheduled commercial bank, mutual fund, venture capital fund and foreign venture capital investor registered with the SEBI, foreign institutional investor and sub-account registered with SEBI (<i>other than a sub-account which is a foreign corporate or foreign individual</i>), multilateral and bilateral development financial institution, state industrial development corporation, insurance company registered with the Insurance Regulatory and	Eligible NRIs, Resident Indian individuals, HUF (in the name of Karta), companies, corporate bodies, scientific institutions societies, trusts and eligible/permitted Sub- Accounts of FIIs registered with SEBI which are foreign corporate or foreign individuals.	Individuals (including HUFs, NRIs) applying for Equity Shares such that the Bid Amount does not exceed ₹ 2,00,000 in value.

	QIBs#	Non-Institutional Bidders	Retail Individual Bidders
	Development Authority, provident fund with minimum corpus of Rs. 2,500 lakhs, pension fund with minimum corpus of ₹ 2,500 lakhs, 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 army, navy or air force of Union of India; and insurance funds set up and managed by the Department of Posts, India.		
Amount payable on Bidding	100% of the Bid Amount on Bidding	100% of the Bid Amount on Bidding	100% of the Bid Amount on Bidding
Terms of Payment ##	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.	Amount shall be payable at the time of submission of Bid cum Application Form.

Our Company may allocate 30% of the QIB Portion to Anchor Investors on discretionary basis. The QIB Portion includes Anchor Investor Portion, as per the SEBI (ICDR) Regulations. Anchor Investor Amount shall be payable at the time of submission of the application form by the Anchor Investor. In addition, 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 refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

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 Bid- cum- Application- Form.

1. This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to

Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus. Any Bidder (other than Anchor Investor) may participate in this Issue through the Application Supported by Blocked Amount ("*ASBA*") process by providing the details of their ASBA Accounts in which the corresponding Bid amounts will be blocked by Self Certified Syndicate Banks ("*SCSBs*"). It is mandatory for Non-Retail Investors i.e. QIBs and Non Institutional Investors to make an application through this process. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

Under-subscription, if any, in the Qualified Institutional, Non-Institutional and Retail categories would be allowed to be met with spill-over from any other category or combination of categories at the sole discretion of our Company in consultation with the BRLM and the Designated Stock Exchange. Such inter-se spill over, if any, would be effected in accordance with applicable laws, rules, regulations and guidelines. For further details, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

2. In case the Bid-cum-Application Form is submitted in joint names, the investors should ensure that the demat account is also held in the same joint names and the names are in the same sequence in which they appear in the Bid-cum-Application Form.

Withdrawal of the Issue

Our Company in consultation with the BRLM, reserves the right not to proceed with the Issue at anytime after the Bid/Issue Opening Date but before the allotment of Equity Shares. In such an event, a public notice would be issued in the newspapers, in which the pre-issue advertisements were published, within two (2) Working Days of the Bid/Issue Closing Date, providing reasons for not proceeding with the Issue. The BRLM, through the Registrar to the Issue, shall notify the SCSBs to unblock the bank accounts of the ASBA Bidders within one (1) Working Day from the day of receipt of such notification. Our Company shall also inform the same to the Stock Exchanges on which the Equity Shares are proposed to be listed. Notwithstanding the foregoing, the Issue is also subject to obtaining (i) the final listing and trading approvals of the Stock Exchanges, which our Company shall apply for after Allotment and (ii) the final RoC acknowledgement of the Prospectus after it is filed with the RoC. Under the SEBI (ICDR) Regulations QIBs are not allowed to withdraw their Bids after the QIB Bid/Issue Closing Date. Further, in the event of withdrawal of the Issue and subsequently, if there are plans of an IPO by our Company, a Draft Red Herring Prospectus will be submitted again for observations of SEBI.

Allotment Advice or Refund Orders or Instructions to SCSBs

Our Company shall credit the Equity Shares to the valid beneficiary account with its Depository Participants within two (2) Working Days from the date of the Allotment to all successful Allotees including ASBA Bidders, which in any event shall not exceed twelve (12) Working Days of the Bid/Issue Closing Date.

Applicants residing at the centers where clearing houses are managed by the RBI, will get refunds through NECS except where applicant is otherwise disclosed as eligible to get refunds through Direct Credit, NEFT or RTGS. In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system prior to twelve (12) Working Days from the Bid/ Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode prior to twelve (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. For all other Bidders who have not updated their bank particulars along with the nine-digit MICR code, the refund orders shall be dispatched prior to twelve (12) Working Days from the Bid/Issue Closing Date through speed post/registered post, or Direct Credit, National Electronic Fund Transfer ("*NEFT*"), Real Time Gross Settlement ("*RTGS*") or National Electronic Clearing Service ("*NECS*") at the sole or First Bidder's sole risk prior to twelve (12) Working Days of the Bid Closing Date. In case of ASBA Bidders, the Registrar to the Issue shall instruct the SCSBs to unblock the funds in the relevant ASBA Account to

the extent of the Bid Amount specified in the ASBA for withdrawn, rejected or unsuccessful or partially successful ASBAs prior to twelve (12) Working Days from the Bid/Issue Closing Date.

Interest in case of Delay in Dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, our Company undertakes that:

- ❖ Our Company shall pay interest at 15% per annum, if allotment is not made, refund orders are not dispatched to the applicant or if, in a case where the refund or portion thereof is made in electronic mode/manner, the refund instructions have not been given to clearing members and/or demat credits are not made to investors prior to twelve (12) Working Days from the Bid/Issue Closing Date or if instructions to SCSBs to unblock funds in the ASBA Accounts are not given prior to twelve (12) Working Days of the Bid/Issue Closing Date.

Our 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 any one or more of the Escrow Collection Banks/ Refund Banker(s) 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.

In case of ASBA Bidders, the SCSBs will unblock funds in the ASBA Account to the extent of the refund to be made based on instructions received from the Registrar to the Issue.

Bid/Issue Program

BID/ISSUE OPENS ON	[●]*
BID/ISSUE CLOSES ON	[●]**

**Our Company may consider participation by Anchor Investors in terms of SEBI (ICDR) Regulations. The Anchor Investor Bid/ Issue Period shall be one (1) Working Day prior to the Bid/ Issue Opening Date.*

*** Our Company may, in consultation with the BRLM, decide to close the Bidding for QIBs one (1) Working Day prior to the Bid Closing Date.*

Except in relation to the Bids received from the Anchor Investors, Bids and any revision in Bids shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time) during the Bid/Issue Period as mentioned above at the bidding centres mentioned on the Bid-cum-Application Form except that on the Bid/Issue Closing Date, Bids shall be accepted only between 10.00 a.m. and 3.00 p.m. (Indian Standard Time) (excluding ASBA Bidders) (10.00 a.m. and 1.00 p.m. (IST) if Bids are open only for the Retail Individual Bidders on the Bid/Issue Closing Date) and shall be uploaded until (i) 4.00 p.m. (Indian Standard Time) in case of Bids by QIB Bidders and Non-Institutional Bidders where the Bid Amount is in excess of ₹2,00,000 and (ii) until 5:00 p.m. (Indian Standard Time), in case of Bids by Retail Individual Bidders, where the Bid Amount is up to ₹2,00,000 which may be extended up to such time as deemed fit by the Stock Exchanges after taking into account the total number of applications received up to the closure of timings and reported by BRLM to the Stock Exchanges within half an hour of such closure. Due to limitation of time available for uploading the Bids on the Bid Closing Date, the Bidders are advised to submit their Bids one (1) Working Day prior to the Bid/ Issue Closing Date and, in any case, no later than 1.00 p.m. (Indian Standard Time) on the Bid/Issue Closing Date. Bidders are cautioned that in the event a large number of Bids are received on the Bid/Issue Closing Date, as is typically experienced in initial public offers, which may lead to some Bids not being uploaded due to lack of sufficient time to upload, such Bids that cannot be uploaded will not be considered for allocation in the Issue. If such Bids are not uploaded, our Company, the Syndicate, BRLM and the SCSBs shall not be responsible. Bids will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Bids by ASBA Bidders shall be uploaded by the SCSBs / Members of Syndicate in the electronic system to be provided by the Stock Exchanges.

In order that the data captured by the brokers in the electronic book is accurate, the Members of the Syndicate and the SCSBs may be permitted one (1) additional day, post the Bid/Issue Closing Date, to amend some of the data fields entered by them in the electronic bidding system.

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

Our Company may decide, in consultation with the BRLM to close the bidding by QIBs one (1) Working Day prior to the closure of the Issue, provided that the Bidding shall be kept open for a minimum of three (3) Working Days for all categories of Bidders.

In case of discrepancy in the data entered in the electronic book *vis-à-vis* the data contained in the physical Bid form, for a particular bidder, the details as per physical application form of that 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 SCSBs/ Members of Syndicate.

Our Company reserve the right to revise the Price Band during the Bid/Issue Period in accordance with the SEBI (ICDR) Regulations provided that the Cap Price is less than or equal to 120% of the Floor Price. 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 (2) 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 atleast three (3) additional Working Days after revision of the Price Band subject to the total Bid /Issue Period not exceeding ten (10) Working Days. Any revision in the Price Band and the revised Bid/Issue, if applicable, will be widely disseminated by notification to the Stock Exchanges, by issuing a press release and also by indicating the changes on the web sites of the BRLM and at the terminals of the Members of Syndicate and informing the SCSBs.

ISSUE PROCEDURE

This section applies to all Bidders. Please note that QIBs and Non-Institutional Bidders can participate in the issue only through the ASBA process. Retail Individual Bidders can participate in the issue through the ASBA process as well as the non ASBA process. ASBA Bidders should note that the ASBA process involves application procedures that may be 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. In case of ASBA Bidders, an amount equivalent to the full Bid Amount will be blocked by the SCSB.

In respect of QIBs that are Anchor Investors, the issue procedure set out below should be read with, and is qualified by, the paragraphs below relating to Anchor Investors, including without limitation, the section "Anchor Investor Portion".

It may also be noted that pursuant to the SEBI circular no. CIR/CFD/DIL/1/2011 dated April 29, 2011, ASBA facility has been made mandatory for non-retail investors (i.e. Qualified Institutional Buyers and Non-Institutional Investors) from May 1, 2011.

Our Company and the BRLM are not liable for any amendments, modifications or changes in applicable laws or regulations, which may occur after the date of the Draft Red Herring Prospectus.

Book Building Procedure

This Issue is being made under Regulation 26(1) of the SEBI (ICDR) Regulations through a Book Building Process wherein upto 50% of the Issue to the Public shall be available for allocation on a proportionate basis to QIBs, out of which 5% (excluding the Anchor Investor Portion) shall be available for allocation on a proportionate basis to Mutual Funds only, and the remaining QIB portion shall be available for allocation on a proportionate basis to all QIBs, including Mutual Funds, subject to valid Bids being received at or above Issue Price. Upto 30% of the QIB Portion shall be available for allocation to Anchor Investors at the Anchor Investor Issue Price on a discretionary basis and one-third of the Anchor Investor Portion shall be available for allocation to domestic Mutual Funds. Under-subscription, if any, in the Mutual Funds portion will be met by a spill over from the QIB portion and be allotted proportionately to the QIB Bidders. Further not less than 15% of the Issue to the Public shall be available for allocation on a proportionate basis to Non-Institutional Bidders and not less than 35% of the Issue to the Public shall be available for allocation on a proportionate basis to Retail Individual Bidders subject to valid Bids being received at or above the Issue Price. For details in this regard, please refer to section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.

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 in consultation with the BRLMs and the Designated Stock Exchange.

Our Company may allocate up to 30% of the QIB Portion to the Anchor Investors on a discretionary basis. One third of the Anchor Investor Portion shall be reserved for allocation to domestic Mutual Funds, subject to valid bids being received from domestic Mutual Funds at or above the Anchor Investor Issue Price. Only QIBs can participate in the Anchor Investor Portion. Allocation to Anchor Investors will be discretionary and not on a proportionate basis. For further details in relation to participation in the Anchor Investor Portion, please refer to "Bids under the Anchor Investor Portion" beginning on page 275 of this Draft Red Herring Prospectus.

All Bidders (other than the ASBA Bidders) are required to submit their Bids through the Syndicate or their sub-syndicate members. ASBA Bidders are required to submit their Bids to the SCSBs. QIBs and Non Institutional Investors should Bid through the ASBA process only, and shall submit the Bids to the Designated Branch of the SCSBs or to the members of the syndicate in Specified Cities. In case of the Specified Cities, the ASBA Bids may

either be submitted with the Designated Branches or with the Members of the Syndicate. Bidders other than ASBA Bidders shall only use the 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. In case of Retail Individual Bidders, our Company will have a right to reject the Bids only on technical grounds.

ASBA Bidders bidding through a member of the Syndicate should ensure that the Bid cum Application Form is submitted to a member of the Syndicate only in the Specified Cities. ASBA Bidders should also ensure that Bid cum Application Forms submitted to the members of the Syndicate in the Specified Cities will not be accepted if the SCSB where the ASBA Account, as specified in the Bid cum Application Forms, is maintained has not named at least one branch at that location for the members of the Syndicate to deposit Bid cum Application Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>). ASBA Bidders bidding directly through the SCSBs should ensure that the Bid cum Application Form is submitted to a Designated Branch of a SCSB where the ASBA Account is maintained.

Investors should note that allotment of Equity Shares to all successful Bidders will only be in the dematerialized form. The Bid-cum-Application Forms which do not have the details of the Bidders' Depository account shall be treated as incomplete and rejected. Bidders will not have the option of getting allotment of the Equity Shares in physical form. The Equity Shares on allotment shall be traded only in the dematerialized segment of the Stock Exchanges.

Bid-cum-Application Form

Bidders (other than ASBA Bidders) shall only use the specified Bid-cum-Application Form bearing the stamp of a Member of the Syndicate for the purpose of making a Bid. The Bidders shall have the option to make a maximum of three (3) Bids in the Bid-cum-Application Form and such options shall not be considered as multiple Bids. The Bid-Cum-Application Form shall be serially numbered and date and time stamped at the Bidding Centres and such form shall be issued in duplicate signed by the Bidder and countersigned by the relevant Member of the Syndicate.

The Bid-cum-Application Form will also be available on the websites of the Stock Exchanges at least one (1) Working Day prior to the Bid/Issue Opening Date and shall bear an unique application number. The BRLM and the SCSBs will provide the hyperlink to BSE or NSE on their websites. An ASBA Bidder shall use the Bid-cum-Application Form obtained from the Designated Branches for the purpose of making a Bid. ASBA Bidders can submit their Bids, either in physical or electronic mode. In case of application in physical mode, the ASBA Bidder shall submit the Bid-cum-Application Form at the relevant Designated Branch. In case of application in electronic form, the ASBA Bidder shall submit the Bid-cum-Application Form either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for bidding and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Bids and authorising the SCSB for blocking of funds that are available in the bank account specified in the Bid-cum-Application Form only. The ASBA Bidders can also apply through a member of the Syndicate should ensure that the Bid cum Application Form is submitted to a member of the Syndicate only in the Specified Cities who in turn should submit the Bid cum Application Form to the Designated Branch of SCSB. The SCSB shall block an amount in the ASBA Account equal to the Bid Amount specified in the Bid-cum-Application Form. QIBs participating in the Anchor Investor Portion will compulsorily have to submit their Bids in the Anchor Investor Portion through the ASBA process.

Upon 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 SCSBs, the Bidder or the ASBA Bidder is deemed to have authorized 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 the RoC after such filing, without prior or subsequent notice of such changes to the Bidder or the ASBA Bidder. Upon determination of the Issue Price and filing of the Prospectus with the RoC, the Bid-Cum-Application Form shall be considered as the 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.	White
Eligible NRIs , FIIs and their Sub-Accounts (other than a Sub - Account which is a foreign corporate or a foreign individual bidding under the QIB portion), Foreign Venture Capital Funds, registered Multilateral and Bilateral Development Financial Institutions and other Non-Residents applying on a repatriation basis	Blue
Anchor Investors	

*The Bid-cum-Application Form shall also be available on the website of the BSE (www.bseindia.com) and NSE (www.nseindia.com)

**Bid-Cum-Application Forms for Anchor Investors shall be made available at our Registered Office, and also at the offices of the BRLM.

Who can Bid?

- Persons eligible to invest under all applicable laws, rules, regulations and guidelines.
- Indian nationals resident in India who are not minors, or in the name of the minor children as natural / legal guardians in single or joint names (not more than three).
- Hindu Undivided Families or HUFs in the individual name of the Karta. The Bidder should specify that the Bid is being made in the name of the HUF in the Bid-cum-Application Form as follows: "Name of sole or first Bidder: XYZ Hindu Undivided Family applying through XYZ, where XYZ is the name of the Karta". Bids by HUFs would be considered at par with those from individuals.
- Eligible NRIs on a repatriation basis or a non-repatriation basis subject to compliance with applicable laws. NRIs, other than Eligible NRIs, are not permitted to participate in this Issue.
- Foreign institutional investor (FIIs) and sub-account registered with SEBI, other than a sub-account which is a foreign corporate or foreign individual, under the QIB Portion.
- Sub-accounts of FIIs registered with SEBI, which are foreign corporate or foreign individuals, only under the Non Institutional Portion.
- State Industrial Development Corporations.
- Insurance companies registered with the Insurance Regulatory and Development Authority, India constituted under the Insurance Regulatory and Development Authority Act, 1999.
- Provident Funds with a minimum corpus of ₹2,500 lakhs and who are authorized under their constitution to invest in Equity Shares.
- Pension funds with a minimum corpus of ₹2,500 lakhs and who are authorized under their constitution to invest in Equity Shares.
- Companies, corporate bodies and societies registered under applicable laws in India and authorized to invest in Equity Shares.
- Venture Capital Funds (VCFs) registered with SEBI.
- Foreign Venture Capital Investors (FVCIs) registered with the SEBI under the SEBI (Foreign Venture

Capital Investors) Regulations.

14. Mutual Funds registered with SEBI.
15. Indian financial institutions, scheduled commercial banks (excluding foreign banks), regional rural banks, cooperative banks (subject to the RBI regulations and the SEBI (ICDR) Regulations and other regulations, as applicable).
16. Multilateral and bilateral development financial institutions.
17. Trusts / societies registered under the Societies Registration Act, 1860, as amended, or under any other law relating to trusts and who are authorized under their constitution to hold and invest in Equity Shares.
18. Scientific and/or industrial research organizations in India authorized to invest in Equity Shares.
19. National Investment Fund set up by resolution No. F.No.2/3/2005-DDII dated November 23, 2005 of the Government of India published in the Gazette of India.
20. Insurance funds set up and managed by army, navy or air force of the Union of India.
21. Insurance funds set up and managed by the Department of Posts, India.
22. Any other QIBs permitted to invest, subject to compliance with all applicable laws, rules, regulations, guidelines and approvals in the Issue.

As per existing RBI regulations, OCBs cannot Bid in the Issue.

Bidders are advised to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that may be held by them under applicable law.

Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for does not exceed the limits prescribed under laws or regulations.

Participation by associates and affiliates of the BRLM and the Syndicate Members

The BRLM and Syndicate Members shall not be entitled to subscribe to the Issue in any manner except towards fulfilling their underwriting obligations as stated in the Prospectus. However, associates/affiliates of the BRLM and Syndicate Members or any person related to the BRLM or the Syndicate Members may Bid and subscribe to Equity Shares in the Issue in the QIB Portion or in the Non- Institutional Portion as may be applicable to such investors. Such bidding and subscription may be on their own account or on behalf of their clients. Allotment to all investors including associates/affiliates of the BRLM and Syndicate Members respectively shall be on a proportionate basis.

However the BRLM and any person related to the BRLM or the Syndicate Members or the Promoters and the Promoter Group shall not be allowed to subscribe under the Anchor Investor Portion in any manner.

Bids under the Anchor Investor Portion

Our Company may, in consultation with the BRLM, consider participation by Anchor Investors in the Issue for up to [●] Equity Shares in accordance with the applicable SEBI (ICDR) Regulations. The QIB Portion shall be reduced in proportion to the allocation under the Anchor Investor category. In the event of under-subscription or non Allotment in the Anchor Investor Portion, the balance Equity Shares shall be added to the Net QIB Portion. The key terms for participation in the Anchor Investor Portion are as follows:

1. Anchor Investors shall be QIBs as defined in the SEBI (ICDR) Regulations;
2. A Bid by an Anchor Investor must be for a minimum of such number of Equity Shares that the Bid Amount exceeds ₹1000 Lakhs and in multiples of [●] Equity Shares thereafter. Anchor Investors cannot submit a Bid for more than 30% of the QIB Portion. In case of a Mutual Fund registered with SEBI, separate Bids by individual schemes of a Mutual Fund will be aggregated to determine the minimum application size of ₹ 1000 Lakhs.
3. One-third of the Anchor Investor Portion (i.e., [●] Equity Shares) shall be reserved for allocation to domestic Mutual Funds.
4. The minimum number of allottees in the Anchor Investor Portion shall not be less than:
 - (a) Two, where the allocation under Anchor Investor Portion is up to ₹25,000 Lakhs; and
 - (b) Five, where the allocation under Anchor Investor Portion is more than ₹25,000 Lakhs.
5. Anchor Investors shall be allowed to Bid under the Anchor Investor only on the Anchor Investor Bidding Date (i.e., one day prior to the Bid Opening Date). Anchor Investors cannot withdraw their Bids after the Anchor Investor Bidding Date. Allocation to Anchor Investors shall be completed on the Anchor Investor Bidding Date.
6. Our Company shall in consultation with the BRLM, finalise allocation to the Anchor Investors on a discretionary basis, subject to compliance with requirements regarding minimum number of Allottees under the Anchor Investor Portion.
7. Refund on account of rejection of Bids, if any, shall be made prior to twelve (12) Working Days from the Bid/Issue Closing Date.
8. The number of Equity Shares allocated to successful Anchor Investors and the price at which the allocation is made, shall be made available in public domain by the BRLM on or before the Bid Opening Date.
9. 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.
10. The Equity Shares allotted in the Anchor Investor Portion shall be locked-in for a period of thirty (30) days from the date of Allotment in the Issue.
11. Neither the BRLM, nor any person related to the BRLM, our Promoters, members of our Promoter Group or Group Entities, shall participate in the Anchor Investor Portion.
12. Bids made by QIBs under both the Anchor Investor Portion and the Net QIB Portion shall not be considered as multiple Bids.

Additional details, if any, regarding participation in the Issue under the Anchor Investor Portion shall be disclosed in the advertisement for the Price Band published by our Company in consultation with the BRLM in a national English and Hindi newspaper and a regional newspaper at least two (2) Working Days prior to the Bid Opening Date.

Bids by Mutual Funds

Under the SEBI (ICDR) Regulations, at least one-third of the Anchor Investor Portion will be available for allocation to domestic Mutual Funds only on a discretionary basis and 5% of the Net QIB Portion is available to be allocated to Mutual Funds on a proportionate basis, subject to receipt of valid Bids. An eligible Bid by a domestic Mutual Fund shall first be considered for allocation proportionately in the Mutual Fund Portion. In the event that the demand from Mutual Funds is greater than [●] Equity Shares, allocation shall be made to Mutual Funds on a proportionate basis to the extent of the Mutual Funds Portion. The remaining demand by Mutual Funds shall, as part of the aggregate demand by QIB Bidders, be made available for allocation proportionately out of the remainder of the QIB Portion, after excluding the allocation in the Mutual Funds Portion.

Asset management companies or custodians of mutual funds shall specifically state the names of the concerned scheme for which Bids are being made.

In the 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 for which the Bid has been made.

In accordance with current regulations, the following restrictions are applicable for investments by Mutual mFunds:

No Mutual Fund scheme shall invest more than 10% of its net asset value in Equity Shares or equity related instruments of any company provided that the limit of 10% shall not be applicable for investments in index funds or sector or industry specific funds. No Mutual Fund under all its schemes should own more than 10% of any company's paid-up capital carrying voting rights.

Bids by Eligible NRIs

Bid-cum-Application Form (blue in colour), as the case may be, have been made available for Eligible NRIs at the Registered Office, with members of the Syndicate and Registrar to the Issue.

Eligible NRI applicants may please note that only such applications as are accompanied by payment in free foreign exchange or by debit to their NRE/FCNR accounts shall be considered for allotment under the Eligible NRI category on repatriable basis. Eligible NRIs intending to participate in the bidding process shall ensure that their foreign address is registered with their depository participant or furnished on the Bid-cum-Application form. Post Allotment, if any, on repatriable basis, our Company is required to file FC-GPR with the Reserve Bank of India through an authorised dealer along with a KYC (Know Your Client) report issued by their banker. Eligible NRIs who may be Allotted Equity Shares of our Company in the Issue are required to facilitate the issue of the above said report to be furnished to RBI. The Eligible NRIs who intend to make payment through Non-Resident Ordinary (NRO) accounts shall use the Bid-Cum-Application Form meant for Resident Indians (White colour Form) and shall not use the forms meant for reserved category. All instruments accompanying bids shall be payable in Mumbai only.

Bids by Eligible NRIs for a Bid Amount of up to ₹ 2,00,000 would be considered under the Retail Portion for the purposes of allocation and Bids for a Bid Amount of more than ₹ 2,00,000 would be considered under Non-Institutional Portion for the purposes of allocation.

Bids by FIIs

In accordance with the current regulations, the following restrictions are applicable for investments by FIIs:

The issue of Equity Shares to a single FII should not exceed 10% of the post-Issue paid-up capital of our Company (i.e., 10% of [●] Equity Shares). In respect of an FII investing in the Equity Shares on behalf of its sub-accounts (other than Sub-Accounts which are foreign corporate or foreign individuals bidding under the QIB Portion), the investment on behalf of each sub-account shall not exceed 10% of the total paid-up capital of our Company or 5% of

the total paid-up capital of our Company, in case such sub-account is a foreign corporate or an individual. In accordance with the foreign investment limits applicable to us, the total FII investment cannot exceed 24% of our Company's total paid-up capital. With the approval of the Board and the shareholders by way of a special resolution, the aggregate FII holding can go up to 100%. However, as of the date of this Draft Red Herring Prospectus our Company has not obtained board or shareholder approval to increase the FII limit to more than 24%.

Subject to compliance with all applicable Indian laws, rules, regulations guidelines and approvals in terms of Regulation 15A(1) of the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations 1995, as amended (the "**SEBI FII Regulations**"), an FII, as defined in the SEBI FII Regulations, may issue or otherwise deal in or hold, offshore derivative instruments (as defined under the SEBI FII Regulations as any instrument, by whatever name called, which is issued overseas by a FII 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. An FII 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 BRLM 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 or claim or an interest in our Company.

Bids by the SEBI-registered Venture Capital Funds and Foreign Venture Capital Investors

The Securities and Exchange Board of India (Venture Capital Funds) Regulations, 1996 and the Securities and Exchange Board of India (Foreign Venture Capital Investor) Regulations, 2000, each as amended, prescribe investment restrictions on VCFs and FVCIs. While the holding by any VCF in one (1) venture capital undertaking should not exceed 25% of the corpus of the VCF, an FVCI is permitted to invest all of its funds committed in one (1) venture capital fund. Further, VCFs and FVCIs can invest only up to 33.33% of their investable funds by way of subscription to an initial public offering of a venture capital undertaking whose shares are proposed to be listed.

Pursuant to the SEBI (ICDR) Regulations, the shareholding of SEBI-registered VCFs 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 (1) year prior to the time of filing the draft red herring prospectus with the SEBI.

Bids by insurance companies

In case of Bids made by insurance companies registered with the IRDA, a certified copy of certificate of registration issued by IRDA must be attached to the Bid-Cum-Application Form. Failing this, our Company reserves the right to reject any Bid without assigning any reason thereof.

The exposure norms for insurers, prescribed under the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, as amended (the "**IRDA Investment Regulations**"), are broadly set forth below:

Equity shares of a company: the least of 10.00% of the investee company's subscribed capital (face value) or 10.00% of the respective fund in case of life insurer or 10.00% of investment assets in case of general insurer or reinsurer;

The entire group of the investee company: the least of 10.00% of the respective fund in case of a life insurer or 10% of investment assets in case of a general insurer or reinsurer (25.00% in case of Unit Linked Insurance Policies); and

The industry sector in which the investee company operates: 10.00% of the insurer's total investment exposure to the industry sector (25.00% in case of Unit Linked Insurance Policies).

Further, w.e.f. August 1, 2008, no investment may be made in an initial public offer ("IPO") if the issue size, including offer for sale, is less than ₹20,000 lakhs. In addition, the IRDA partially amended the exposure limits

applicable to investments in public limited companies in the infrastructure and housing sectors, w.e.f. December 26, 2008, providing, among other things, that the exposure of an insurer to an infrastructure company may be increased to not more than 20.00%, provided that in case of equity investment, a dividend of not less than 4.00% including bonus should have been declared for at least five preceding years. In case of an IPO of a wholly owned subsidiary of a corporate or public sector enterprise, the above track record would be applied to the holding company. This limit of 20.00% would be combined for debt and equity taken together, without subceilings. Further, investments in equity including preference shares and the convertible part of debentures shall not exceed 50.00% of the exposure norms specified under the IRDA Investment Regulations.

Bids by provident funds/ pension funds

In case of Bids made by provident funds/pension funds, subject to applicable laws, with minimum corpus of ₹ 2,500 Lakhs, a certified copy of certificate from a chartered accountant certifying the corpus of the provident fund/ pension fund must be attached to the Bid-Cum-Application Form. Failing this, our Company reserves the right to reject any Bid, without assigning any reason thereof.

Bids by Limited liability partnership

In case of Bids made by limited liability partnerships registered under the Limited Liability Partnership Act, 2008, a certified copy of certificate of registration issued under the Limited Liability Partnership Act, 2008, must be attached to the Bid-cum-Application Form. Failing this, our Company reserves the right to reject any Bid without assigning any reason thereof.

The above information is given for the benefit of the Bidders. The Bidders are advised to make their own enquiries about the limits applicable to them. Our Company, the BRLM do not accept any responsibility for the completeness and accuracy of the information stated hereinabove. Our Company and the BRLM are not liable to inform the investors of any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Red Herring Prospectus. Bidders are advised to make their independent investigations in respect of such matters and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

Authority to Bid under a Power of Attorney

By limited companies, corporate bodies, registered societies

A certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of the memorandum of association and articles of association and/or bye laws must be submitted along with the Bid-cum-Application Form. Failing this, our Company reserves the right to reject any Bid, without assigning any reason therefore.

By FIIs, FVCIs, VCFs and Mutual Funds

A certified copy of the power of attorney or the relevant resolution or authority, as the case may be, along with a certified copy of their SEBI registration certificate must be submitted along with the Bid-cum-Application Form. Failing this, our Company reserves the right to reject any Bid, without assigning any reason therefore.

Our Company at its absolute discretion reserves the right to relax the above conditions of simultaneous lodging of the powers of attorney, subject to the terms and conditions that our Company in consultation with the BRLM deem fit.

ASBA Bidders

In case of an ASBA Bid pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the Bid-cum-Application Form. Failing this, our Company, in consultation with the BRLM,

reserves the right to reject such Bids.

Our Company, in its absolute discretion, reserves the right to relax the above condition of attaching the power of attorney along with the Bid-Cum-Application Form, subject to such terms and conditions that our Company and the BRLM may deem fit.

Our Company, in its absolute discretion, reserves the right to permit the holder of the power of attorney to request the Registrar to the Issue that, for the purpose of printing particulars on the refund order and mailing of the refund order, allocation advice, the Demographic Details (as defined in "*Bidder's Depository Account and Bank Account Details*" beginning on page 295 of the Draft Red Herring Prospectus) given on the Bid-Cum-Application Form should be used (and not those obtained from the Depository of the Bidder). In such cases, the Registrar to the Issue shall use Demographic Details as given on the Bid cum Application Form instead of those obtained from the Depositories.

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 ₹2,00,000. In case of revision of Bids, the Retail Individual Bidders have to ensure that the Bid Amount does not exceed ₹2,00,000. Where the Bid Amount is over ₹2,00,000 due to a revision in the Bid or a revision in the Price Band or upon exercise of the option to bid at Cut-off Price, the Bid would be considered for allocation under the Non-Institutional Portion. The Cut-off Price option is given only to Retail Individual Bidders indicating their agreement to the Bid and to purchase the Equity Shares at the Issue Price as determined at the end of the Book Building Process.
- (b) **For Non-Institutional Bidders and QIB Bidders:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds ₹2,00,000 and is in multiples of [●] Equity Shares. A Bid cannot be submitted for more than the Issue size. However, the maximum Bid by a QIB investor should not exceed the investment limits prescribed for them under applicable laws. A QIB Bidder cannot withdraw its Bid after the Bid/Issue Closing Date and is required to pay the Bid Amount upon submission of the Bid. Our Company may close the Bid/Issue period for QIBs on working day prior to the Bid/Issue Closing date. The identity of QIBs bidding in the Issue under the Net QIB Portion shall not be made public during the Bidding Period.

In case of revision in Bids, the Non-Institutional Bidders, who are individuals, have to ensure that the Bid Amount is greater than ₹2,00,000 to be considered for allocation in the Non-Institutional Portion. In case the Bid Amount reduces to ₹2,00,000 or less due to a revision in the Bids or a revision in the Price Band, Bids by Non-Institutional Bidders who are eligible for allocation in the Non-Institutional Portion would be considered for allocation under the Retail Portion. Non-Institutional Bidders and QIB Bidders are not allowed to Bid at the Cut-off Price.
- (c) **For Bidders in the Anchor Investor Portion:** The Bid must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds ₹1,000 lakhs and in multiples of [●] Equity Shares thereafter. 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 under the Anchor Investor 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.

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.

The maximum and minimum bid size applicable to a QIB, Retail Individual Bidder or a Non-Institutional Bidder shall be applicable to an ASBA Bidder in accordance with the category that such ASBA Bidder falls under.

Bidders are advised to make independent queries to ensure that any single Bid from them does not exceed the investment limits or maximum number of Equity Shares that can be held by them under applicable law or regulation or as specified in this Draft Red Herring Prospectus.

Information for the Bidder:

1. Our Company in consultation with the BRLM shall declare the Bid/Issue Opening Date and Bid/Issue Closing Date in the Red Herring Prospectus to be registered with the RoC and also publish the same in two (2) national newspapers (one each in English and Hindi) and one (1) regional newspaper, each with wide circulation in the format prescribed under SEBI (ICDR) Regulations. Further, the Price Band and minimum bid lot size as decided by our Company, in consultation with the BRLM, including the relevant financial ratios computed for both the Cap Price and the Floor Price shall also be disclosed at least two (2) Working Days prior to Bid/Issue Opening Date in two (2) national newspapers (one each in English and Hindi) and one (1) regional newspaper, each with wide circulation. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Part A of Schedule XIII of the SEBI (ICDR) Regulations.
2. Our Company will file the Red Herring Prospectus with the RoC at least three (3) days before the Bid/Issue Opening Date.
3. The BRLM shall dispatch the Red Herring Prospectus and other issue material including the Bid-cum-Application Forms, to the Designated Stock Exchange, Members of the Syndicate, Bankers to the Issue, investors' associations and SCSBs in advance.
4. The Bidding Period shall be for a minimum of three (3) Working Days. In case the Price Band is revised, the Bidding Period shall be extended, for at least three (3) Working Days, subject to the total Bidding Period not exceeding ten (10) Working Days. The revised Price Band and Bidding Period will be widely disseminated by notification to the SCSBs and Stock Exchanges, and by publishing in two (2) national newspapers (one each in English and Hindi) and one (1) regional newspaper, each with wide circulation in the place where our Registered Office is situated and also by indicating the change on the websites of the BRLM and at the terminals of the members of the Syndicate. Our Company may decide to close Bidding by QIBs one (1) Working Day prior to the Bid/Issue Closing Date.
5. The Members of Syndicate will circulate copies of the Bid-cum-Application Form to potential investors, and at the request of potential investor's, copies of the Red Herring Prospectus will be provided.
6. Any Bidder (who is eligible to invest in the Equity Shares) who would like to obtain the Red Herring Prospectus and/ or along with the Bid-cum-Application Form can obtain the same from the Registered Office of our Company or from any Members of the Syndicate.
7. Eligible investors who are interested in subscribing for the Equity Shares should approach the BRLM or Members of the Syndicate or their authorized agent(s) to register their Bids. The Members of the Syndicate shall accept Bids from the Bidder during the Issue Period in accordance with the terms of the Syndicate Agreement. The Bids should be submitted on the prescribed Bid-Cum-Application Form only. Bid-Cum-Application Forms should bear the stamp of the members of the Syndicate. Bid-Cum-Application Forms, which do not bear the stamp of the members of the Syndicate, will be rejected.

8. Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs to register their Bids or they can also submit their forms to the Members of the Syndicate in the Specified Cities.
9. ASBA Bidders who would like to obtain the Red Herring Prospectus and / or the Bid-cum-Application Form can obtain the same from the Designated Branches, Members of the Syndicate in the Specified Cities or the BRLM. ASBA Bidders can also obtain a copy of the Red Herring Prospectus on the website of our Company and the website of the BRLM as also the website of SEBI and/or the Bid-cum-Application Form in electronic form on the websites of the Stock Exchanges and the SCSBs.
10. The BRLM shall ensure that adequate arrangements are made to circulate copies of the Red Herring Prospectus and the Bid-cum-Application Forms to the SCSBs / Members of the Syndicate. The SCSBs / Members of the Syndicate will then make available such copies to investors intending to apply in this Issue through the ASBA process. Additionally, the BRLM shall ensure that the SCSBs are provided with soft copies of the abridged prospectus as well as the Bid-cum-Application Forms and that the same are made available on the websites of the SCSBs.
11. ASBA Bidders shall correctly mention the bank account number in the Bid-cum-Application Form and ensure that funds equal to the Bid Amount are available in the bank account maintained with the SCSBs before submitting the Bid-cum-Application Form to the respective Designated Branches of SCSBs / Members of the Syndicate.
12. The Bids should be submitted to the SCSBs / Members of the Syndicate on the prescribed Bid-cum-Application Form if applied in physical mode. SCSBs may provide the electronic mode of bidding either through an internet enabled bidding and banking facility or such other secured, electronically enabled mechanism for bidding and blocking funds in the ASBA Account.
13. The SCSBs / Members of the Syndicate shall accept Bids only during the Bidding Period and only from the ASBA Bidders.
14. Bid-cum-Application Form by ASBA Bidders should bear the code of the Designated Branch of the SCSB / Members of the Syndicate in the Specified Cities in accordance with the SEBI (ICDR) Regulations and any circulars issued by SEBI in this regard.
15. With respect to Bids by ASBA Bidders ensure that the Bid-cum-Application Form is signed by the account holder in case the applicant is not the account holder.
16. ASBA Bidders shall correctly mention their DP ID and Client ID in the Bid-cum-Application Form. For the purpose of evaluating the validity of Bids, the demographic details of ASBA Bidders shall be derived from the DP ID and Client ID mentioned in the Bid-cum-Application Form.
17. The Bidders (other than ASBA Bidders) should submit their bids on the prescribed Bid-cum-Application Form only. Bid-cum-Application Forms should bear the stamp of the Syndicate Member. Bid-cum-Application Forms which do not bear the stamp of a Syndicate Member will be rejected. Bidders applying through the ASBA process also have an option to submit the Bid-cum-Application Form in electronic form.
18. The Price Band will be decided by our Company in consultation with the BRLM at least two (2) Working Days prior to the opening of the Issue and shall also be published in all editions of [●] and [●] and the regional edition of [●]. Further, it shall also be displayed on the website of our Company, www.vssil.co.in. The Bidders can Bid at any price within the Price Band, in multiples of [●] Equity Shares. In accordance with the SEBI (ICDR) Regulations, our Company in consultation with the BRLM, and without prior intimation or approval from the Bidders, reserves the right to revise the Price Band during the

Bidding/Issue Period. The cap on the Price Band will not be more than 120% of the floor of the Price Band.

19. Our Company in consultation with the BRLM, shall finalise the Anchor Investor Allocation Price within the Price Band, without the prior approval of the Anchor Investors.
20. Our Company, in consultation with the BRLM, shall finalise the Issue Price within the Price Band, without the prior approval of, or intimation to, the Bidders.

Bidders may note that in case the Depository Participant identification number, client identification number of the demat account of the Bidder, and PAN mentioned in the Bid-cum-Application Form, as the case may be and entered into the electronic bidding system of the Stock Exchanges by the Members of Syndicate do not match with the Depository Participant identification number, client identification number of the demat account of the Bidder, and PAN available in the Depository database, the application Bid-cum-Application Form, as the case may be is liable to be rejected. With effect from August 16, 2010, the demat accounts for Bidders for which PAN details have not been verified, except for persons resident in the state of Sikkim, who, may be exempted from specifying their PAN for transacting in the securities market, shall be "suspended for credit" and no credit of Equity Shares pursuant to the Issue shall be made into accounts of such Bidders.

Method and Process of Bidding

1. Our Company in consultation with the BRLM shall declare the Bid/Issue Opening Date, the Bid/Issue Closing Date and Price Band in the Red Herring Prospectus to be filed with the RoC and also publish the same in widely circulated national newspapers one (1) each in English and Hindi and one (1) regional newspaper with wide circulation. This advertisement, subject to the provisions of Section 66 of the Companies Act, shall be in the format prescribed in Schedule XIII of the SEBI (ICDR) Regulations. The Price Band and the minimum Bid lot size for the Issue will be decided by our Company in consultation with the BRLM, and will also be published in national newspapers (one each in English and Hindi) and in a regional newspaper with wide circulation, at least two (2) Working Days prior to the Bid/Issue Opening Date. The Members of the Syndicate and the SCSBs shall accept Bids from the Bidders during the Bid/Issue Period. The BRLM and Members of the Syndicate shall accept Bids from the Bidders during the Bidding/Issue Period in accordance with the terms of the Syndicate Agreement.
2. The Bidding/Issue Period shall be for a minimum of three (3) Working Days and shall not exceed ten (10) Working Days. Where the Price Band is revised, the revised Price Band and Bidding/Issue Period will be published in national newspapers (one each in English and Hindi) and in a regional newspaper with wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the Members of the Syndicate. The Bidding/Issue Period may be extended, if required, by an additional three (3) Working Days, subject to the total Bidding/Issue Period not exceeding ten (10) Working Days.
3. During the Bidding/Issue Period, Retail Bidders who are interested in subscribing for the Equity Shares should approach the Members of Syndicate or their authorized agents to register their Bids. The Members of Syndicate shall accept Bids from all Bidders and have the right to vet the Bids during the Bid/ Issue Period in accordance with the terms of this Draft Red Herring Prospectus. The Bidders who wish to use the ASBA process should approach the Designated Branches of the SCSBs / Members of the Syndicate in Specified Cities to register their Bids. QIBs and Non-Institutional Investors should compulsorily Bid through the ASBA process..
4. Each Bid-cum-Application Form will give the Bidder the choice to Bid for up to three (3) optional prices (for details refer to the paragraph "Bids at Different Price Levels") within the Price Band and specify the demand (i.e., the number of Equity Shares Bid for) in each option. The price and demand options submitted by the Bidder in the Bid-cum-Application Form will be treated as optional demands from the Bidder and will not be cumulated. After determination of the Issue Price, the maximum number of Equity Shares Bid for by a Bidder at or above the Issue Price will be considered for allocation and the rest of the Bid(s),

irrespective of the Bid Price, will become automatically invalid.

5. The Bidder cannot Bid on another Bid-cum-Application Form after Bid(s) on one Bid-cum-Application Form have been submitted to any Member of the Syndicate or the SCSBs. Submission of a second Bid-cum-Application Form to either the same or to another Member of the Syndicate or the SCSBs will be treated as multiple bidding and is liable to be rejected either before entering the Bid into the electronic bidding system, or at any point in time before the Allotment of Equity Shares in the Issue. However, the Bidder can revise the Bid through the Revision Form, the procedure for which is detailed under the section titled "Issue Procedure" beginning on page 272 of this Draft Red Herring Prospectus.
6. Except in relation to Bids received from the Anchor Investor, the Members of the Syndicate/ the 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 (3) TRS for each Bid-cum-Application Form.
7. The BRLM shall accept the Bids from the Anchor Investors during the Anchor Investor Bid/ Issue Period i.e. one (1) Working Day prior to the Bid/ Issue Opening Date. Bids by QIBs under the Anchor Investor Portion and the QIB Portion shall not be considered as multiple Bids.
8. Along with the Bid-cum-Application Form, all Bidders (other than ASBA Bidders) will make payment into the Escrow Account in the manner described under the paragraph "Terms of Payment and Payment into the Escrow Account" beginning on page 296 of this Draft Red Herring Prospectus.
9. Upon receipt of the Bid-cum-Application Form by ASBA Bidders, submitted whether in physical or electronic mode, the Designated Branch of the SCSBs shall verify if sufficient funds equal to the Bid Amount are available in the ASBA Account, as mentioned in the Bid-cum-Application Form, prior to uploading such Bids with the Stock Exchanges.
10. If sufficient funds are not available in the ASBA Account, the Designated Branch of the SCSBs shall reject such Bids and shall not upload such Bids with the Stock Exchanges.
11. If sufficient funds are available in the ASBA Account, the SCSBs shall block an amount equivalent to the Bid Amount mentioned in the 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.
12. The Designated Branches of the SCSBs or Members of the Syndicate shall give an acknowledgment specifying the application number to the ASBA Bidders as a proof of acceptance of the Bid-cum-Application Form. Such acknowledgment does not in any manner guarantee that the Equity Shares Bid for shall be Allocated to the ASBA Bidders.
13. The Bid-cum-Application Form by ASBA Bidders should not be accompanied by cash, draft, money order, postal order or any mode of payment other than blocked amounts in the ASBA Account.
14. The Bid Amount shall remain blocked in the aforesaid ASBA Account until finalisation of the Basis 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 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 SCSBs 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.

15. Not more than five (5) Bid-cum-Application Forms can be submitted when utilizing an ASBA Account.

Bids at Different Price Levels and Revision of Bids

1. The Price Band has been fixed at ₹ [●] to ₹ [●] per Equity Share, ₹ [●] being the Floor Price and ₹ [●] being the Cap Price. The Bidders can Bid at any price within the Price Band in multiples of Re.1.
2. Our Company in consultation with the BRLM and without the prior approval of, or intimation, to the Bidders, reserves the right to revise the Price Band during the Bidding/Issue Period in accordance with the SEBI (ICDR) Regulations. The cap on the Price Band should not be more than 20% of the Floor Price.
3. In case of a revision of the Price Band (the Floor Price can move up or down to the extent of 20% of the Floor Price), the Bidding/Issue Period shall be extended for three (3) additional Working Days, subject to a maximum of ten (10) Working Days. Any revision in the Price Band and the revised Bidding/Issue Period, if applicable, will be widely disseminated by notification to the BSE and the NSE, by issuing a public notice in two (2) widely circulated national newspapers (one each in English and Hindi) and one (1) regional newspaper each of wide circulation and also by indicating the change on the websites of the BRLM and at the terminals of the Members of Syndicate.
4. Our Company in consultation with the BRLM, can finalize the Issue Price within the Price Band without the prior approval of, or intimation to, the Bidders.
5. Our Company in consultation with the BRLM, 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.
6. The Bidder can Bid at any price within the Price Band. The Bidder has to Bid for the desired number of Equity Shares at a specific price. Retail Individual Bidders may Bid at the Cut-off Price. However, bidding at the Cut-off Price is prohibited for QIB Bidders or Non-Institutional Bidders and such Bids from QIBs or Non-Institutional Bidders shall be rejected.
7. Retail Individual Bidders who Bid at the Cut-off Price agree that they shall purchase the Equity Shares at any price within the Price Band. Retail Individual Bidders bidding under the Employee Reservation Portion bidding at the Cut-off Price shall deposit the Bid Amount based on the cap of the Price Band in the Escrow Account. In the event that the Bid Amount is higher than the subscription amount payable by the Retail Individual Bidders who Bid at the Cut-off Price, the Retail Individual Bidders shall receive the refund of the excess amounts from the Escrow Account in the manner described under the paragraph "Payment of Refund".
8. In case of an upward revision in the Price Band announced as above, Retail Individual Bidders who had Bid at the Cut-off Price could either (i) revise their Bid or (ii) make additional payment based on the higher cap of the revised Price Band (such that the total amount i.e., the original Bid Amount plus additional payment does not exceed ₹2,00,000 if the Bidder wants to continue to Bid at the Cut-off Price), with the Members of the Syndicate to whom the original Bid was submitted. In case the total amount (i.e., original Bid Amount plus additional payment) exceeds ₹2,00,000, the Bid will be considered for allocation under the Non-Institutional Portion in terms of the Red Herring Prospectus. If, however, the Bidder does not either revise the Bid or make additional payment and the Issue Price is higher than the cap of the Price Band before revision, the number of Equity Shares Bid for shall be adjusted downwards for the purpose of Allotment, such that no additional payment would be required from the Bidder and the Bidder is deemed to have approved such revised Bid at the Cut-off Price.
9. In case of a downward revision in the Price Band, announced as above, Retail Individual Bidders who have Bid at the Cut-off Price could either revise their Bid or the excess amount paid at the time of bidding would be refunded from the Escrow Account.

10. In the event of any revision in the Price Band, whether upwards or downwards, the minimum application size be suitably revised, if necessary such that the minimum application is not in the range of ₹5,000 to ₹7,000.
11. When a Bidder has revised his or her Bid, he or she shall surrender the earlier TRS and get a revised TRS from the SCSBs / Members of the Syndicate. It is the Bidder's responsibility to request for and obtain the revised TRS, which will act as proof of his or her having revised the previous Bid.

Escrow mechanism, terms of payment and payment into the Escrow Accounts

For details of the escrow mechanism and payment instructions, please refer to the sub-section titled "Payment Instructions" under this section.

Electronic Registration of Bids

1. The Members of the Syndicate / SCSBs will register the Bids using the on-line facilities of the BSE and the NSE. There will be atleast one (1) on-line connectivity facility in each city, where a stock exchange is located in India and where such Bids are being accepted. The BRLM, our Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Bids accepted by the Members of the Syndicate / SCSBs, (ii) the Bids uploaded by the Members of the Syndicate / SCSBs, (iii) the Bids accepted but not uploaded by the Members of the Syndicate / SCSBs or (iv) with respect to ASBA Bids, Bids accepted and uploaded without blocking funds in the ASBA Accounts. However, the Members of the Syndicate and/or the SCSBs shall be responsible for any error in the Bid details uploaded by them. It shall be presumed that for Bids uploaded by the SCSBs, the Bid Amount has been blocked in the relevant ASBA Account.
2. An SCSB shall not upload any Bid received through ASBA in the electronic bidding system of the Stock Exchanges unless:
 - a. it has received the Bid-cum-Application Form from the ASBA Bidders in a physical or electronic form; and
 - b. it has blocked the application money in the ASBA Account specified in the Bid-cum-Application Form or has systems to ensure that electronic Bid-cum- Application Forms are accepted in the system only after blocking of application money in the relevant bank account opened with it.
3. The Members of the Syndicate and the SCSBs will undertake modification of selected fields in the Bid details already uploaded within one (1) Working Day from the Bid/Issue Closing Date.
4. The BSE and the NSE will offer a screen-based facility for registering Bids for the Issue. This facility will be available on the terminals of the Members of Syndicate and their authorized agents and the SCSBs during the Bidding/Issue Period. The Members of Syndicate 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 Syndicate and the Designated Branches of the SCSBs shall upload the Bids until such time as may be permitted by the Stock Exchanges. On the Bid/Issue Closing Date, extension of time will be granted by the Stock Exchanges only for uploading the Bids received by Retail Individual Bidders after taking into account the herein and reported by the BRLM to the Stock Exchange within half an hour of such closure.
5. The aggregate demand and price for Bids registered on electronic facilities of the BSE and the NSE will be uploaded on a regular basis, consolidated and displayed on-line at all bidding centres as well as on the

BSE's website at www.bseindia.com and on the NSE's website at www.nseindia.com. Pursuant to Item 12(g) of Part A of Schedule XI, the SEBI (ICDR) Regulations require that the bidding terminals shall contain an online graphical display of demand and Bid prices updated at periodic intervals not exceeding thirty (30) minutes. A graphical representation of consolidated demand and price will be made available on the bidding terminals of the SCSBs / Members of the Syndicate and the websites of the Stock Exchanges by the end of each day during the Bidding Period. A graphical representation of consolidated demand and price will be made available at the bidding centres during the Bidding/Issue Period.

6. At the time of registering each Bid, the Members of the Syndicate / SCSBs shall enter the following details of the investor in the on-line system:
 - Name of the Bidder(s). Bidders should ensure that the name given in the Bid-cum-Application Form is exactly the same as the name in which the Depository Account is held. In case the Bid-cum-Application Form is submitted in joint names, Bidders should ensure that the Depository Account is also held in the same joint names and are in the same sequence in which they appear in the Bid-cum-Application Form;
 - Investor category—Individual, Corporate, QIBs, Eligible NRI, FVCI, FII & sub-account registered with SEBI (*other than a sub-account which is a foreign corporate or foreign individual*) or Mutual Fund, etc.;
 - Numbers of Equity Shares bid for;
 - Bid Amount;
 - Bid-cum-Application Form number;
 - Price Option;
 - Depository Participant identification number and client identification number of the demat account of the Bidder; and
 - Cheque details / Bank Account Number;
 - PAN (of the First Bidder, in case of more than one Bidder).
7. Upon request a system-generated TRS will be given to the Bidder as proof of the registration of each of the bidding options. It is the Bidder's responsibility to obtain the TRS from the Members of Syndicate and the Designated Branches of the SCSBs. The registration of the Bid by the Syndicate Member and the Designated Branches of the SCSBs does not guarantee that the Equity Shares shall be allocated either by the Syndicate Member or our Company.
8. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
9. In case of QIB Bidders, only the BRLM and their Affiliate Members of Syndicate also have the right to accept the Bid or reject the Bid. However, such rejection should be made at the time of receiving the Bid and only after assigning a reason for such rejection in writing. In case of Non-Institutional Bidders and Retail Individual Bidders, Bids would not be rejected except on the technical grounds listed in this Draft Red Herring Prospectus. 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 / Members of the Syndicate shall have no right to reject Bids, except on technical grounds listed in the Red Herring Prospectus and the Prospectus.

10. The permission given by the BSE and the NSE to use their network and software of the Online IPO system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company or the BRLM are cleared or approved by the BSE and the NSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the 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 Draft Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the Stock Exchanges.
11. It is also to be distinctly understood that the approval given by the BSE and the NSE should not in any way be deemed or construed that the Draft Red Herring Prospectus or Red Herring Prospectus has been cleared or approved by the BSE or the 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 or Red Herring Prospectus; nor does it warrant that the Equity Shares will be listed or will continue to be listed on the BSE and the NSE.
12. Only Bids that are uploaded on the online IPO system of NSE and BSE shall be considered for allocation/Allotment. The Members of Syndicate will be given upto one (1) day after the Bid/Issue Closing Date to verify the information uploaded in the online IPO system during the Bid/Issue Period after which the date will be sent to the Registrar for reconciliation and Allotment of Equity Shares. In case of discrepancy of data between BSE or NSE and the Members of the Syndicate, of our Company in consultation with the BRLM and the Registrar, based on the physical records of Bid-Cum-Application Forms shall be final and binding on all concerned. If the Syndicate Member finds any discrepancy in the DP name, DP Id and the Client Id, the Syndicate Member will correct the same and send the data to the Registrar for reconciliation and Allotment of Equity Shares.
13. Details of Bids in the Anchor Investor Portion will not be registered on the on-line facilities of the electronic facilities of the Stock Exchanges. However, Anchor Investors who use the ASBA facility will have to submit the Bid-cum-Application Form to the BRLM 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

1. Bids registered by various Bidders through the SCSBs / Members of the Syndicate shall be electronically transmitted to the BSE or the NSE mainframe on a regular basis. Pursuant to Item 12(g) of Part A of Schedule XI to the SEBI (ICDR) Regulations, the bidding terminals shall contain an online graphical display of demand and Bid prices updated at periodic intervals not exceeding thirty (30) minutes.
2. The book gets built up at various price levels. This information will be available from the BRLM on a regular basis.
3. During the Bidding/Issue Period, any Bidder who has registered his or her interest in the Equity Shares at a particular price level is free to revise his or her Bid within the Price Band using the printed Revision Form, which is a part of the Bid-cum-Application Form.
4. Revisions can be made in both the desired number of Equity Shares and the Bid Amount by using the Revision Form. Apart, from mentioning the revised options in the revision form, the Bidder must also mention the details of all the options in the Bid-cum-Application Form or earlier Revision Form. For example, if a Bidder has Bid for three (3) options in the Bid-cum-Application Form and such Bidder is changing only one (1) of the options in the Revision Form, he must still complete all the details of the other two (2) options that are not being changed in the Revision Form. The Members of Syndicate and the Designated Branches of the SCSBs will not accept incomplete or inaccurate Revision Forms.

5. The Bidder can make this revision any number of times during the Bidding/Issue Period. However, for any revision(s) in the Bid, the Bidders will have to use the services of the same Members of the Syndicate or the SCSBs through whom the original Bid was placed or the same Designated Branch of the SCSB with which he or she or it holds the relevant bank account in which funds have been blocked.
6. Bidders are advised to retain copies of the blank Revision Form and the revised Bid must be made only on such Revision Form or copies thereof.
7. Any upward revision of the Bid shall be accompanied by payment in the form of cheque or demand draft for the incremental amount, if any, to be paid on account of the upward revision of the Bid. The excess amount, if any, resulting from downward revision of the Bid would be returned to the Bidder at the time of refund in accordance with the terms of this Draft Red Herring Prospectus. In case of QIBs bidding under the Net QIB Portion, the Members of the Syndicate shall collect the payment in the form of cheque or demand draft or through the electronic transfer of funds for the incremental amount to be paid on account of the upward revision of the Bid at the time of one or more revisions by the QIBs. With respect to ASBA Bids, if revision of the Bids results in an incremental amount, the SCSB shall block the incremental amount.
8. 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 ₹ 2,00,000 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 ₹ 2,00,000, the Bid will be through ASBA process otherwise will be liable for rejection considered for allocation under the Non-Institutional Portion in terms of this Red Herring Prospectus, if bidden. 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.
9. 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.
10. Our Company in consultation with the BRLM, shall decide the minimum number of Equity Shares for each Bid to ensure that the minimum application value is within the range of ₹5,000 to ₹7,000.
11. 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 SCSBs 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 or electronic transfer of funds through RTGS for the incremental amount if any, to be paid on account of the upward revision of the Bid at the time of one (1) or more revisions by the QIB Bidders. In such cases, the Members of Syndicate will revise the earlier Bids 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.
12. When a Bidder revises a Bid, the Bidder shall surrender the earlier TRS and get a revised TRS from the Members of the Syndicate or the SCSBs. It is the responsibility of the Bidder to request and obtain the revised TRS, which will act as proof of revision of the original Bid.

13. In the case of ASBA Bids, after the Bid/Issue Closing Date, the SCSBs / Members of the Syndicate shall provide to the Registrar to the Issue aggregate information relating to the total number of Bid-cum-Application Forms uploaded and the total number of Equity Shares and total amount blocked against the uploaded Bid-cum-Application Forms submitted by the ASBA Bidders. The Registrar to the Issue shall reconcile the electronic data received from the Stock Exchanges and the information received from the SCSBs.
14. Only Bids that are uploaded on the online IPO system of the BSE and the NSE shall be considered for allocation. In the event of a discrepancy of data between the Bids registered on the online IPO system and the physical Bid-cum-Application Form, the decision of our Company in consultation with the BRLM and the Designated Stock Exchange, based on the physical records of Bid-cum-Application Forms, shall be final and binding on all concerned.
15. Under the SEBI (ICDR) Regulations, QIBs are not allowed to withdraw their Bid after the Bid/Issue Closing Date.

Signing of Underwriting Agreement and RoC Filing

- (a) Our Company the BRLM and the Members of Syndicate shall enter into an Underwriting Agreement upon finalization of the Issue Price.
- (b) After signing the Underwriting Agreement, our Company will update and file the Red Herring Prospectus with the RoC, which will be termed "Prospectus". The Prospectus will have details of the Issue Price, Issue size, underwriting arrangements and will be complete in all material respects.

Filing of the Prospectus with the RoC

We will file a copy of the Prospectus with the RoC in terms of Section 56, Section 60 and Section 60B of the Companies Act.

Announcement of pre-Issue Advertisement

Subject to Section 66 of the Companies Act, our Company shall, after registering the Red Herring Prospectus with RoC, publish a pre-Issue advertisement, in the form prescribed by the SEBI (ICDR) Regulations, in two (2) widely circulated national newspapers, one each in English and Hindi and one (1) regional newspaper, each with wide circulation.

Advertisement regarding the Issue Price and Prospectus

A statutory advertisement will be issued by our Company after the filing of the Prospectus with the RoC. This advertisement, in addition to the information that is required to be set out in the statutory advertisement, shall indicate the Issue Price and the Anchor Investor Issue Price. Any material updates between the date of the Red Herring Prospectus and the Prospectus shall be included in such advertisement.

INVESTORS ARE ADVISED TO INSTRUCT THEIR DEPOSITORY PARTICIPANT TO ACCEPT THE EQUITY SHARES THAT MAY BE ALLOTTED TO THEM PURSUANT TO THIS PUBLIC ISSUE.

Issuance of Allotment Advice

- a) Upon approval of the basis of Allotment by the Designated Stock Exchange, the BRLM, or the Registrar to the Issue shall send to the Members of the Syndicate and to the Controlling Branches of the SCSBs, a list of

their Bidders who have been allocated Equity Shares in the Issue. The approval of the basis of allocation by the Designated Stock Exchange for QIB Bidders may be done simultaneously with or before the approval of the basis of allocation for the Retail Individual Bidders and Non-Institutional Bidders. However, the investor should note that our Company shall ensure that the instructions by our Company for demat credit of the Equity Shares to all investors in the Issue shall be given on the same date as the date of Allotment.

- b) The Registrar to the Issue will send an Allotment Advice to the Bidders who have been allocated Equity Shares in the Issue. The dispatch of an Allotment Advice shall be deemed a valid, binding and irrevocable contract for the Bidder.
- c) In case of an Anchor Investor, the issuance of a CAN is subject to "Notice to Anchor Investors: Allotment Reconciliation and Revised CANs", as set forth below.

Notice to Anchor Investors: Allotment Reconciliation and Revised 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 the BRLM, select Anchor Investors shall be sent the CAN indicating the number of Equity Shares that may be allocated to them. The Anchor Investors are required to pay the entire amount at the time of submitting the Bid. This CAN shall constitute a valid, binding and irrevocable contract (subject only to the issue of a revised CAN) for the Anchor Investors that they have paid the entire Anchor Investor Issue Price for all the Equity Shares allocated to such Anchor Investor. This CAN is subject to the Bid-cum-Application Form submitted by the Anchor Investors being valid in all respects, the Issue Price being finalized at a price not higher than the Anchor Investor Issue Price and allotment by the Board of Directors. In the event the Issue Price is higher than the Anchor Investor Issue Price, a revised CAN will be sent to Anchor Investors. The price of Equity Shares in such revised CAN shall be different from that specified in the earlier CAN.

Anchor Investors should note that they shall be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN, for any increased allocation of Equity Shares or increased price of Equity Shares. Any revised CAN, if issued, to any Anchor Investor will supersede in entirety the earlier CAN.

Notice to QIBs bidding in the Net QIB Portion: Allotment Reconciliation and Revised CANs

After the Bid Closing Date, an electronic book will be prepared by the Registrar to the Issue on the basis of Bids uploaded on the BSE or NSE system. This shall be followed by a physical book prepared by the Registrar to the Issue on the basis of the Bid-Cum-Application Forms received. Based on the electronic book, QIBs bidding in the Net QIB Portion will be sent a CAN, indicating the number of Equity Shares that may be allocated to them. This CAN is subject, *inter alia*, to approval of the final 'Basis of Allocation' by the Designated Stock Exchange. Subject to SEBI (ICDR) Regulations, certain Bids/applications may be rejected due to technical reasons, non-receipt/availability of funds, cancellation of cheques, cheque bouncing, incorrect details, etc., and these rejected applications will be reflected in the reconciliation of the book prepared by the Registrar to the Issue and the "Basis of Allocation" as approved by the Designated Stock Exchange. As a result, one or more revised CAN(s) may be sent to QIBs bidding in the Net QIB Portion and the allocation of Equity Shares in such revised CAN(s) may be different from that specified in the earlier CAN(s). QIBs bidding in the Net QIB Portion should note that they may be required to pay additional amounts, if any, by the Pay-in Date specified in the revised CAN(s), for any increased allocation of Equity Shares. The CAN will constitute the valid, binding and irrevocable contract, subject only to the issue of revised CAN(s), for such QIBs to pay the entire Issue Price for all the Equity Shares allocated to such QIBs. The revised CAN(s), if issued, will supersede in entirety, the earlier CAN(s).

Unblocking of ASBA Account

Once the basis of Allotment is approved by the Designated Stock Exchange, the Registrar to the Issue shall provide the following details to the Controlling Branches of each SCSB, along with instructions to unblock the relevant bank

accounts and transfer the requisite money to the Public Issue Account designated for this purpose, within the timelines specified in the ASBA facility: (i) the number of Equity Shares to be Allotted against each valid ASBA Bid, (ii) the amount to be transferred from the relevant bank account to the Public Issue Account, for each valid ASBA Bid, (iii) the date by which funds referred to in (ii) above shall be transferred to the Public Issue Account, and (iv) details of rejected ASBA Bids, if any, along with reasons for rejection and details of withdrawn and/or unsuccessful ASBA Bids, if any, to enable SCSBs to unblock the respective bank accounts. On the basis of instructions from the Registrar to the Issue, the SCSBs shall transfer the requisite amount against each successful ASBA Bidder to the Public Issue Account and shall unblock the excess amount, if any, in the ASBA Account. However, the Bid Amount may be unblocked in the ASBA Account prior to receipt of notification from the Registrar to the Issue by the Controlling Branch of the SCSB in relation to the approval of the basis of Allotment in the Issue by the Designated Stock Exchange in the event of withdrawal or failure of the Issue or rejection of the ASBA Bid, as the case may be.

Designated Date and Allotment of Equity Shares

- (a) Our Company will ensure that (i) the Allotment of Equity Shares; and (ii) credit to the successful Bidder's depository account will be completed within twelve (12) Working Days of the Bid/Issue Closing Date. After the funds are transferred from the Escrow Accounts to the Public Issue Account and the Refund Account on the Designated Date, our Company will ensure the credit to the depository account(s) of successful Bidder(s) within two (2) Working Days of the Allotment.
- (b) As per the SEBI (ICDR) Regulations, Allotment of the Equity Shares will be only in dematerialized form to the allottees.
- (c) Successful Bidders will have the option to re-materialize the Equity Shares so allotted as per the provisions of the Companies Act and the Depositories Act.

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

DOs:

- a) Check if you are eligible to apply having regard to applicable law, rules, regulations, guidelines and approvals and the terms of the Red Herring Prospectus;
- b) Ensure that your Bid is within the Price Band;
- c) Read all the instructions carefully and complete the Resident Bid-cum-Application Form (white in colour), Non-Resident Bid-cum-Application Form (blue in colour) or the Anchor Investor Bid-cum-Application Form ([●] in colour) as the case may be;
- d) Ensure that the details of your Depository Participant and beneficiary account are correct and the beneficiary account is activated as Equity Shares will be Allotted in dematerialized form only;
- e) Ensure that the Bids are submitted at the bidding centers only on forms bearing the stamp of a Member of the Syndicate or with respect to ASBA Bidders, ensure that your Bid is submitted to the Members of the Syndicate (only in the Specified Cities) or at a Designated Branch of the SCSBs where the ASBA Bidder or the person whose bank account will be utilised by the Bidder for bidding has a bank account;
- f) With respect to ASBA Bids ensure that the 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 Bid-cum-Application Form;

- g) The ASBA Bidders shall ensure that they have funds equal to the Bid Amount in his bank account maintained with the SCSBs before submitting the Bid-cum-Application Form to the respective Designated Branch of the SCSBs / Members of the Syndicate;
- h) Ensure that the full Bid Amount is paid for the Bids submitted to the Syndicate and funds equivalent to the Bid Amount are blocked in case of any Bids submitted through the SCSBs.
- i) Instruct your respective banks to not release the funds blocked in the bank account under the ASBA process;
- j) Ensure that you have collected a TRS for all your Bid options;
- 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 (i) on behalf of the Central or State Government and the officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Bidders should mention their PAN allotted under the I.T. Act. Bid-cum-Application Forms in which the PAN is not mentioned are liable to be rejected;
- m) Ensure that the name(s) given in the Bid-cum-Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. Where the Bid-cum-Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Bid-cum-Application Form;
- n) Ensure that the Demographic Details are updated, true and correct in all respects;
- o) In relation to the ASBA Bids, ensure that you receive an acknowledgement from the Designated Branch or from the Members of the Syndicate in the Specified Cities, as the case may be, for the submission of your Bid-cum-Application Form;
- p) Ensure that you have mentioned the correct ASBA Account number in the Bid-cum-Application Form; and
- q) Ensure that thumb impressions and signatures other than in the languages specified in the Eighth schedule to the Constitution of India are attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.

DON'Ts:

- a) Do not Bid for lower than the minimum Bid size;
- b) Do not Bid or revise the Bid to a price that is less than the Floor Price or higher than the Cap Price;
- c) Do not Bid on another Bid-cum-Application Form after you have submitted a Bid to the Members of the Syndicate or the SCSBs, as applicable;
- 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 Designated Branch of SCSBs only;

- f) Do not submit the Bid-cum-Application Forms to Escrow Collection Bank(s);
- g) Do not Bid at the Cut-off Price, in the case of a Bid by a QIB Bidder or a Non-Institutional Bidder;
- h) Do not complete the Bid-cum-Application Form such that the number of Equity Shares Bid for exceeds the Issue size and/or investment limit or maximum number of Equity Shares that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations or under the terms of this Draft Red Herring Prospectus;
- i) Do not submit the Bids without the Bid Amount;
- j) Do not submit more than five (5) Bid-cum-Application Forms per ASBA Account;
- k) Do not bid at Bid Amount exceeding ₹2,00,000, in the case of a Bid by a Retail Individual Bidder; and
- l) Do not submit the GIR number instead of the PAN as the Bid is liable to be rejected on this ground.
- m) Do not submit incorrect details of the DP ID, Beneficiary Account Number and PAN or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Offer;
- n) Do not submit Bids on plain paper or on incomplete or illegible Bid-cum-Application Forms, or on Bid-cum-Application Forms in a color prescribed for another category of Bidder;
- o) Do not submit the Bid-cum-Application Form if you are applying through the ASBA process with a Member of the Syndicate at a location other than the Specified Cities; and

Do not submit ASBA Bids to a Member of the Syndicate in the Specified Cities unless the SCSB where the ASBA Account is maintained, as specified in the Bid cum Application Form, has named atleast one branch in the relevant Specified City, for the Members of the Syndicate to deposit Bid cum Application Forms (A list of such branches is available at <http://www.sebi.gov.in/pmd/scsb-asba.html>).

INSTRUCTIONS FOR COMPLETING THE BID-CUM-APPLICATION FORM

Bids and revisions of Bids must be:

1. Made only on the prescribed Bid-cum-Application Form or Revision Form, as applicable.
2. Made in a single name or in joint names (not more than three (3), and in the same order as their Depository Participant details).
3. Completed in full, in BLOCK LETTERS in English and in accordance with the instructions contained herein, on the Bid-cum-Application Form or in the Revision Form. Incomplete Bid-cum-Application Forms or Revision Form 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 Form.
4. 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. The Bidders should ensure that the details are correct and legible.
5. Bids from the Retail Individual Bidders must be for a minimum of [●] Equity Shares and in multiples of [●] Equity Shares thereafter subject to a maximum Bid Amount of ₹2,00,000.

6. For Non-Institutional Bidders and QIB Bidders, Bids must be for a minimum of such number of Equity Shares such that the Bid Amount exceeds ₹2,00,000 and in multiples of [●] Equity Shares thereafter. Bids cannot be made for more than the Issue size. Bidders are advised to ensure that a single Bid from them does not exceed the investment limits or maximum number of shares that can be held by them under the applicable laws and regulations. Bids must be submitted through ASBA process only.
7. For Anchor Investors, Bids must be for a minimum of such number of Equity Shares that the Bid Amount exceeds or equal to ₹1,000 lakhs and in multiples of [●] Equity Shares thereafter.
8. 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 PAN, Depository Account and Bank Account Details

Bidders should note that on the basis of PAN of the Bidders, the name of the Bidders, Depository Participant's name, Depository Participant-identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository, demographic details of the Bidders such as their address, bank account details for printing on refund orders or giving credit through NECS or Direct Credit, and occupation (hereinafter referred to as "Demographic Details"). These bank account details would be used for giving refunds (including through physical refund warrants, direct credit, NECS, NEFT and RTGS) or unblocking of ASBA Account or mailing of Allotment Advice/CANs to the Bidders. It is mandatory to provide the bank account details in the space provided in the Bid-cum-Application Form and any Bid-cum-Application Form that does not contain such details is liable to be rejected. 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 dispatch/credit of refunds to Bidders or unblocking of ASBA Account at the Bidder's sole risk and neither the BRLM nor our Company shall have any responsibility or undertake any liability for the same. Hence, Bidders should carefully fill in their Depository Account details on the Bid-cum- Application Form.

IT IS MANDATORY FOR ALL THE BIDDERS TO RECEIVE THEIR EQUITY SHARES IN DEMATERIALIZED FORM. ALL BIDDERS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE BID-CUMAPPLICATION FORM. INVESTORS MUST ENSURE THAT THE NAME GIVEN ON THE BID-CUM-APPLICATION FORM IS EXACTLY THE SAME AS THE NAME IN WHICH THE DEPOSITORY ACCOUNT IS HELD. IF THE BID-CUM-APPLICATION FORM IS SUBMITTED IN JOINT NAMES, IT SHOULD BE ENSURED THAT THE DEPOSITORY ACCOUNT IS ALSO HELD IN THE SAME JOINT NAMES AND SUCH JOINT NAMES ARE IN THE SAME SEQUENCE IN WHICH THEY APPEAR IN THE BID-CUMAPPLICATION FORM.

Bidders may note that in case the DP ID, Beneficiary Account Number and PAN mentioned in the Bid cum Application Form, as the case may be and entered into the electronic bidding system of the stock exchanges by the members of the Syndicate do not match with the DP ID, Beneficiary Account Number and PAN available in the Depository database, the application Bid-cum-Application Form, as the case may be is liable to be rejected.

These demographic details will be used for all correspondence with the Bidders including mailing of the refund orders/NECS credit for refunds/direct credit of refund/ allocation advice/NEFT or RTGS for refunds and printing of our Company particulars on the refund order. The demographic details given by Bidders in the Bid-cum-Application Form will not be used for any other purposes by the Registrar to the Issue.

By signing the Bid-cum-Application Form, the Bidder will be deemed to have authorized the Depositories to

provide, upon request, to the Registrar to the Issue, the required demographic details as available on its records.

Refund orders/allocation advice would be mailed to the address of the Bidder as per the Demographic Details received from the Depositories. Bidders may note that delivery of refund orders/allocation advice may get delayed if such refund orders or documents, once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the Bidder in the Bid-cum-Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the Bidder's sole risk and neither the Escrow Collection Bank(s) nor the BRLM shall be liable to compensate the Bidder for any losses caused to the Bidder due to any such delay or pay any interest for such delay. **In case of refunds through electronic modes as detailed in this Draft Red Herring Prospectus, Bidders may note that refunds may get delayed if bank particulars obtained from the Depository Participant are incorrect.**

Where no corresponding record is available with the Depositories that matches three parameters, namely, names of the Bidder's (including the order of names of joint holders), the Depository Participant's identity (DP ID) and the beneficiary's identity, then such Bids are liable to be rejected.

PAYMENT INSTRUCTIONS

Escrow Mechanism for Bidders other than ASBA Bidders

The Bidders shall draw cheques or demand drafts in respect of their Bid and/or revision of the Bid in favour of the payee detailed under sub-section titled "Payment into Escrow Accounts for Bidders other than ASBA Bidders" under this Section of this Draft Red Herring Prospectus. Cheques or demand drafts received for the full Bid Amount from Bidders in a particular category would be deposited in the Escrow Accounts. The Escrow Collection Bank(s) will act in terms of the Red Herring Prospectus, the Prospectus and the Escrow Agreement. The monies in the Escrow Accounts shall be maintained by the Escrow Collection Bank(s) for and on behalf of the Bidders. The Escrow Collection Bank(s) shall not exercise any lien whatsoever over the monies deposited therein and shall hold the monies therein in trust for the Bidders. On the Designated Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of this Issue from the Escrow Account into the Public Issue Account and the balance amount to the Refund Account(s), as per the terms of the Escrow Agreement, the Red Herring Prospectus and the Prospectus.

Bidders should note that the escrow mechanism is neither provided under any law or regulation nor has been prescribed by SEBI. The escrow mechanism has been established as an arrangement amongst our Company, the Members of the Syndicate, the Escrow Collection Bank(s) and the Registrar to the Issue to facilitate collections from the Bidders.

Terms of payment through escrow mechanism

Our Company and the Syndicate Member shall open Escrow Account(s) with one (1) or more Escrow Collection Banks in whose favour the Bidders shall make out the cheque or demand draft in respect of his or her Bid and /or revision of the Bid. The Escrow Collection Banks will act in terms of this Draft Red Herring Prospectus and the Escrow Agreement. Cheques or demand drafts received for the full Bid Amount from Bidders would be deposited in the Escrow Account with the Escrow Collection Bank(s), which will hold the monies deposited in the Escrow Account for the benefit of the Bidders until the Designated Date. On the Designated Date and no later than twelve (12) Working Days from the Bid Closing Date, the Escrow Collection Bank(s) shall transfer the funds equivalent to the size of this Issue from the Escrow Account into the Public Issue Account and the balance amount to the Refund Account(s), as per the terms of the Escrow Agreement and this Draft Red Herring Prospectus.

Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account within twelve (12) Working Days from the Bid/ Issue Closing Date, failing which our Company shall pay interest at 15% per annum, in proportion to the Equity Shares offered by

them under the Issue, for any delay beyond periods as mentioned above.

Bidders should note that the escrow mechanism is neither provided under any law or regulation nor has been prescribed by SEBI. The escrow mechanism has been established as an arrangement amongst our Company, the Members of the Syndicate, the Escrow Collection Bank(s) 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 Bid-cum-Application Form and the SCSBs shall block an amount equivalent to the Bid Amount in the bank account specified in the Bid-cum-Application Form. The SCSBs 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 Bid-cum-Application Form, failure of the Issue or for unsuccessful Bid-cum-Application Forms, the Registrar shall give instructions to the SCSBs to unblock the application money in the relevant bank account prior to twelve (12) Working Days from the Bid/Issue Closing Date and the SCSBs shall unblock the Bid Amount 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.

In case of Bids by FIIs, a special Rupee Account should be mentioned in the Bid cum Application Form, for blocking of funds, along with documentary evidence in support of the remittance. Payment by drafts should be accompanied by a bank certificate confirming that this Draft has been issued by debiting the “Special Rupee Account”.

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 CAN. 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.

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: "[●]"
- (b) In case of non-resident Anchor Investors: "[●]"

Payment into Escrow Accounts 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 and/or on allocation/Allotment 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. The 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. Bid-cum-Application Forms accompanied by cash/stockinvest/money orders/postal orders will not be accepted.

4. The payment instruments for payment into the Escrow Account should be drawn in favor of:
 - (a) In the case of Resident Retail: [●];
 - (b) In the case of Non-Resident Retail Bidders: [●];
5. In the case of Bids by Eligible NRIs applying on a repatriation basis, the payments must be made through Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance. Payment will not be accepted out of Non-Resident Ordinary (NRO) Account of a Non-Resident Bidder bidding on a repatriation basis. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a NRE Account or a FCNR Account.
6. In the case of Bids by Eligible NRIs applying on a non-repatriation basis, the payments must be made by Indian Rupee drafts purchased abroad or cheques or bank drafts, for the amount payable on application, remitted through normal banking channels or out of funds held in NRE Accounts or FCNR Accounts, maintained with banks authorized to deal in foreign exchange in India, along with documentary evidence in support of the remittance or out of an NRO Account of a Non-Resident Bidder bidding on a non-repatriation basis. Payment by drafts should be accompanied by a bank certificate confirming that the draft has been issued by debiting an NRE or a FCNR or an NRO Account.
7. In case of Bids by FIIs & sub-account and FVCIs the payment should be made out of funds held in a special rupee account along with documentary evidence in support of the remittance. Payment by draft should be accompanied by a bank certificate confirming that the draft has been issued by debiting a special rupee account.
8. Where a Bidder has been allocated a lesser number of Equity Shares than the Bidder has Bid for, the excess amount, if any, paid on bidding, after adjustment towards the balance amount payable on the Equity Shares allocated, will be refunded to the Bidder from the Refund Account.
9. The monies deposited in the Escrow Accounts will be held for the benefit of the Bidders (other than ASBA Bidders) until the Designated Date.
10. On the Designated Date, the Escrow Collection Banks shall transfer the funds from the Escrow Accounts into the Public Issue Account as per the terms of the Escrow Agreement and the surplus amount to be transferred to refund account.
11. On the Designated Date and no later than twelve (12) Working Days from the Bid/Issue Closing Date, the Escrow Collection Banks shall 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. Bidders are advised to mention the number of the Bid-Cum-Application Form on the reverse of the cheque or demand draft to avoid misuse of the payment instrument submitted along with the Bid-Cum-Application Form.
13. In case clear funds are not available in the Escrow Accounts as per final certificates from the Escrow Collection Bank(s), such Bids are liable to be rejected.
14. **Payments should be made by cheque, or demand draft drawn on any bank (including a co-operative**

bank), which is situated at, and is a member of or sub-member of the bankers' clearing house located at the centre where the Bid-cum-Application Form is submitted. Outstation cheques/bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected. Cash/Stockinvest/money orders/postal orders will not be accepted.

Payment by Stockinvest

Under the terms of the RBI Circular No. DBOD No. FSC BC 42/24.47.00/2003-04 dated November 5, 2003, the option to use the stockinvest instrument in lieu of cheques or bank drafts for payment of Bid money has been withdrawn. Accordingly, payment through Stockinvest will not be accepted in this Issue.

Submission of Bid-cum-Application Form

All Bid-cum-Application Forms or Revision Forms duly completed and accompanied by account payee cheques or drafts shall be submitted to the Members of Syndicate at the time of submission of the Bid. With respect to the ASBA Bidders, the Bid-cum-Application Form or the Revision Form shall be submitted to the Designated Branches of the SCSBs / Members of the Syndicate.

Separate receipts shall not be issued for the money payable on the submission of Bid-cum-Application Forms or Revision Forms. However, the collection centre of the Members of Syndicate will acknowledge the receipt of the Bid-cum- Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

OTHER INSTRUCTIONS

Joint Bids in case of Individuals

Bids may be made in single or joint names (not more than three). In the case of joint Bids, all refund payments will be made in favour of the Bidder whose name appears first in the Bid-cum-Application Form or Revision Form. All communications will be addressed to the first Bidder and will be dispatched to his or her address as per the Demographic Details received from the Depository.

Multiple Bids

A Bidder should submit only one Bid (and not more than one). Two (2) 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 reserve the right to reject, in its absolute discretion, all or any multiple Bids in any or all categories. In this regard, the procedures to be followed by the Registrar to the Issue to detect multiple applications are given below:

1. All Bids will be checked for common PAN and will be accumulated and taken to a separate process file which will serve as a multiple master document.
2. In this master, a check will be carried out for the same PAN numbers. In cases where the PAN numbers are

different, the same will be deleted from this master.

3. The applications will be electronically matched for similar Depository Participant's identity (DP ID) and client identity (Client ID) numbers. If applications bear the same numbers, these will be treated as multiple applications.
4. Then the addresses of all these applications from the address master will be strung. This involves putting the addresses in a single line after deleting non-alpha and non-numeric characters i.e. commas, full stops, hash etc. Sometimes, the name, the first line of address and pin code will be converted into a string for each application received and a photo match will be carried out amongst all the applications processed. A print out of the addresses will be taken to check for the common names. The applications with same name and same address will be treated as multiple applications.
5. Subsequent to the aforesaid procedures, a print out of the multiple masters will be taken and the applications physically verified to tally signatures as also father's / husband's names. On completion of this, the applications will be identified as multiple applications.

Our Company in consultation with the BRLM reserves the right to reject, in their absolute discretion, all or any multiple Bids in any or all categories.

Permanent Account Number ("PAN")

SEBI had issued a circular directing that with effect from July 2, 2007, PAN would be the sole identifiable number for participants transacting in the securities market, irrespective of the amount of transaction. Pursuant to Item XII(B)(17)(c) of Part A of Schedule VIII to the SEBI (ICDR) Regulations, all applicants are required to disclose their PAN allotted under the I.T. Act in the Bid-cum-Application Form, irrespective of the amount of the Bid. Applications in which PAN so allotted is not mentioned would be rejected.

Therefore, irrespective of the amount of the Bid, the Bidder 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. Applications without this information will be considered incomplete and are liable to be rejected. **It is to be specifically noted that Bidders should not submit the GIR Number instead of the PAN as the Bid is liable to be rejected on this ground.**

Our Company's Right to Reject Bids

In case of QIB Bidders, our Company in consultation with the BRLM 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 the Bids based on technical grounds and/or as specified in the Draft Red Herring Prospectus. Consequently, refunds shall be made by NEFT/ NECS/ Direct Credit/ cheque or pay order or demand draft and will be sent to the Bidder's address at the Bidder's risk.

Right to reject ASBA Bids

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 SCSBs. Subsequent to the acceptance of the ASBA Bid by the SCSBs / Members of the Syndicate, our Company would have a right to reject the ASBA Bids only on technical grounds and/or as specified in this Draft Red Herring Prospectus. Bids submitted by QIBs or Non-Institutional Bidders who do not utilise the ASBA facility shall be rejected.

The Bidders may note that in case the DP ID, Beneficiary Account Number and PAN mentioned in the Bid-cum-Application Form and as entered into the electronic Bidding system of the Stock Exchanges by the members of the

Syndicate and the SCSBs, as the case may be, do not match with the DP ID, Beneficiary Account Number and PAN available in the depository database, the Bid is liable to be rejected..

Grounds for Technical Rejections

Bidders should note that incomplete Bid-cum-Application Forms and Bid-cum-Application Forms that are not legible will be rejected by the Members of the Syndicate / the SCSBs.

Bidders are advised to note that Bids are liable to be rejected on, *inter alia*, the following technical grounds:

1. DP ID and Client ID not mentioned in the Bid cum Application Form;
2. Amount paid does not tally with the amount payable for the highest value of Equity Shares Bid for. With respect to Bids by ASBA Bidders, the amounts mentioned in the Bid-cum-Application Form does not tally with the amount payable for the value of the Equity Shares Bid for;
3. In case of partnership firms, Equity Shares may be registered in the names of the individual partners and no firm as such shall be entitled to apply. However, a limited liability partnership can apply in its own name;
4. Bid by persons not competent to contract under the Indian Contract Act, 1872, as amended;
5. PAN not mentioned in the Bid cum Application Form except for Bids by or on behalf of the Central or State Government and officials appointed by the court and by the investors residing in the State of Sikkim, provided such claims have been verified by the Depository Participant;
6. GIR number furnished instead of PAN;
7. Bids for lower number of Equity Shares than the minimum specified for that category of investors;
8. Bids at a price less than the Floor Price;
9. Bids at a price more than the Cap Price;
10. Signature of sole and/or joint Bidders missing;
11. Submission of more than five (5) Bid-cum-Application Forms per bank account;
12. Bids by Bidders whose demat accounts have been "suspended for credit" pursuant to the circular issued by SEBI on July 29, 2010 bearing number CIR/MRD/DP/22/2010;
13. Bids at Cut-off Price by Non-Institutional and QIB Bidders;
14. Bids for a Bid Amount of more than ₹200,000 by Bidders applying through the non-ASBA process;
15. Bids for number of Equity Shares which are not in multiples of [●];
16. Category not indicated;
17. Multiple Bids as defined in the Red Herring Prospectus;
18. In case of Bids under power of attorney or by limited companies, corporate, trust etc., relevant documents are not submitted;

19. Bids accompanied by Stockinvest/money order/postal order/cash;
20. Bid-cum-Application Forms does not have the stamp of the BRLM or Members of the Syndicate or the SCSB;
21. Bid-cum-Application Forms does not have Bidders depository account details;
22. Bid-cum-Application Forms not being signed by the ASBA account holder, if the account holder is different from the ASBA Bidder;
23. Bid-cum-Application Form submitted to the Members of the Syndicate does not bear the stamp of the Members of the Syndicate. Bid-cum-Application Forms submitted directly to the SCSBs does not bear the stamp of the SCSB;
24. Bid-cum-Application Forms submitted under the ASBA process not having details of the ASBA Account to be blocked;
25. Bid-cum-Application Forms not containing the authorizations for blocking the Bid Amount in the bank account specified in the Bid-cum-Application Form;
26. Bid-cum-Application Forms are not delivered by the Bidders within the time prescribed as per the Bid-cum-Application Forms, Bid/Offer Opening Date advertisement and the Red Herring Prospectus and as per the instructions in the Red Herring Prospectus and the Bid cum Application Forms;
27. In case no corresponding record is available with the Depositories that matches the Depository Participant's identity (DP ID), the beneficiary's account number and PAN;
28. With respect to ASBA Bids, inadequate funds in the bank account to block the Bid Amount specified in the Bid-cum-Application Form at the time of blocking such Bid Amount in the bank account;
29. Bids for amounts greater than the maximum permissible amounts prescribed by the regulations;
30. Bids where clear funds are not available in Escrow Accounts as per final certificate from the Escrow Collection Banks;
31. With respect to ASBA Bids, where no confirmation is received from SCSB for blocking of funds;
32. Bids by QIBs and Non Institutional Bidders not submitted through ASBA process;
33. Bids by QIBs and Non Institutional Bidders accompanied by cheque(s) or demand draft(s);
34. Bid-cum-Application Form submitted under the ASBA process to a Member of the Syndicate at locations other than the Specified Cities and Bid-cum-Application Forms submitted under the ASBA process to the Escrow Collecting Banks (assuming that such bank is not a SCSB), to our Company or the Registrar to the Issue;
35. Bids by persons in the United States or by U.S. Persons (as defined in Regulation S) excluding persons who are both a U.S. QIB and a QP (as defined in this Draft Red Herring Prospectus);
36. Bids by any person outside India if not in compliance with applicable foreign and Indian Laws;
37. Bids not uploaded on the terminals of the Stock Exchanges;

38. Bids by QIB Bidders submitted after 5:00 pm on the QIB Bid/Offer Closing Date, Bids by Non-Institutional Bidders submitted after 3:00 pm on the Bid/Offer Closing Date, and Bids by Retail Individual Bidders submitted after 3:00 pm on the Bid/Offer Closing Date unless extended by the Stock Exchanges, as applicable;
39. Bids by persons prohibited from buying, selling or dealing in the shares directly or indirectly by SEBI or any other regulatory authority.; and
40. Bids by OCBs.

IN CASE THE DP ID, CLIENT ID AND PAN MENTIONED IN THE BID-CUM-APPLICATION FORM AND ENTERED INTO THE ELECTRONIC BIDDING SYSTEM OF THE STOCK EXCHANGES OR THE SYNDICATE/ THE SCSBs DO NOT MATCH WITH THE DP ID, CLIENT ID AND PAN AVAILABLE IN THE RECORDS WITH THE DEPOSITORIES.

ALLOTMENT

Basis of Allotment

A. For Retail Individual Bidders

- Bids received from Retail Individual Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Retail Individual Bidders will be made at the Issue Price.
- The Net Issue size less Allotment to Non-Institutional Bidders and QIB Bidders shall be available for Allotment to Retail Individual Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this portion are less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Retail Individual Bidders to the extent of their valid Bids.
- If the valid Bids in this portion are greater than [●] Equity Shares at or above the Issue Price, the allocation shall be made on a proportionate basis of not less than [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation, refer below.

B. For Non-Institutional Bidders

- Bids received from Non-Institutional Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The Allotment to all successful Non-Institutional Bidders will be made at the Issue Price.
- The Net Issue size less allocation to QIB Bidders and Retail Individual Bidders shall be available for allocation to Non-Institutional Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
- If the valid Bids in this portion are less than or equal to [●] Equity Shares at or above the Issue Price, full Allotment shall be made to Non-Institutional Bidders to the extent of their valid Bids.
- If the valid Bids in this portion are greater than [●] Equity Shares at or above the Issue Price, allocation shall be made on a proportionate basis of not less than [●] Equity Shares and in multiples of [●] Equity Shares thereafter. For the method of proportionate basis of allocation refer below.

C. For QIB Bidders

- Bids received from QIB Bidders at or above the Issue Price shall be grouped together to determine the total demand under this portion. The allocation to QIB Bidders will be made at the Issue Price.

- The QIB Portion shall be available for allocation to QIB Bidders who have bid in the Issue at a price that is equal to or greater than the Issue Price.
 - Allotment shall be undertaken in the following manner:
- (a) In the first instance allocation to domestic Mutual Funds for upto 5% of the QIB Portion (excluding the Anchor Investor Portion) shall be determined as follows:
- (i) If bids from domestic Mutual Funds exceed 5% of the QIB Portion (excluding the Anchor Investor Portion), allocation to domestic Mutual Funds shall be made on a proportionate basis for up to 5% of the QIB Portion (excluding the Anchor Investor Portion).
 - (ii) If the aggregate demand from domestic Mutual Funds is less than 5% of the QIB Portion (excluding the Anchor Investor Portion), then all domestic 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 domestic Mutual Funds shall be available to QIB Bidders as set out in (b) below.
- (b) In the second instance allocation to all Bidders shall be determined as follows:
- (i) In the event of an oversubscription in the QIB Portion, all QIB Bidders who have submitted Bids above the Issue Price shall be Allotted Equity Shares on a proportionate basis for up to 95% of the QIB Portion.
 - (ii) Domestic Mutual Funds who have received allocation as per (a) above, for less than the number of Equity Shares bid for by them, are eligible to receive Equity Shares on a proportionate basis along with other QIB Bidders.
 - (iii) Under subscription, below 5% of the QIB Portion (excluding Anchor Investor Portion), if any, in the Mutual Fund Portion, would be included for allocation to the remaining QIB Bidders on a proportionate basis.

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 BRLM, 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 (2) Anchor Investors for allocation upto ₹ 2,500 million and minimum number of five (5) Anchor Investors for allocation more than ₹ 2,500 million.

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 BRLM before the Bid/ Issue Opening Date by intimating the same to the Stock Exchanges.

The BRLM, the Registrar to the Issue and the executive director or the managing director of the Designated Stock Exchange shall ensure that the Basis of Allotment is finalized in a fair and proper manner in accordance with the SEBI (ICDR) Regulations. The drawing of lots (where required) to finalize the Basis of Allotment shall be done in the presence of a public representative on the governing board of the Designated Stock Exchange.

Procedure and Time of Schedule for Allotment and Demat Credit of Equity

The Issue will be conducted through a "Book building process" pursuant to which the Members of Syndicate or

SCSBs will accept bids for the Equity Shares during the Bidding/Issue Period. The Bidding/Issue Period will commence on [●] and close on [●]. Following the expiration of the Bidding/Issue Period, our Company in consultation with the BRLM, will determine the Issue Price, and, the Basis of Allocation and entitlement to Allotment based on the bids received and subject to confirmation by the BSE/NSE. Successful Bidders will be provided with a confirmation of their allocation (subject to a revised confirmation of allocation) and will be required to pay any unpaid amount for the Equity Shares within a prescribed time. The SEBI (ICDR) Regulations require our Company to complete the Allotment to successful Bidders within twelve (12) Working Days of the expiration of the Bidding/Issue Period. The Equity Shares will then be credited and Allotted to the investor's demat accounts maintained with the relevant depository participant. Upon approval by the Stock Exchanges, the Equity Shares will be listed and trading will commence.

Method of proportionate Basis of Allotment

In the event the Issue is oversubscribed, the Basis of Allotment shall be finalized by our Company in consultation with the BRLM and the Designated Stock Exchange. The executive director or managing director (or any other senior official nominated by them) of the Designated Stock Exchange along with the BRLM and the Registrar to the Issue shall be responsible for ensuring that the basis of Allotment is finalized in a fair and proper manner. Allotment to Bidders shall be made in marketable lots on a proportionate basis as explained below:

- (a) Bidders will be categorized according to the number of Equity Shares applied for by them.
- (b) The total number of Equity Shares to be allotted to each category as a whole shall be arrived at on a proportionate basis, which is the total number of Equity Shares applied for in that category (number of Bidders in the category multiplied by the number of Equity Shares applied for) multiplied by the inverse of the oversubscription ratio.
- (c) The number of Equity Shares to be allotted to the successful Bidders will be arrived at on a proportionate basis, which is the total number of Equity Shares applied for by each Bidder in that category multiplied by the inverse of the oversubscription ratio.
- (d) If the proportionate Allotment to a Bidder is a number that is more than [●] but is not a multiple of one (which is the market lot), the decimal will be rounded off to the higher whole number if that decimal is 0.5 or higher. If that number is lower than 0.5, it will be rounded off to the lower whole number. Allotment to all Bidders in such categories shall be arrived at after such rounding off.
- (e) In all Bids where the proportionate Allotment is less than [●] Equity Shares per Bidder, the Allotment shall be made as follows:

Each successful Bidder shall be Allotted a minimum of [●] Equity Shares; and

The successful Bidders out of the total Bidders for a portion shall be determined by the drawing of lots in a manner such that the total number of Equity Shares Allotted in that category is equal to the number of Equity Shares calculated in accordance with (c) above;
- (f) If the Equity Shares allocated on a proportionate basis to any category are more than the Equity Shares Allotted to the Bidders in that portion, the remaining Equity Shares available for Allotment shall be first adjusted against any other category, where the Equity Shares are not sufficient for proportionate Allotment to the successful Bidders in that category. The balance of Equity Shares, if any, remaining after such adjustment will be added to the category comprising Bidders applying for the minimum number of Equity Shares; and
- (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 BRLM.

Illustration of Allotment to QIBs and Mutual Funds ("MF")

Issue details

No.	Particulars	Issue Details
1.	Issue size	200 crores equity shares
2.	Portion available to QIBs*	100 crore equity shares
3.	Anchor Investor Portion	30 crores
4.	Portion available to QIBs* other than anchor investors [(2) – (3)]	70 crores equity shares
	Of which	
(a)	Reservation to MF (5%)	3.5 crores equity shares
(b)	Balance for all QIBs including MFs	66.5 crores equity shares
(c)	No. of QIB applicants	10
(d)	No. of shares applied for	500 crores equity shares

Details of QIB Bids

No.	Type of QIBs	No. of shares bid for (in crores)
1.	A1	50
2.	A2	20
3.	A3	130
4.	A4	50
5.	A5	50
6.	MF1	40
7.	MF2	40
8.	MF3	80
9.	MF4	20
10.	MF5	20
TOTAL		500

*A1 – A5: (QIBs bidders other than Mutual Funds), MF1 – MF5: (QIB bidders which are Mutual Funds)

Details of Allotment to QIB Applicants

Type of QIB	Shares bid for	Allocation of 5% equity shares (see Note 2 below)	Allocation of 95% equity shares (see Note 4 below)	Aggregate allocation to Mutual Funds
(I)	(II)	(III) (No. of equity shares in crores)	(IV)	(V)
A1	50	0	6.65	0
A2	20	0	2.66	0
A3	130	0	17.29	0
A4	50	0	6.65	0
A5	50	0	6.65	0
MF1	40	0.70	5.32	6.02
MF2	40	0.70	5.32	6.02
MF3	80	1.40	10.64	12.04
MF4	20	0.35	2.66	3.01
MF5	20	0.35	2.66	3.01
	500	3.50	66.50	30.10

Notes:

1. The illustration presumes compliance with the provisions of regulation 51(1) pertaining to minimum allotment.
2. Out of 70 crore equity shares allocated to QIBs, 3.5 crores (i.e. 5%) will be allocated on proportionate basis among 5 mutual fund applicants who applied for 200 shares in QIB category.
3. The balance 66.5 crore equity shares [i.e. 70 – 3.5 (available for MFs)] will be allocated on proportionate basis among 10 QIB applicants who applied for 500 shares (including 5 MF applicants who applied for 200 shares).
4. The figures at Col. No. IV are arrived as under :
 - a. For QIBs other than mutual funds (A1 to A5) = No. of shares bid for (i.e Col II) X 66.5 / 496.5
 - b. For mutual funds (MF1 to MF5) = {(No. of shares bid for (i.e Col II) less shares allotted (i.e., col. III)} X 66.5 / 496.5
 - c. The numerator and denominator for arriving at allocation of 66.5 crore shares to the 10 QIBs are reduced by 3.5 crore shares, which has already been allotted to mutual funds at Col. No. (III).

Equity Shares in Dematerialized form with NSDL or CDSL

As per the provisions of Section 68B of the Companies Act, the Equity Shares in this Issue shall be allotted only in a dematerialized form (i.e., not in the form of physical certificates but fungible statements issued in electronic mode).

In this context, two (2) tripartite agreements have been signed amongst our Company, the respective Depositories and the Registrar to the Issue:

- (a) a tripartite agreement dated [●], among NSDL, our Company and the Registrar to the Issue; and
- (b) a tripartite agreement dated [●], among CDSL, our Company and the Registrar to the Issue.

Bidders will be allotted Equity Shares only in dematerialized mode. Bids from any Bidder without relevant details of his or her depository account are liable to be rejected.

1. A Bidder applying for Equity Shares must have at least one beneficiary account with the Depository Participants of either NSDL or CDSL prior to making the Bid.
2. The Bidder must necessarily complete the details (including the beneficiary account number and Depository Participant's identification number) appearing on the Bid-cum-Application Form or Revision Form.
3. Equity Shares Allotted to a successful Bidder will be credited in electronic form directly to the beneficiary account (with the Depository Participant) of the Bidder.
4. Names in the Bid-cum-Application Form or Bid Revision Form should be identical to those appearing in the account details with the Depository. In case of joint holders, the names should necessarily be in the same sequence as they appear in the account details with the Depository.
5. If incomplete or incorrect details are given under the heading "Bidder's Depository Account Details" in the Bid-cum- Application Form or Bid Revision Form, it is liable to be rejected.
6. The Bidder is responsible for the correctness of his or her Demographic Details given in the Bid-cum-Application Form vis-à-vis those recorded with his or her Depository Participant.
7. Equity Shares in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL and CDSL. All the Stock Exchanges where the Equity Shares are proposed to be listed have

electronic connectivity with CDSL and NSDL.

8. The trading of the Equity Shares will be in dematerialized form only for all investors in the demat segment of the respective Stock Exchanges.
9. Non-transferable allotment advice or refund orders will be directly sent to the Bidders by the Registrar to the Issue.

PAYMENT OF REFUND

The Bidders (other than ASBA Bidders) should note that on the basis of the name of the Bidders, Depository Participant's name, Depository Participant identification number and beneficiary account number provided by them in the Bid-cum-Application Form, the Registrar to the Issue will obtain from the Depository the Bidder's bank account details including a nine digit Magnetic Ink Character Recognition ("**MICR**") code. Hence, Bidders are advised to immediately update their bank account details as appearing on the records of the Depository Participant. Please note that failure to do so could result in delays in credit of refunds to Bidders at the Bidder's sole risk and neither our Company, the BRLM, the Members of Syndicate nor the Escrow Collection Banks shall have any responsibility and undertake any liability for the same.

In the case of Bids from Eligible NRIs and FIIs, refunds, dividends and other distributions, if any, will normally be payable in Indian Rupees only and net of bank charges and/or commission. Where so desired, 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. Our Company will not be responsible for loss, if any, incurred by the Bidder on account of conversion of foreign currency.

Mode of making refunds

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 is available. This mode of payment of refunds would be subject to availability of complete bank account details including the nine-digit MICR code as appearing on a cheque leaf from the Depository. The payment of refund through NECS is mandatory for applicants having a bank account at any of the centres where such facility is available except where the applicant is otherwise disclosed as eligible to receive refunds through direct credit or RTGS.
2. NEFT- Payment of refund may be undertaken through NEFT wherever the applicants' bank has been assigned the Indian Financial System Code ("**IFSC**"), which can be linked to a Magnetic Ink Character Recognition ("**MICR**"), if any, available to that particular bank branch. The IFSC Code will be obtained from the website of the RBI as at a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the applicants through this method.
3. Direct Credit- Applicants having their bank account with the Refund Banker shall be eligible to receive refunds, if any, through direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by our Company.
4. RTGS- Applicants having a bank account at any of the centres where such facility is available, and whose Bid Amount exceeds ₹2,00,000, shall have the option to receive refunds, if any, through RTGS. Such

eligible applicants who indicate their preference to receive refunds through RTGS are required to provide the IFSC Code in the Bid-cum-Application Form. In the event of failure to provide the IFSC Code in the Bid-cum-Application Form, the refund shall be made through the NECS or direct credit. Charges, if any, levied by the Refund Bank(s) for the same will be borne by our Company. Charges, if any, levied by the applicant's bank receiving the credit will be borne by the applicant.

5. For all the other applicants, including applicants who have not updated their bank particulars along with the nine-digit MICR Code, the refund orders will be dispatched through Speed Post/Registered Post. Some refunds will be made by cheques, pay orders or demand drafts drawn on the Escrow Collection Banks and payable at par at places where Bids are received. Bank charges, if any, for cashing such cheques, pay orders or demand drafts at other 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 Bid-cum-Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within twelve (12) Working Days from the Bid/Issue Closing Date.

The list of banks that have been notified by SEBI to act as SCSB for the ASBA Process are provided on <http://www.sebi.gov.in/pmd/scsb.html>. For details on designated branches of SCSB collecting the CAF, please refer the above mentioned SEBI link.

Interest on refund of excess Bid Amount

Our Company shall pay interest at the rate of 15% per annum, in proportion to the Equity Shares offered by them under the Issue, on the excess Bid Amount received if refund orders are not dispatched within twelve (12) Working Days from the Bid/Issue Closing Date.

DISPOSAL OF APPLICATIONS AND APPLICATION MONEYS AND INTEREST

With respect to Bidders other than ASBA Bidders, our Company shall ensure dispatch of Allotment advice, refund orders (except for Bidders who receive refunds through electronic transfer of funds) and give benefit to the beneficiary account with Depository Participants and submit the documents pertaining to the Allotment to the Stock Exchanges within twelve (12) Working Days of Bid/Issue Closing date.

In case of applicants who receive refunds through NECS, direct credit or RTGS, the refund instructions will be given to the clearing system within twelve (12) Working Days from the Bid/Issue Closing Date. A suitable communication shall be sent to the Bidders receiving refunds through this mode within twelve (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 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 twelve (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 undertake that:

- Allotment of Equity Shares shall be made only in dematerialized form within twelve (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 twelve (12) Working Days of the Bid/Issue Closing Date would be ensured. With respect to the ASBA Bidders, instructions for unlocking of the ASBA Bidder's Bank Account shall be made within twelve (12) Working Days from the Bid/Issue Closing Date; and

Our Company shall pay interest at 15% per annum, in proportion to the Equity Shares offered by them under the Issue, for any delay beyond the fifteen (15) Working Days time period as mentioned above, if Allotment is not made and refund orders are not dispatched or if, in a case where the refund or portion thereof is made in electronic manner, the refund instructions have not been given to the clearing system in the disclosed manner and/or demat credits are not made to investors within twelve (12) Working Days time prescribed above as per the SEBI (ICDR) Regulations.

Our Company will provide adequate funds required for dispatch of refund orders or allotment advice to the Registrar to the Issue.

No separate receipts shall be issued for the money payable on the submission of Bid-cum-Application Forms or Revision Forms. However, the collection centre of the Members of Syndicate / SCSBs will acknowledge the receipt of the Bid-cum-Application Forms or Revision Forms by stamping and returning to the Bidder the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Bid-cum-Application Form for the records of the Bidder.

Save and except refunds effected through the electronic mode, i.e., NECS, NEFT, direct credit or RTGS, refunds will be made by cheques, pay orders or demand drafts drawn on a bank appointed by us, as an Escrow Collection Bank and payable at par at places where Bids are received, except for Bidders who have opted to receive refunds through the NECS facility. Bank charges, if any, for encashing such cheques, pay orders or demand drafts at other centres will be payable by the Bidders.

COMMUNICATIONS

All future communications in connection with Bids made in this Issue should be addressed to the Registrar to the Issue quoting the full name of the sole or first Bidder, the Bid-cum-Application Form number, details of the Depository Participant, number of Equity Shares applied for, the date of Bid-cum-Application Form, the name and address of the Members of the Syndicate or the Designated Branch of the SCSBs where the Bid was submitted and the 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.

Investors can contact the Compliance Officer or the Registrar to the Issue in the case of any pre-Issue or post-Issue related problems such as non-receipt of letters of allotment, credit of allotted shares in the respective beneficiary accounts, refund orders etc. **In case of ASBA Bids submitted to the Designated Branches of the SCSBs, the Bidders can contact the Designated Branches of the SCSBs.**

The Draft Red Herring Prospectus, in so far as it relates to terms of the Issue should be read in conjunction with the aforestated paragraphs, to the extent applicable.

Disposal of Investor Grievances by our Company

Our Company estimates that the average time required by it or the Registrar to the Issue for the redressal of routine investor grievances shall be fifteen (15) 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 Mr. Mukesh Kumar as the Compliance Officer and he may be contacted in case of any pre-Issue or post-Issue-related problems.

Letters of Allotment or Refund Orders or instructions to the SCSBs

Our Company shall credit each beneficiary account with its depository participant within twelve (12) Working Days of the Bid/Issue Closing Date. Applicants that are residents of 68 cities where clearing houses are managed by the RBI will receive refunds through ECS only (subject to availability of all information for crediting the refund through ECS) except where the applicant is eligible to receive refunds through direct credit, NEFT or RTGS. In the case of other applicants our Company shall ensure the dispatch of refund orders, if any, by registered post or speed post at the sole or First Bidder's, sole risk within twelve (12) Working Days of the Bid/Issue Closing Date. Applicants to whom refunds are made through electronic transfer of funds will be sent a letter (refund advice) through ordinary post informing them about the mode of credit of refund, within twelve (12) Working Days of the Bid/Issue Closing Date. In case of ASBA Bidders, the Registrar shall instruct the relevant SCSBs to unblock the funds in the relevant ASBA Account to the extent of the Bid Amount specified in the Bid-cum-Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Bids within twelve (12) Working Days of the Bid/Issue Closing Date.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed are taken within twelve (12) Working Days from the Bid/Issue Closing Date.

Interest in Case of Delay in Dispatch of Allotment Letters/Refund Orders

In accordance with the Companies Act, the requirements of the Stock Exchanges and the SEBI (ICDR) Regulations, our Company undertakes that:

- Allotment of Equity Shares and credit to the successful Bidder's depository accounts will be completed within twelve (12) Working Days from the Bid/Issue Closing Date;
- Our Company further agree that they shall pay interest at 15% per annum, in proportion to the Equity Shares offered by them under the Issue, if Allotment is not made, refund orders are not dispatched to the applicant or if, in a case where the refund or portion thereof is made in electronic mode/manner, the refund instructions have not been given to clearing members and/or demat credits are not made to investors within the twelve (12) Working Days time period prescribed above.

Our Company will provide adequate funds required for dispatch of refund orders or Allotment advice to the Registrar.

Save and except refunds effected through the electronic mode, i.e., NECS, NEFT, direct credit or RTGS, 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.

Undertakings by our Company

Our Company undertakes as follows:

- that complaints received in respect of this Issue shall be dealt with expeditiously and satisfactorily;
- that all steps will be taken for the completion of the necessary formalities for listing and commencement of trading at all the Stock Exchanges where the Equity Shares are proposed to be listed within twelve (12)

Working Days from the Bid/ Issue Closing Date;

- that the funds required for making refunds to unsuccessful applicants as per the mode(s) disclosed shall be made available to the Registrar to the Issue by our Company;
- that where refunds are made through electronic transfer of funds, a suitable communication shall be sent to the applicant within twelve (12) Working Days of the closure of the Issue, giving details of the bank where refunds shall be credited along with amount and expected date of electronic credit of refund;
- that the certificates of the securities / refund orders to the eligible non-resident Indians shall be dispatched within the specified time; and
- that the refund orders or Allotment advice to the Non-Resident Bidders shall be dispatched within the specified time; and
- No further issue of Equity Shares shall be made until the Equity Shares offered through the Red Herring Prospectus and the Prospectus are listed or until the Bid monies are refunded on account of non-listing, under-subscription etc.
- that adequate arrangements shall be made to collect all Applications Supported by Blocked Amount and to consider them similar to non-ASBA applications while finalizing the basis of allotment;
- That the Equity Shares are free and clear of all liens or encumbrances and shall be allotted to the Allottees within the specified time;
- that it shall be ensured that dispatch of share certificates/refund orders and demat credit is completed and the allotment and listing documents shall be submitted to the Stock Exchanges within two (2) Working Days of the date of Allotment; and
- that we shall pay interest of 15% per annum (for any delays beyond twelve (12) Working Days if allotment has not been made within twelve (12) Working Days and refund orders have not been dispatched within twelve (12) Working Days.

Utilization of Issue proceeds

The Board of Directors certifies that:

- all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in Section 73(3) of the Companies Act;
- details of all monies utilized out of the Issue shall be disclosed under an appropriate heading in the balance sheet of our Company indicating the purpose for which such monies have been utilized;
- details of all unutilized monies out of the Issue, if any, shall be disclosed under the appropriate head in the balance sheet of our Company indicating the form in which such unutilized monies have been invested; and
- Our Company shall comply with the requirements of Clause 49 of the listing agreement in relation to the disclosure and monitoring of the utilization of the Net Proceeds.

The Board of Directors also certifies that:

- Our Company shall not have recourse to the proceeds of the Issue until the final listing and trading approvals from all the Stock Exchanges have been obtained.

RESTRICTIONS ON FOREIGN OWNERSHIP OF INDIAN SECURITIES

Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA. While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. Under the current foreign investment policy applicable to us foreign equity participation up to 100% is permissible under the automatic route.

Subscription by foreign investors (NRIs/FIIs)

By way of Circular No. 53 dated December 17, 2003, the RBI has permitted FIIs to subscribe to shares of an Indian company in a public offer without the prior approval of the RBI, so long as the price Foreign investment in Indian securities is regulated through the Industrial Policy, 1991 of the Government of India and FEMA.

Foreign investment in Indian securities is governed by the provisions of the FEMA read with the applicable FEMA Regulations. The DIPP has issued 'Circular 2 of 2010' (the "**FDI Circular**") which consolidates the policy framework on FDI, with effect from October 1, 2010. The FDI Circular consolidates and subsumes all the press notes, press releases and clarifications on FDI issued by DIPP as on September 30, 2010. All the press notes, press releases, clarifications on FDI issued by DIPP as on September 30 2010 stand rescinded as on September 30, 2010.

While the Industrial Policy, 1991 prescribes the limits and the conditions subject to which foreign investment can be made in different sectors of the Indian economy, FEMA regulates the precise manner in which such investment may be made. Under the Industrial Policy, unless specifically restricted, foreign investment is freely permitted in all sectors of the Indian economy up to any extent and without any prior approvals, but the foreign investor is required to follow certain prescribed procedures for making such investment. The Comprehensive Manual for Foreign Direct Investment- Policy & Procedures dated November 2005 issued by the Department of Industry Policy and Promotion, Ministry of Commerce and Industry does not prescribe any cap on the foreign investments in the sector in which our Company operates. Therefore, foreign investment up to 100% is permitted in our Company under the automatic route.

Transfers of equity shares previously required the prior approval of the FIPB. However, by a RBI circular dated October 4, 2004 issued by the RBI, the transfer of shares between an Indian resident and a non-resident does not require the prior approval of the FIPB or the RBI, provided that (i) the activities of the investee company are under the automatic route under the FDI Policy and transfer does not attract the provisions of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, as amended, (ii) the non-resident shareholding is within the sectoral limits under the FDI policy, and (iii) the pricing is in accordance with the guidelines prescribed by the SEBI/RBI.

Representation from the Bidders

No person shall make a Bid in Issue, unless such person is eligible to acquire Equity Shares of our Company in accordance with applicable laws, rules, regulations, guidelines and approvals.

Investors that Bid in the Issue will be required to confirm and will be deemed to have represented to our Company, the Underwriters, and their respective directors, officers, agents, affiliates and representatives, as applicable, that they are eligible under all applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company and will not offer, sell, pledge or transfer the Equity Shares of our Company to any person who is not eligible under applicable laws, rules, regulations, guidelines and approvals to acquire Equity Shares of our Company. Our Company, the Underwriters and their respective directors, officers, agents, affiliates and representatives, as applicable, accept no responsibility or liability for advising any investor on whether such investor

is eligible to acquire Equity Shares of our Company.

There is no reservation for Non Residents, NRIs, FIIs, foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor. All Non Residents, NRIs, FIIs and foreign venture capital funds, multi-lateral and bilateral development financial institutions and any other foreign investor applicants will be treated on the same basis with other categories for the purpose of allocation.

As per existing regulations, OCBs cannot participate in the Issue.

The Equity Shares have not been and will not be registered under the Securities Act or any state securities laws in the United States and may not be offered or sold within the United States or to, or for the account or benefit of, “U.S. persons” (as defined in Regulation S promulgated under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Equity Shares are only being offered and sold outside the United States to certain persons in offshore transactions in compliance with Regulation S under the Securities Act.

The Equity Shares have not been and will not be registered, listed or otherwise qualified in any other jurisdiction outside India and may not be offered or sold, and Bids may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction.

The above information is given for the benefit of the Bidders. Our Company and the BRLM are not liable for any amendments or modification or changes in applicable laws or regulations, which may occur after the date of this Red Herring Prospectus. Bidders are advised to make their independent investigations and ensure that the number of Equity Shares Bid for do not exceed the applicable limits under laws or regulations.

SECTION VIII: MAIN PROVISIONS OF THE ARTICLES OF ASSOCIATION

Capitalised terms used in this section have the meaning given to such terms in the Articles of our Company. Pursuant to Schedule II of the Companies Act, 1956 and the SEBI (ICDR) Regulations, the main provisions of the Articles of Association of our Company on listing relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Sshares and or their consolidation/splitting are required to be stated. The regulations contained in Table A of Schedule I of the Companies Act, 1956, shall apply to our Company in so far as they are not inconsistent with or repugnant to any of the regulations contained in the Articles of Association of our Company.

INCREASE REDUCTION AND ALTERATION OF CAPITAL

6. The Company may from time to time in General Meeting increase its Share Capital by the issue of new shares of such amounts as it thinks expedient.

On What Conditions The New Shares May Be Issued

- (a) Subject to the provisions of sections 80, 81 and 85 to 90 of the Act, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto by the General Meeting creating the same as shall be directed and if no direction be given as the Directors shall determine and in particular such shares may be issued subject to the provisions of the said sections with a preferential or qualified right to dividends and in distribution of assets of the Company and subject to the provisions of the said sections with special or without any right of voting and subject to the provisions of Section 80 of the Act any preference shares may be issued on the terms that they are or at the option of the Company are liable to be redeemed.

Further Issue Of Shares

- (b) Where at any time after the expiry of two years from the formation of a Company or at any time after the expiry of one year from the allotment of shares in that 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
- (i). such further shares shall be offered to the persons who at the date of 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.
 - (ii). the offer aforesaid shall be made by a notice specifying the number of shares offered and limiting a time not being less than fifteen days from the date of the offer within which the offer, if not accepted, will be deemed to have been declined.
 - (iii). unless the articles of the company otherwise provide, 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 clause (b) shall contain a statement of this right.
 - (iv). after the expiry of the time specified in the notice aforesaid or on receipt of earlier intimation from the person to whom such notice is given that he declines to accept the shares offered, the Board of directors may dispose of them in such manner as they think most beneficial to the Company.
- (c) Notwithstanding anything contained in the preceding 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 sub-clause

(1)] in any manner whatsoever:-

- (i). if a special resolution to that effect is passed by the company in general meeting, or
 - (ii). 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 that General Meeting (including the casting vote, if any, of the Chairman) by members who, being entitled so to do, 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.
- (d) Nothing in clause (c) above shall be deemed -
- (i). to extend the time within which the offer should be accepted, or
 - (ii). to authorise any person to exercise the right of renunciation for a second time, on the ground that the person in whose favour the renunciation was first made has declined to take the shares comprised in the renunciation.
- (e) 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 -
- (i). to convert such debentures or loans into shares in the company, or
 - (ii). to subscribe for shares in the company;

Provided that the terms of issue of such debentures or the terms of such loans includes a term providing for such option and such term:

- (a) either has been approved by the Central Government before the issue of debentures or the raising of the loans, or is in conformity with the rules 197, if any, made by that Government in this behalf; and
- (b) 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 the raising of the loans.

Shares at the disposal of the directors

- (f) Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give to any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors think fit and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.

Same As Original Capital

- (g) Except so far as otherwise provided by the conditions of issue or by these presents, any Capital raised by

the creation of new shares shall be considered as part of the original Capital and shall be subject to the provisions herein contained with reference to the payment of calls, installments, transfers, transmission, forfeiture, lien, surrender, voting and otherwise.

Power To Issue Redeemable Preference Shares

7. (a) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the Company may issue preference shares which are or at the option of the Company are liable to be redeemed;

Provided that:

- (i). no such shares shall be redeemed except out of the profits of the Company which would otherwise be available for dividend or out of the proceeds of a fresh issue of Shares made for the purpose of redemption;
 - (ii). no such shares shall be redeemed unless they are fully paid;
 - (iii). the premium, if any, payable on redemption shall have been provided for out of the profits of the Company or out of the Company's Share Premium Account before the shares are redeemed.
 - (iv). where any such shares are redeemed otherwise than out of the proceeds of a fresh issue, there shall, out of profits which would otherwise have been available for dividend, be transferred to a Reserve Fund, to be called "the Capital Redemption Reserve Account", a sum equal to the nominal amount of the shares redeemed; and the provisions of the Act relating to the reduction of the Share Capital of the Company shall, except as provided in Section 80 of the Act, apply as if the Capital Redemption Reserve Account were paid up Share Capital of the Company.
- (b) Subject to the provisions of Section 80 of the Act and subject to the provisions on which any shares may have been issued, the redemption of preference shares may be effected on such terms and in such manner as may be provided in these Articles or by the terms and conditions of their issue and subject thereto in such manner as the Directors may think fit.
- (c) The redemption of preference shares under these provisions by the Company shall not be taken as reducing the amount of its Authorised Share Capital.
- (d) Where in pursuance of this Article, the Company has redeemed or is about to redeem any preference shares, it shall have power to issue shares upto the nominal amount of the shares redeemed or to be redeemed as if those shares had never been issued; and accordingly the Share Capital of the Company shall not, for the purpose of calculating the fees payable under Section 611 of the Act, be deemed to be increased by the issue of shares in pursuance of this clause.

Provided that where new shares are issued before the redemption of the old shares, the new shares shall not so far as relates to stamp duty be deemed to have been issued in pursuance of this clause unless the old shares are redeemed within one month after the issue of the new shares.

- (e) The Capital Redemption Reserve Account may, notwithstanding anything in this Article, be applied by the Company, in paying up unissued shares of the Company to be issued to members of the Company as fully paid up bonus shares.

Provision In Case Of Redemption Of Preference Shares

8. The Company shall be at liberty at any time, either at one time or from time to time as the Company shall think fit, be giving not less than six month's previous notice in writing to the holders of the preference shares to redeem at par the whole or part of the preference shares for the time being outstanding, by payment of the nominal amount thereof with dividend calculated upto the date or dates notified for payment (and for this purpose the dividend shall be deemed to accrue and due from day to day) and in the case of redemption of part of the preference shares the following provisions shall take effect :
- (a) The shares to be redeemed shall be determined by drawing of lots which the Company shall cause to be made at its Registered Office in the presence of one Director at least; and
 - (b) Forthwith after every such drawing, the Company shall notify the shareholders whose shares have been drawn for redemption its intention to redeem such shares by payment at the Registered Office of the Company at the time and on the date to be named against surrender of the Certificates in respect of the shares to be so redeemed and at the time and date so notified each such shareholder shall be bound to surrender to the Company the Share Certificates in respect of the Shares to be redeemed and thereupon the Company shall pay the amount payable to such shareholders in respect of such redemption. The Shares to be redeemed shall cease to carry dividend from the date named for payment as aforesaid, where any such certificate comprises any shares which have not been drawn for redemption, the Company shall issue to the holder thereof a fresh certificate therefore.

Reduction of Capital

9. The Company may from time to time by special resolution, subject to confirmation by the Court and subject to the provisions of Sections 78, 80 and 100 to 104 of the Act, reduce its Share Capital and any Capital Redemption Reserve Account or Premium Account in any manner for the time being authorised by law and in particular without prejudice to the generality of the foregoing power may be:
- (a) extinguishing or reducing the liability on any of its shares in respect of Share Capital not paid up;
 - (b) either with or without extinguishing or reducing liability on any of its shares, cancel paid up Share Capital which is lost or is unrepresented by available assets; or
 - (c) either with or without extinguishing or reducing liability on any of its shares, pay off any paid up Share Capital which is in excess of the wants of the Company;
- and may, if and so far as is necessary, alter its Memorandum, by reducing the amount of its Share Capital and of its shares accordingly.

Division, Sub-Division, Consolidation, Conversion And Cancellation Of Shares

10. Subject to the provisions of Section 94 of the Act, the Company in General Meeting may by an ordinary resolution alter the conditions of its Memorandum as follows, that is to say it may:
- (a) consolidate and divide all or any of its Share Capital into shares of larger amount than its existing shares;
 - (b) sub-divide its shares or any of them into shares of smaller amount than originally fixed by the Memorandum subject nevertheless to the provisions of the Act in that behalf and so however that in the sub-division the proportion between the amount paid and the amount if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived and so that as between the holders of the shares resulting from such sub-division one or more of such shares may, subject to the provisions of the Act, be given any preference or

- advantage over the others or any other such shares;
- (c) covert, all or any of its fully paid up shares into stock, and re-convert that stock into fully paid up shares of any denomination;
- (d) 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.

Notice to register of consolidation of share capital, conversion of shares into stocks etc.

11. (a) If the Company has :
- (i). consolidated and divided its Share Capital into shares of larger amount than its existing shares;
 - (ii). converted any shares into stock;
 - (iii). reconverted any stock into shares;
 - (iv). sub-divided its share or any of them;
 - (v). redeemed any redeemable preference shares; or
 - (vi). cancelled any shares otherwise than in connection with a reduction of Share Capital under Sections 100 to 104 of the Act,

the Company shall within one month after doing so, give notice thereof to the Registrar specifying as the case may be, the shares consolidated, divided, converted, sub-divided, redeemed or cancelled or the stocks reconverted.

- (b) The Company shall thereupon request the Registrar to record the notice and make any alterations which may be necessary in the Company's Memorandum or Articles or both.

Modifications Of Rights

12. If at any time the Share Capital, by reason of the issue of Preference Shares or otherwise, is divided into different classes of shares, all or any of the rights and privileges attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of Sections 106 and 107 of the Act and whether or not the Company is being wound up, be varied, modified, commuted, affected or abrogated with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of that class. This Article shall not derogate from any power which the Company would have if this Article were omitted. The provisions of these Articles relating to General Meetings shall mutatis mutandis apply to every such separate meeting but so that if at any adjourned meeting of such holders a quorum as defined in Article 102 is not present, those persons who are present shall be quorum.

SHARES AND CERTIFICATES

Issue Of Further Shares Not To Affect Right Of Existing Share Holders

13. The rights or privileges conferred upon the holders of the shares of any class issued with preference or other rights, shall not unless otherwise be deemed to be varied or modified or affected by the creation or issue of further shares ranking *pari passu* therewith.

Provisions Of Sections 85 To 88 Of The Act To Apply

14. The provisions of Sections 85 to 88 of the Act in so far as the same may be applicable shall be observed by the Company.

Register Of Members And Debenture Holders

15. (a) The Company shall cause to be kept a Register of Members and an Index of Members in accordance with Sections 150 and 151 of the Act and Register and Index of Debenture holders in accordance with Section 152 of the Act. The Company may also keep a foreign Register of Members and Debenture holders in accordance with Section 157 of the Act.
- (b) The Company shall also comply with the provisions of Sections 159 and 161 of the Act as to filling of Annual Returns.
- (c) The Company shall duly comply with the provisions of Section 163 of the Act in regard to keeping of the Registers, Indexes, Copies of Annual Returns and giving inspection thereof and furnishing copies thereof.

Commencement Of Business

16. The Company shall comply with the provisions of Section 149 of the Act.

Restriction On Allotment

17. The Board shall observe the restriction as to allotment of shares to the public contained in Sections 69 and 70 of the Act and shall cause to be made the return as to allotment provided for in Section 75 of the Act.

Shares To Be Numbered Progressively And No Shares To Be Subdivided

18. The shares in the Capital shall be numbered progressively according to the several denominations and except in the manner hereinbefore mentioned no share shall be subdivided. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished.

Shares At The Disposal Of The Directors

19. Subject to the provisions of Section 81 of the Act and these Articles the shares in the Capital of the Company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to compliance with the provisions of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the Company in General Meeting to give to any person the option to call for any shares either at par or at a premium during such time and for such option to call for any shares either at par or at a premium during such time and for such consideration as the Directors think fit, and may issue and allot shares in the Capital of the Company on payment in full or part for any property sold and transferred or for services rendered to the Company in the conduct of its business and any shares which may be so allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares.

Every share transferable etc.

20. (i) The shares or other interest of any member in the Company shall be a movable property, transferable in the manner provided by the Articles.
- (ii) Each share in the Company shall be distinguished by its appropriate number.
- (iii) A Certificate under the Common Seal of the Company, specifying any shares held by any member shall be prima facie evidence of the title of the member of such shares.

Application Of Premium Received On Issue Of Shares

21. (a) Where the Company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account to be called "the Share Premium Account" and the provisions of the Act relating to the reduction of the Share Capital of the Company shall except as provided in this Article, apply as if the Share Premium Account were paid-up Share Capital of the Company.
- (b) The Share Premium Account may, notwithstanding, anything in clause (a) above, be applied by the Company.
- (i). in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares;
- (ii). in writing off the preliminary expenses of the Company;
- (iii). in writing off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the Company; or
- (iv). in providing for the premium payable on the redemption of any redeemable preference shares or of any debenture of the Company.

Sale Of Fractional Shares

22. If and whenever, as the result of issue of new or further shares or any consolidation or sub-division of shares, any shares are held by members in fractions, the Directors shall, subject to the provisions of the Act and these Articles and to the directions of the Company in General Meeting, if any, sell those shares, which members hold in fractions, for the best price reasonably obtainable and shall pay and distribute to and amongst the members entitled to such shares in due proportion, the net proceeds of the sale thereof. For the purpose of giving effect to any such sale the Directors may authorise any person to transfer the shares sold to the purchaser thereof, comprised in any such transfer and he shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

Acceptance Of Shares

23. An application signed by or on behalf of an applicant for shares in the Company, followed by an allotment of any shares therein shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares and whose name is on the Register of Members shall for the purpose of these Articles be a member. The Director shall comply with the provisions of Sections 69, 70, 71, 72 and 73 of the Act in so far as they are applicable.

Deposits and calls etc. To be a debt payable immediately

24. The money (if any) which the Board shall, on the allotment of any shares being made by them, require or direct to be paid by way of deposit, call or otherwise in respect of any shares allotted by them, immediately, on the insertation of the name of the allottee in the Register of Members as the name of the holder of such shares, become a debt, due to and recoverable by the Company from the allottee thereof, and shall be paid by him accordingly.

Trusts Not Recognised

25. Save as herein provided, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holders of any share as the absolute owner thereof, and accordingly shall not (except as ordered by a Court of Competent jurisdiction or as by law required) be bound to recognise any benami, trust of equity or equitable, contingent, future, or partial or other claim or claims or right to or interest in such share on the part of any other person whether or not it shall have express or implied notice thereof and the provisions of Section 153 of the Act shall apply.

Issue of certificates of shares to be governed by section 84 of the act etc.

26. (a) The issue of certificates of shares or of duplicate or renewal of certificates of Shares shall be governed by the provisions of Section 84 and other provisions of the Act, as may be applicable and by the Rules or notifications or orders, if any, which may be prescribed or made by competent authority under the Act or Rules or any other law. The Directors may also comply with the provisions of such rules or regulations of any stock exchange where the shares of the Company may be listed for the time being.

Certificate of Shares

- (b) The certificate of title to shares shall be issued under the Seal of the Company and shall be signed by such Directors or Officers or other authorised persons as may be prescribed by the Rules made under the Act from time to time and subject thereto shall be signed in such manner and by such persons as the Directors may determine from time to time.
- (c) The Company shall comply with all rules and regulations and other directions which may be made by any competent authority under Section 84 of the Act.

Limitation Of Time For Issue Of Certificate

27. (a) Every member shall be entitled, without payment, to one or more Certificate in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates, each for one or more of such shares and the Company shall complete and have ready for delivery such Certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide. or within two months of the receipt of application of registration of transfer transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the Seal of the Company and shall specify the number and distinctive numbers of the shares in respect of which it is issued and the amount paid up thereon and shall be in such form as the Directors may prescribe or approve

provided that in respect of a Share or Shares held jointly by several persons, the Company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holders.

- (b) The Company shall not entertain any application for split of share / debenture certificate for less than 10 (Ten) Equity Shares / 10 (Ten) debentures (all relating to the same series) in market lots as the case may be.

Provided however this restriction shall not apply to an application made by the existing members or debenture holders for split of share / debenture certificates with a view to make an odd lot holding into a marketable lot subject to verification by the Company.

- (c) Notwithstanding anything contained in Clause (a) above the Directors shall, however, comply with such requirements of the Stock Exchange where Shares of the Company may be listed or such requirements of any rules made under the Act or such requirements of the Securities Contracts (Regulations) Act, 1956 as may be applicable

Issue of new Certificate in place of one defaced, lost or destroyed

28. If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any Certificate be lost or destroyed then upon proof thereof to the satisfaction of the Company and on execution of such indemnity as the Company deem adequate, being given, a new Certificate in lieu thereof shall be given to the party entitled to such lost or destroyed Certificate. Every Certificate under these Articles shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Re. 2/- for each Certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.

Provided that notwithstanding what is stated above the Directors shall comply with such Rules or Regulations or requirements of any Stock Exchange or the Rules made under the Act or the Rules made under Securities Contracts (Regulations) Act, 1956 or any other Act, or Rules applicable in this behalf.

29. The provisions of these Articles shall mutatis mutandis apply to debentures of the Company

LIEN

Company's lien on Shares/Debentures

44. The Company shall have first and paramount lien upon all the shares / debentures (other than fully paid up shares / debentures) registered in the name of each member (whether solely or jointly with others) and upon the proceeds of sale thereof for all moneys (whether presently payable or not) called or payable at a fixed time in respect of such shares / debentures and no equitable interest in any shares / debentures 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 the provisions of this Clause.

As to enforcing lien by sale

45. For the purpose of enforcing such lien, the Board may sell the shares / debentures subject thereto in such manner as they shall think fit, and for that purpose may cause to be issued a duplicate certificate in respect of such shares and / or debentures and may authorize one of their member or appoint any officer or agent to execute a transfer thereof on behalf of and in the name of such member / debenture holder. No sale shall be made until such period, as may be stipulated by the Board from time to time, and until notice in writing of the intention to sell shall have been served on such member and / or debenture holder or his legal representatives and default shall have been made by him or them in payment, fulfilment, or discharge of such debts, liabilities or engagements for fourteen days after such notice.

Application of proceeds of sale

46. (a) The net proceeds of any such sale shall be received by the Company and applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue if any, shall (subject to a like lien for sums not presently payable as existed upon the shares before the sale) be paid to the persons entitled to the shares and / or debentures at the date of the sale.

Outsiders lien not to affect Company's lien

- (b) The Company shall be entitled to treat the registered holder of any share or debenture as the absolute owner thereof and accordingly shall not (except as ordered by a Court of Competent jurisdiction or by statute required) be bound to recognise equitable or other claim to, or interest in, such shares or debentures on the part of any other person. The Company's lien shall prevail notwithstanding that it has received notice of any such claims.

FORFEITURE

If call or installment not paid notice must be given

47. (a) If any member or debenture holder fails to pay the whole or any part of any call or installment or any money due in respect of any shares or debentures either by way of principal or interest on or before the day appointed for the payment of the same or any such extension thereof as aforesaid, the Directors may at any time thereafter, during such time as the call or any instalment or any part thereof or other moneys remain unpaid or a judgement or decree in respect thereof remains unsatisfied in whole or in part, serve a notice on such member or debenture holder or on the person (if any) entitled to the share by transmission requiring him to pay such call or instalment or such part thereof or other moneys as remain unpaid 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.

Form of Notice

- (b) The notice shall name a day not being less than One Month from the date of the notice and a place or places, on and at which such call, or instalment or such part or other moneys as aforesaid and

such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non payment of call amount with interest at or before the time and at the place appointed, the shares or debentures in respect of which the call was made or instalment or such part or other moneys is or are payable will be liable to be forfeited.

In default of payment shares or debentures to be forfeited

48. If the requirements of any such notice as aforesaid are not complied with any share / debenture in respect of which such notice has been given, may at any time thereafter before payment of all calls or instalments, interest and expenses or other moneys due in respect thereof, be forfeited by a resolution of the Directors to that effect. Neither the receipt by the Company of a portion of any money which shall from time to time be due from any member of the Company in respect of his shares, either by way of principal or interest, nor any indulgence granted by the Company, in respect of the payment of any such money, shall preclude the Company from thereafter proceeding to enforce a forfeiture of such shares as herein provided. Such forfeiture shall include all dividends declared or interest paid or any other moneys payable in respect of the forfeited shares or debentures and not actual paid before the forfeiture.

Entry of forfeiture in Register of members/debenture holders

49. When any shares / debentures shall have been so forfeited, notice of the forfeiture shall be given to the member or debenture holder in whose name it stood immediately prior to the forfeiture and an entry of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or Debenture Holders but no forfeiture shall be invalidated by any omission or neglect or any failure to give such notice or make such entry as aforesaid.

Forfeited share/debenture to be property of Company and may be sold

50. Any share or debenture so forfeited shall be deemed to be the property of the Company, and may be sold, re-allotted or otherwise disposed of either to the original holder or to any other person upon such terms and in such manner as the Directors shall think fit.

Power to annual/ forfeiture

51. The Directors may, at any time, before any share or debenture so forfeited shall have been sold, re-allotted or otherwise disposed of, annual forfeiture thereof upon such conditions as they think fit.

Shareholders or Debenture holders still liable to pay money owing at time of forfeiture and interest

52. Any member or debenture holder whose shares or debentures have been forfeited shall, notwithstanding the forfeiture, be liable to pay and shall forthwith pay to the Company, all calls, installments, interest, expenses and other money owing upon or in respect of such shares or debentures at the time of the forfeiture together with interest thereon from the time of the forfeiture until payment at such rate as the Directors may determine, and the Directors may enforce the payment of the whole or a portion thereof, if they think fit, but shall not be under any obligation to do so.

Effect of forfeiture

53. The forfeiture of a share or debenture shall involve extinction at the time of forfeiture, of all interest in and

all claims and demands against the Company, in respect of the share or debenture and all other rights incidental to the share or debenture, except only such of those rights as by these Articles are expressly saved.

Certificate of forfeiture

54. A certificate in writing under the hand of one Director and counter signed by the Secretary or any other officer authorised by the Directors for the purpose, that the call in respect of a share or debenture was made and notice thereof given and that default in payment of the call was made and that forfeiture of the share or debenture was made by the resolution of Directors to that effect shall be conclusive evidence of the facts stated therein as against all persons entitled to such share or debenture.

Validity of sales under Articles 45 and 50

55. Upon any sale after forfeiture or for enforcing a lien in purported exercise of the powers hereinabove given, the Directors may, if necessary, appoint some person to execute an instrument of transfer of the shares or debentures sold and cause the purchaser's name to be entered in the Register of Members or Register of Debenture Holders in respect of the shares or debentures sold, and the purchaser shall not be bound to see to the regularity of the proceedings, or to the application of the purchase money and after his name has been entered in the Register of Members or Debenture Holders in respect of such shares or debentures the validity of the sale shall not be impeached by any person, and the remedy of any person aggrieved by the sale shall be for damages only and against the Company exclusively.

Cancellation of share/debenture Certificate in respect of forfeited shares/debentures

56. Upon any sale, re-allotment or other disposal under the provisions of the preceding Articles, the certificate/s originally issued in respect of the relative shares or debentures shall (unless the same shall on demand by the Company has been previously surrendered to it by the defaulting member or debenture holder) stand cancelled and become null and void and be of no effect, and the Directors shall be entitled to issue a duplicate certificate/s in respect of the said shares or debentures to the person/s entitled thereto.

Title of purchaser and allottee of forfeited shares/debentures

57. The Company may receive the consideration, if any, given for the share or debenture on any sale, re-allotment or other disposition thereof, and the person to whom such share or debenture is sold, re-allotted or disposed of may be registered as the holder of the share or debenture and shall not be bound to see to the application of the consideration, if any, nor shall his title to the share or debenture be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, re-allotment or other disposal of the share or debenture.

Surrender of Shares or Debentures

58. The Directors may, subject to the provisions of the Act, accept a surrender of any share or debenture from or by any member or debenture holder desirous of surrendering them on such terms as they think fit.

TRANSFER AND TRANSMISSION OF SHARES AND DEBENTURES

Register of Transfers

59. The Company shall keep a book to be called the "Register of Transfers" and therein shall be fairly and distinctly entered the particulars of every transfer or transmission of any share.

Form of Transfer

60. The instrument of transfer shall be in writing and all the provisions of Section 108 of the Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.

Instrument of transfer to be executed by transferor and transferee

61. Every such instrument of transfer shall be signed both by the transferor and transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.

Directors may refuse to register transfer

62. (a) Subject to the provisions of Section 111 of the Act and Section 22A of the Securities Contracts (Regulation) Act, 1956, the Directors may, at their own absolute and uncontrolled discretion any by giving reasons, decline to register or acknowledge any transfer of shares whether fully paid or not and the right of refusal, shall not be affected by the circumstances that the proposed transferee is already a member of the Company but in such cases, the Directors shall within one month from the date on which the instrument of transfer was lodged with the company, send to the transferee and transferor notice of the refusal to register such transfer provided that registration of transfer shall not be refused on the ground of the transferor being either; alone or jointly with any account whatsoever except when the company has lien the shares. Transfer of shares/debentures in whatever lot shall not be refused.
- (b) Nothing in Sections 108, 109 and 110 of the Act shall prejudice this power to refuse to register the transfer of or the transmission on legal documents by operation of law of the rights to, any shares or interest of a member in, any shares or debentures of the Company.

Transfer of Shares

63. (a) An application of registration of the transfer of shares may be made either by the transferor or the transferee provided that where such application is made by the transferor, no registration shall in the case of partly paid shares be effected unless the Company gives notice of the application to the transferee and subject to the provisions of Clause (d) of this Article, the Company shall unless objection is made by the transferee within two weeks from the date of receipt of the notice, enter in the Register of Members the name of the transferee in the same manner and subject to the same conditions as if the application for registration was made by the transferee.
- (b) For the purpose of clause (a) above notice to the transferee shall be deemed to have been duly given if sent by prepaid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered to him in the ordinary course of post.
- (c) It shall not be lawful for the Company to register a transfer of any shares unless a proper

instrument of transfer duly stamped and executed by or on behalf of the transferor and by or on behalf of the transferee and specifying the name, address and occupation if any, of the transferee has been delivered to the Company along with the certificate relating to the shares and if no such certificate is in existence, along with the letter of allotment of shares. The Directors may also call for such other evidence as may reasonably be required to show the right of the transferor to make the transfer provided that where it is proved to the satisfaction of the Directors of the Company that an instrument of transfer signed by the transferor and the transferee has been lost, the Company may, if the Directors think fit, on an application in writing made by the transferee and bearing the stamp required by an instrument of transfer register the transfer on such terms as to indemnity as the Directors may think fit.

- (d) Nothing in clause (c) above shall prejudice any power of the Company to register as share holder any person to whom the right to any share has been transmitted by operation of law.
- (e) The Company shall accept all applications for transfer of shares / debentures, however, this condition shall not apply to requests received by the Company.
 - (A) for splitting of a share or debenture certificate into several scripts of very small denominations;
 - (B) proposals for transfer of shares / debentures comprised in a share / debenture certificate to several parties involving, splitting of a share / debenture certificate into small denominations and that such split / transfer appears to be unreasonable or without any genuine need.
 - (i). transfer of equity shares / debentures made in pursuance of any statutory provisions or an order of a Competent Court of law;
 - (ii). the transfer of the entire equity shares / debentures by an existing shareholder / debenture holder of the Company holding under one folio less than 10 (ten) Equity Shares or 10 (ten) Debentures (all relating to the same series) less than in market lots by a single transfer to a single or joint transferee.
 - (iii). the transfer of not less than 10 (ten) Equity shares or 10 (ten) Debentures (all relating to the same series) in favour of the same transferee(s) under two or more transfer deeds, out of which one or more relate(s) to the transfer of less than 10 (ten) Equity Shares / 10 (ten) debentures.
 - (iv). the transfer of less than 10 (ten) Equity Shares or 10 (ten) Debentures (all relating to the same series) to the existing share holder / debenture holder subject to verification by the Company.

Provided that the Board may in its absolute discretion waive the aforesaid conditions in a fit and proper case(s) and the decision of the Board shall be final in such case(s).

- (f) Nothing in this Article shall prejudice any power of the Company to refuse to register the transfer of any share.

Custody of Instrument of transfer

- 64. The instrument of transfer shall after registration be retained by the Company and shall remain in their custody. All instruments of transfer which the Directors may decline to register shall on demand be returned to the persons depositing the same. The Directors may cause to be destroyed all transfer deeds lying with the Company after such period as they may determine.

Transfer books and Register of members when closed

65. The Board shall have power on giving not less than seven days' previous notice by advertisement in some newspaper circulating in the district in which the office of the Company is situate, to close the Transfer books, the Register of members or Register of debenture holders at such time or times and for such period or periods, not exceeding thirty days at a time and not exceeding in the aggregate forty five days in each year.

Transfer to Minors etc.

66. Only fully paid shares or debentures shall be transferred to a minor acting through his / her legal or natural guardian. Under no circumstances, shares or debentures be transferred to any insolvent or a person of unsound mind.

Title to shares of deceased holder

67. The executors or administrators of a deceased member (not being one or two or more joint holders) or the holder of a deceased member (not being one or two or more joint holders) shall be the only persons whom the Company will be bound to recognise as having any title to the shares registered in the name of such member, and the Company shall not be bound to recognise such executors or administrators or the legal representatives unless they shall have first obtained Probate or Letters of Administration or the legal representatives unless they shall have first obtained probate or Letters of Administration or a Succession Certificate, as the case may be, from a duly constituted competent court in India, provided that in any case where the Directors in their absolute discretion think fit, the Directors may dispense with the production of probate or Letters of Administration or a Succession Certificate upon such terms as to indemnity or otherwise as the Directors in their absolute discretion may think necessary and under Article 70 register the name of any person who claims to be absolutely entitled to the shares standing in the name of a deceased member, as a member.

Registration of persons entitled to share otherwise than by transfer

68. (a) Subject to the provisions of Articles 67 and 77(d), any person becoming entitled to any share in consequence of the death, lunacy, bankruptcy or insolvency of any member or by any lawful means other than by a transfer in accordance with these presents, may with the consent of the Directors (which they shall not be under any obligation to give) upon producing such evidence that he sustains the character in respect of which he proposes to act under this Article or of such titles as the Directors shall think sufficient, either be registered himself as a member in respect of such shares or elect to have some person nominated by him and approved by the Directors registered as a member in respect of such shares. Provided nevertheless that if such person shall elect to have his nominee registered he shall testify his election by executing in favour of his nominee an instrument of transfer in accordance with the provisions herein contained and until he does so, he shall not be free from any liability in respect of such shares.
- (b) A transfer of the shares or other interest in the Company of a deceased member thereof made by his legal representative shall, although the legal representative is not himself a member be as valid as if he had been a member at the time of the execution of the instrument of transfer.

‘Nomination’

(c)

- (1) Every Shareholder or Debenture holder or Deposit holder of the Company, may at any time, nominate a person to whom his Shares or Debentures or Deposit shall vest in the event of his death in such manner as may be prescribed under the Act.
- (2) Where the Shares or Debentures or Deposits of the Company are held by more than one person jointly, joint holders may together nominate a person to whom all the rights in the Shares or Debentures or Deposits as the case may be shall vest in the event of death of all the joint holders in such manner as may be prescribed under Section 58A (11) and 109A of the Act.
- (3) Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, where a nomination made in the manner aforesaid purports to confer on any person the right to vest the Shares or Debentures or Deposits, the nominee shall, on the death of the Shareholder or Debenture holder or Deposit holder, as the case may be on the death of the joint holders become entitled to all the rights in such Shares or Debentures or Deposits as the case may be, all the joint holders, in relation to such Shares or Debentures or Deposits, to the exclusion of all other persons, unless the nomination is varied or cancelled in the manner as may be prescribed under the Act.
- (4) Where the nominee is a minor, it shall be lawful for the holder of the Shares or Debentures or Deposits, to make the nomination to appoint any person to become entitled to Share in, or Debentures or Deposits of, the Company, in the manner prescribed under the Act, in the event of his death, during the minority.

Claimant to be entitled to same advantage

69. The person becoming entitled to a share by reason of the death, lunacy, bankruptcy or insolvency of the holder shall be entitled to the same dividends and other advantages to which he would be entitled as if he were registered holder of the shares except that he shall not before being registered as a member in respect of the share, be entitled in respect of it, to exercise any right conferred by membership in relation to the meeting of the Company provided that the Board may at any time give notice requiring any such persons to elect either to be registered himself or to transfer shares and if the notice is not complied within sixty days, the Board may thereafter withhold payment of all dividends, interest, bonuses or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Persons entitled may receive dividend without being registered as member

70. A person entitled to a share by transmission shall, subject to the right of the Directors to retain such dividends, bonuses or moneys as hereinafter provided be entitled to receive, and may give a discharge for any dividends, bonuses or other moneys payable in respect of the share / debenture
71. Article 70 shall not prejudice the provisions of Articles 44 and 55.

Refusal to register nominee

72. The Directors shall have the same right to refuse on legal ground to register a person entitled by

transmission to any shares or his nominee as if he were the transferee named in an ordinary transfer presented for registration.

Directors may require evidence of transmission

73. Every transmission of a share shall be verified in such manner as the Directors may require, and the Company may refuse to register any such transmission until the same be so verified or until or unless an indemnity be given to the Company with regard to such registration which the Directors at their discretion shall consider sufficient, provided nevertheless that there shall not be any obligation on the Company or the Directors to accept any indemnity.

No Fees on transfer or transmission

74. No fees shall be charged for registration of transfer transmission, Probate, Succession Certificate and Letters of administration, Certificate of Death of Marriage, Power of Attorney or similar other document.

The Company not liable for disregard of a notice prohibiting registration of transfer

75. The Company shall incur no liability or responsibility whatsoever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of members) to the prejudice of persons having or claiming any equitable right, title or interest to or in the said shares, notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it of any equitable right, title or interest or be under any liability whatsoever for refusing or neglecting so to do, though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give affect thereto if the Directors shall so think fit.
76. The provisions of these Articles shall mutatis mutandis apply to the transfer or transmission by operation of law, of debentures of the Company.

JOINT HOLDERS

Joint-holders

77. Where two or more persons are registered as the holders of any shares / debentures, they shall be deemed (so far as the Company is concerned) to hold the same as joint tenants with benefits of survivorship, subject to the following and other provisions contained in these Articles.

No transfer to more than four persons as joint holders

- (a) The joint holders of any share / debenture shall be liable severally four persons as the holders of any share / debentures.

Transfer by joint holders

- (b) In the case of a transfer of shares / debentures held by joint holders, the transfer will be effective only if it is made by all the joint holders.

Liability of joint holders

- (c) The joint holders of any share / debenture shall be liable severally as well as jointly for and in respect of all calls or installments and other payments which ought to be made in respect of such share / debenture.

Death of one or more joint holders

- (d) On the death of any one or more of such joint holders the survivor / survivors shall be the only person or persons recognised by the Company as having any title to the share / debenture, but the Directors may require such evidence of death as they may deem fit, and nothing herein contained shall be taken to release the estate of a deceased joint holder from any liability on shares / debentures held by him jointly with any other person.

Receipt of one sufficient

- (e) Any one of such joint holders may give effectual receipts of any dividends, interests or other moneys payable in respect of such share / debenture.

Delivery of certificate and giving of notices to first named holder

- (f) Only the person whose name stands first in the Register of Members / debenture holders as one of the joint holders of any shares / debentures shall be entitled to the delivery of the certificate relating to such share/debenture or to receive notice which expression shall be deemed to include all documents as defined in Article (2)(a) hereof and any document served on or sent to such person shall be deemed service on all the joint holders.

Vote of joint holders

- (g) (i) Any one of two or more joint holders may vote at any meeting either personally or by attorney or by proxy in respect of such shares as if he were solely entitled thereto and if more than one of such joint holders be present at any meeting personally or by proxy or by attorney then that one of such persons so present whose name stands first or higher (as the case may be) on the Register in respect of such share shall alone be entitled to vote in respect thereof but the other or others of the joint holders shall be entitled to be present at the meeting provided always that a joint holder present at any meeting personally shall be entitled to vote in preference to a joint holder present by Attorney or by proxy although the name of such joint holder present by an Attorney or proxy stands first or higher (as the case may be) in the Register in respect of such shares.
- (ii) Several executors or administrators of a deceased member in whose (deceased member) sole name any share stands shall for the purpose of this clause be deemed joint holders.

BORROWING POWERS**Restriction on powers of the Board**

78. The Board of Directors shall not, except with the consent of the Company in General Meeting and subject to Article 172 of the Articles of Association of the Company :

- (a) sell, lease or otherwise dispose of the whole or substantially the whole, of the undertaking of the Company, or where the Company owns more than one undertaking of the whole, or substantially the whole, of any such undertaking.
- (b) remit, or give time for the repayment of any debt due by a Director.
- (c) invest, otherwise than in trust securities the amount of compensation received by the Company in respect of the compulsory acquisition after the commencement of this Act, of any such undertaking as is referred to in clause (a) or of any premises or properties used for any such undertaking and without which it can not be carried on or can be carried on only with difficulty or only after a considerable time.
- (d) borrow monies where the moneys to be borrowed, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will exceed the aggregate of the paid-up Capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose.
- (e) contribute, to charitable and other funds not directly relating to the business of the Company or the welfare of its employees, any amounts the aggregate of which will, in any financial year, exceed fifty thousand rupees or five percent, of its average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Act during the three financial year immediately preceding, whichever is greater.

Explanation: Every resolution passed by the Company in General Meeting in relation to the exercise of the power referred to in clause (d) or in clause (e) shall specify the total amount upto which money may be borrowed by the Board of Directors under clause (d) or as the case may be, the total amount which may be contributed to charitable and other funds in any financial year under clause (e).

Conditions on which money may be borrowed

79. The Directors may raise and secure the payment of such sum or sums in such manner and upon such terms and conditions in all respects as they think fit, and in particular by the issue of bonds, perpetual or redeemable, debenture or debenture stocks or any mortgage or charge or other security on the undertaking of the whole or any part of the property of the Company (both present and future) including its uncalled Capital for the time being.

Bonds, debentures etc. to be subject to the control of Directors

80. Any bonds, debentures, debenture stocks or other securities issued or to be issued by the Company shall be under the control of the Directors who may issue them upon such terms and conditions and in such manner and for such consideration as they shall consider being for the benefit of the Company.

Provided that bonds, debentures, debenture stocks or other securities so issued or to be issued by the Company with the right to allotment of or conversion into shares shall not be issued except with the sanction of the Company in General Meeting by a special resolution.

Securities may be assignable free from equities

81. Debentures, debenture stocks, bonds or other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.

Issue at discount etc. or with special privileges

82. Any bonds, debenture stocks, or other securities may be issued, subject to the provisions of the Act, at a discount, premium or otherwise and with any special privileges as to redemption, surrender, drawings, appointment of Directors and otherwise and subject to the following :

Debentures with voting rights not to be issued

- (a) The Company shall not issue any debentures carrying voting rights at any meeting of the Company whether generally or in respect of particular classes of business.
- (b) The Company shall have power to reissue redeemed debentures in certain cases in accordance with Section 121 of the Act.
- (c) Payments of certain debts out of assets subject to floating charge in priority to claims under the charge may be made in accordance with the provisions of Section 123 of the Act.
- (d) Certain charges mentioned in Section 125 of the Act shall be void against the liquidators or creditors unless registered as provided in section 125 of the Act.
- (e) The term 'charge' shall include mortgage in these Articles.
- (f) A contract with the Company to take up and pay for any debentures of the Company may be enforced by a decree for specific performance.

Limitation of time for issue of Certificate

- (g) The Company shall, within three months after the allotment of any of its debentures or debenture stock, and within one month after the application for the registration of the transfer of any such debentures or debenture stocks have complete and have ready for delivery the Certificate of all the debentures and the Certificates of all debenture stocks allotted or transferred unless the conditions of issue of the debentures or debenture stocks otherwise provide.

The expression 'transfer' for the purpose of this clause means a transfer duly stamped and otherwise valid and does not include any transfer which the Company is for any reason entitled to refuse to register and does not register.

Right to obtain copies of the inspect Trust Deed

- (h)
 - (i) A copy of any Trust Deed for securing any issue of debentures shall be forwarded to the holder of any such debentures or any member of the Company at his request and within seven days of the making thereof on payment.
 - 1. In the case of a printed Trust Deed of the sum of Rupee One and
 - 2. In the case of a Trust Deed which has not been printed of thirty seven paise for every one hundred words or fractional part thereof required to be copied.
 - (ii) The Trust Deed referred to in item (i) above shall also be open to inspection by any member or debenture holder of the Company in the same manner, to the same extent, and on payment of the same fees, as if it were the Register of Members of the Company.

Mortgage of uncalled Capital

83. If any uncalled Capital of the Company is included in or charged by any mortgage or other security the Directors shall, subject to the provisions of the Act and these Articles, make calls on the members in respect of such uncalled Capital in trust for the person in whose favour such mortgage or security is executed.

Indemnity may be given

84. If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or person so becoming liable as aforesaid from any loss in respect of such liability.

Registration of charges

85. (a) The provisions of the Act relating to registration of charges shall be complied with.
- (b) In the case of a charge created out of India and comprising solely property situated outside India, the provisions of Section 125 of the Act shall also be complied with.
- (c) Where a charge is created in India but comprises property outside India, the instrument creating or purporting to create the charge under Section 125 of the Act or a copy thereof verified in the prescribed manner, may be filed for registration, notwithstanding that further proceedings may be necessary to make the charge valid or effectual according to the law of the country in which the property is situated, as provided by Section 125 of the Act.
- (d) Where any charge on any property of the Company required to be registered under Section 125 of the Act has been so registered any persons acquiring such property or any part thereof or any share as interest therein shall be deemed to have notice of the charge as from the date of such registration.
- (e) In respect of registration of charges on properties acquired subject to charge, the provisions of Section 127 of the Act shall be complied with.
- (f) The Company shall comply with the provisions of Section 128 of the Act relating to particulars in case of series of debentures entitling holders *pari passu*.
- (g) The Company shall comply with the provisions of Section 129 of the Act in regard to registration of particulars of commission, allowance or discount paid or made, directly or indirectly, in connection with the debentures.
- (h) The Provisions of Section 133 of the Act as to endorsement of Certificate of registration on debenture or Certificate of debenture stock shall be complied with by the Company.
- (i) The Company shall comply with the provisions of Section 134 of the Act as regards registration of particulars of every charge and of every series of debentures.
- (j) As to modification of charges, the Company shall comply with the provisions of Section 135 of the Act.
- (k) The Company shall comply with the provisions of Section 136 of the Act regarding keeping a copy of instrument creating charge at the registered office of the Company and comply with the provisions of Section 137 of the Act in regard to entering in the register of charges any appointment of Receiver or Managers as therein provided.
- (l) The Company shall also comply with the provisions of section 138 of the Act as to reporting satisfaction of any charge and procedure thereafter.

- (m) The Company shall keep at its registered office a Register of charges and enter therein all charges specifically affecting any property of the Company and all floating charges on the undertaking or on any property of the company giving in each case :
 - (i). a short description of the property charged;
 - (ii). the amount of the charge; and
 - (iii). except in the case of securities to bearer, the names of persons entitled to the charge.
- (n) Any creditor or member of the Company and any other person shall have the right to inspect copies of instruments creating charges and the Company's Register of charges in accordance with and subject to the provisions of Section 144 of the Act.

Trust not recognised

86. No notice of any trust, express or implied or constructive, shall be entered on the Register of Debenture holders

SHARE WARRANTS

Power to issue share warrants

87. The Company may issue share warrants subject to and in accordance with the provisions of Sections 114 and 115 and accordingly, the Board may, in its discretion, with respect to any share which is fully paid upon application in writing signed by the persons registered as holder of the share and authenticated by such evidence (if any) as the Board may from time to time, require as to the identity of the persons signing the application and on receiving the certificate (if any) of the share and the amount of the stamp duty on the warrant and such fee as the board may from time to time require issue a share warrant.

Deposit of share warrant

88. (a) The bearer of a share warrant may at any time deposit the warrant at the office of the Company, and so long as the warrant remains so deposited, the depositor shall have the same right of signing a requisition for calling a meeting of the Company, and of attending and voting and exercising the other privileges of the member at any meeting held after the expiry of two clear days from the time of deposit, as if his name were inserted in the register of Members as the holder of the share included in the deposited warrant.
- (b) Not more than one person shall be recognised as depositor of the share warrant.
- (c) The Company shall, on two day's written notice, return the deposited share warrant to the depositor.

Privileges and disabilities of the holders of share warrant

89. (a) Subject as herein otherwise expressly provided, no person shall as bearer of a share warrant, sign a requisition for calling a meeting of the Company, or attend, or vote or exercise any of privileges of a member at a meeting of the Company, or be entitled to receive any notice from the Company.
- (b) The bearer of a share warrant shall be entitled in all other respects to the same privileges and advantages as if he were named in the Register of Members as the holder of the share included in the warrant, and he shall be a member of the Company.

Issue of new share warrant or coupon

90. The Board may, from time to time, make rules as to the terms on which (if it shall think fit) a new share warrant or coupon may be issued by way of renewal in case of defacement, loss or destruction.

CONVERSION OF SHARES INTO STOCK AND RECONVERSION**Shares may be converted into stock**

91. The Company in general meeting may convert any paid up shares into stock and when any shares shall have been converted into stock, the several holders of such stock may thenceforth transfer their respective interest therein or any part of such interests, 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, or as near thereto as circumstances will admit. The Company may at any time reconvert any stock into paid up shares of any denomination.

Rights of stock holders

92. The holders of stock shall, according to the amount of stock held by them, have the same right, privileges and advantages as regards dividends, voting at meeting of the company, and other matters, as if they held the shares from which the stock arose, but no such privileges or advantage (except participation in the dividends and profit of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privileges or advantages.

VOTES OF MEMBERS**Restrictions on exercise of voting rights of members who have not paid calls**

104. (a) No member shall exercise any voting right in respect of any shares registered in his name on which any calls or other sums presently payable by him have not been paid or in regard to which the Company has and has exercised any right of lien.
(b) Where the shares of the Company are held in trust, the voting power in respect of such shares shall be regulated by the provisions of Section 187 B of the Act.

Restriction on exercise of voting right in other cases to be void

105. A member is not prohibited for exercising his voting right on the ground that he has not held his share or other interest in the Company for any specified period preceding the date on which the vote is taken, or on any other ground not being a ground set out in Article 104.

Equal rights of share holders

106. Any shareholder whose name is entered in the Register of members of the Company shall enjoy the same rights and be subject to the same liabilities as all other shareholders of the same class.

Voting to be by show of hands in first instance

107. At any general meeting a resolution put to vote at the meeting shall unless a poll is demanded under Section

179 of the Act be decided on a show of hands.

108. (a) Subject to the provisions of the Act, upon show of hands every member entitled to vote and present in person shall have one vote, and upon a poll every member entitled to vote and present in person or by proxy shall have one vote, for every share held by him.

No voting by proxy on show of hands

- (b) No member not personally present shall be entitled to vote on a show of hands unless such member is a body corporate present by proxy or by a representative duly authorised under Sections 187 or 187A of the Act, in which case such proxy or representative may vote on a show of hands as if he were a member of the Company.

How members non compos minutes and minor may vote

- (c) A member of unsound mind or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by his committee or other legal guardian and any such committee or guardian may on poll vote by proxy; if any member be a minor the vote in respect of his share or shares shall be by his guardians or any one of his guardians, if more than one, to be selected in case of dispute by the Chairman of the meeting.

- (d) **Votes in respect of shares of deceased or insolvent members etc.**

Subject to the provisions of the Act and other provisions of these Articles, any person entitled under the transmission clause to any shares may vote at any general meeting in respect thereof as if he was the registered holder of such shares, provided that at least 48 (forty eight) hours before the time of holding the meeting or adjourned meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to such shares unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof.

- (e) **Custody of Instrument**

If any such instrument of appointment be confined to the object of appointing proxy or substitute for voting at meetings of the Company, it shall remain permanently or for such time as the Directors may determine in the custody of the Company; if embracing other objects a copy thereof examined with the original, shall be delivered to the Company to remain in the custody of the Company.

- (f) **Validity of votes given by proxy notwithstanding death of members etc.**

A vote given notwithstanding the previous death of the principal or revocation of the proxy or the transfer of the share in respect of which the vote is given, provided that no intimation in writing of the death, revocation or transfer shall have been received at the registered office of the Company before the meeting, in accordance with the terms of an instrument of proxy shall be valid

(g) **Time for objections for vote**

No objection shall be made to the validity of any vote except at the meeting or poll at which such vote shall be tendered and every vote whether given personally or by an agent or proxy or representative not disallowed at such meeting or poll shall be deemed valid for all purpose of such meeting or poll whatsoever.

(h) **Chairman of any meeting to be the judge of any vote**

The Chairman of any meeting shall be the sole judge of the validity of every vote tendered at such meeting. The Chairman present at the taking of a poll shall be the sole judge of the validity of every vote tendered at such poll.

Chairman's declaration of result of voting by show of hands to be conclusive

109. A declaration by the Chairman in pursuance of Section 177 of the Act that on a show of hands, a resolution has or has not been carried, either unanimously or by a particular majority, and an entry to that effect in the books containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes cast in favour of or against such resolution.

Demand for poll

110. (a) Before or on the declaration of the result of the voting on any resolution of a show of hands, a poll may be ordered to be taken by the Chairman of the meeting of his own motion and shall be ordered to be taken by him on a demand made in that behalf by any member or members present in person or by proxy and holding shares in the Company which confer a power to vote on the resolution not being less than one-tenth of the total voting power in respect of the resolution or on which an aggregate sum of not less than fifty thousand rupees has been paid up.
- (b) The demand for a poll may be withdrawn at any time by the person or persons who made the demand.

Time of taking poll

111. (a) A poll demanded on a question of adjournment shall be taken forthwith.
- (b) A poll demanded on any other question (not being a question relating to the election of a Chairman which is provided for in Section 175 of the Act) shall be taken at such time not being later than 48 (forty eight) hours from the time when the demand was made, as the Chairman may direct.

Right of a member to use his votes differently

112. On a poll taken at a meeting of the Company a member or other person entitled to vote for him as the case may be, need not, if he votes, use, all his votes or cast in the same way all the votes he uses.

Scrutineers at poll

113. (a) Where a poll is to be taken, the Chairman of the meeting shall appoint two scrutineers to scrutinise the votes given on the poll and to report thereon to him.

- (b) The Chairman shall have power, at any time before the result of the poll is declared, to remove a scrutineer from office and to fill vacancies in the office of scrutineer arising from such removal or from any other cause.
- (c) Of the two scrutineers appointed under this article, one shall always be a member (not being an officer or employee of the Company) present at the meeting, provided such a member is available and willing to be appointed.

Manner of taking poll and result thereof

- 114. (a) Subject to the provisions of the Act, the Chairman of the meeting shall have power to regulate the manner in which a poll shall be taken.
- (b) The result of the poll shall be deemed to be the decision of the meeting on the resolution on which the poll was taken.

Casting Vote

- 115. In the case of an equality of 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 casting vote in addition to his own vote or votes to which he may be entitled as a member.

Representation of Body Corporate

- 116. A body corporate (whether a Company within the meaning of the Act or not) if it is a member or creditor (including a holder of debentures) of the Company may in accordance with the provisions of Section 187 of the Act authorise such person by a resolution of its Board of Directors as it thinks fit, to act as its representative at any meeting of the Company or of any class of members of the Company or at any meeting of creditors of the Company.

Representation of the President of India or Governors

- 117. (a) The President of India or the Governor of a State if he is a member of the Company may appoint such person as he thinks fit to act as his representative at any meeting of the Company or at any meeting of any class of members of the Company in accordance with provisions of Section 187A of the Act or any other statutory provision governing the same.
- (b) A person appointed to act as aforesaid shall for the purposes of the Act be deemed to be a member of such a Company and shall be entitled to exercise the same rights and powers (including the right to vote by proxy) as the President or as the case may be the Governor could exercise, as a member of the Company.
- (c) Public Trustee
The Company shall observe the provisions of Section 187B of the Act, in regard to the Public Trustee.

Circulation of member's resolution

- 118. The Company shall comply with provisions of Section 188 of the Act, relating to circulation of member's resolution.

Resolution requiring special notice

119. The Company shall comply with provisions of Section 190 of the Act relating to resolution requiring special notice.

Resolutions passed at adjourned meeting

120. The provisions of Section 191 of the Act shall apply to resolutions passed at an adjourned meeting of the Company, or of the holders of any class of shares in the Company and of the Board of Directors of the Company and the resolutions shall be deemed for all purposes as having been passed on the date on which in fact they were passed and shall not be deemed to have been passed on any earlier date.

Registration of resolutions and agreements

121. The Company shall comply with the provisions of Section 192 of the Act relating to registration of certain resolutions and agreements.

Minutes of proceedings of general meeting and of Board and other meetings

122. (a) The Company shall cause minutes of all proceedings of general meetings, and of all proceedings of every meeting of its Board of Directors or of every Committee of the Board to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for the purpose with their pages consecutively numbered.
- (b) Each page of every such book shall be initialed or signed and the last page of the record of proceedings of each meeting in such books shall be dated and signed :
- (i). in the case of minutes of proceedings of the Board or of a Committee thereof by the Chairman of the said meeting or the Chairman of the next succeeding meeting.
- (ii). in the case of minutes of proceedings of the general meeting by Chairman of the said meeting within the aforesaid period, of thirty days or in the event of the death or inability of that Chairman within that period, by a Director duly authorised by the Board for the purpose.
- (c) In no case the minutes of proceedings of a meeting shall be attached to any such book as aforesaid by pasting or otherwise.
- (d) The minutes of each meeting shall contain a fair and correct summary of the proceedings thereat.
- (e) All appointments of officers made at any of the meetings aforesaid shall be included in the minutes of the meeting.
- (f) In the case of a meeting of the Board of Directors or of a Committee of the Board, the minutes shall also contain:
- (i). the names of the Directors present at the meetings, and
- (ii). in the case of each resolution passed at the meeting, the names of the Directors, if any dissenting from or not concurring in the resolution.
- (g) Nothing contained in Clauses (a) to (d) hereof shall be deemed to require the inclusion in any such minutes of any matter which in the opinion of the Chairman of the meeting:
- (i). is or could reasonably be regarded, as defamatory of any person
- (ii). is irrelevant or immaterial to the proceedings; or
- (iii). in detrimental to the interests of the Company.

The Chairman shall exercise an absolute discretion in regard to the inclusion or non-inclusion of any matter

in the minutes on the grounds specified in this clause.

Minutes to be considered to be evidence

- (h) The minutes of meetings kept in accordance with the provisions of Section 193 of the Act shall be evidence of the proceedings recorded therein.

Presumptions to be drawn where minutes duly drawn and signed

- 123. Where minutes of the proceedings of any general meeting of the Company or of any meeting of its Board of Directors or of a Committee of the Board have been kept in accordance with the provisions of Section 193 of the Act then, until the contrary is proved, the meeting shall be deemed to have been duly called and held, and all proceedings thereat to have duly taken place and in particular all appointments of Directors or Liquidators made at the meeting shall be deemed to be valid and the minutes shall be evidence of the proceedings recorded therein.

Inspection of Minutes Books of General Meetings

- 124. (a) The books containing the minutes of the proceedings of any general meeting of the Company shall;
 - (i). be kept at the registered office of the Company, and
 - (ii). be open, during the business hours to the inspection of any member without charge subject such reasonable restrictions as the Company may, in general meeting impose so however that not less than two hours in each day are allowed for inspection.
- (b) Any member shall be entitled to be furnished, within seven days after he has made a request in that behalf of the Company, with a copy of any minutes referred to in Clause (a) above, on payment of thirty seven paise for every one hundred words or fractional part thereof required to be copied.

Publication of reports of proceeding of general meetings

- 125. No document purporting to be a report of the proceedings of any general meeting of the Company shall be circulated or advertised at the expenses of the Company unless it includes the matters required by Section 193 of the Act to be contained in the Minutes of the proceedings of such meeting.

SECTION IX: OTHER INFORMATION

MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by our Company or entered into more than two (2) years before the date of this Draft Red Herring Prospectus) which are or may be deemed material have been entered or are to be entered into by our Company. These contracts, copies of which have been attached to the copy of the Red Herring Prospectus, delivered to the Registrar of Companies, Maharashtra, Mumbai for registration and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of our Company at Bellad Bagewadi, Taluka Hukkeri, Bellad Bagewadi 591 305, Karnataka, India, from 10.00 a.m. to 4.00 p.m. on Working Days from the date of the Draft Red Herring Prospectus until the Bid/Issue Closing Date.

Material Contracts

1. Engagement Letter dated March 12, 2011 between our Company and Ashika Capital Limited as BRLM to the Issue.
2. Issue Agreement dated December 21, 2011 amongst our Company and the BRLM.
3. Memorandum of Understanding dated December 21, 2011 executed by our Company and the Registrar to the Issue.
4. Escrow Agreement dated [●] between our Company, the BRLM, Escrow Collection Banks and the Registrar to the Issue.
5. Syndicate Agreement dated [●] between our Company, the BRLM and Syndicate Members.
6. Underwriting Agreement dated [●] between our Company, the BRLM and Syndicate Members.
7. Agreement dated [●] with the IPO grading agency.

Material Documents

8. Our Company's Memorandum of Association and Articles of Association.
9. Copy of the board resolution dated April 5, 2011 authorizing the Issue and related matters.
10. Copy of the shareholders' resolutions dated May 2, 2011 authorizing the Issue and related matters.
11. Copy of Sanction Letter dated December 27, 2011 issued by the Bank of India of ₹7,000 lakhs for expansion purposes as mentioned under the Section "Objects of the Issue".
12. Copy of shareholder's resolution dated February 15, 2011 appointing Mr. Nikhil Umesh Katti as Managing Director of our Company.
13. Copy of shareholder's resolution dated February 15, 2011 appointing Mr. Mallikarjun Pujar as Whole Time Director of our Company.
14. Copy of shareholder's resolution dated February 15, 2011 appointing Mr. Mukesh Kumar as Executive Director of our Company.
15. Copy of Employee Agreement dated May 23, 2011 appointing Mr. Nikhil Umesh Katti as Managing

Director of our Company.

16. Copy of Employee Agreement dated May 23, 2011 appointing Mr.Mallikarjun Pujar as Whole Time Director of our Company.
17. Copy of Employee Agreement dated May 23, 2011 appointing Mr.Mukesh Kumar as Executive Director of our Company.
18. Copies of Annual Reports of our Company for the years ended March 31, 2011, 2010, 2009, 2008, and 2007 and audited financial results for the quarter ended June 30, 2011.
19. Report of the Auditors, M/s P. G. Ghali & Co., Chartered Accountants, Belgaum dated December 12, 2011 prepared as per Indian GAAP and mentioned in this Draft Red Herring Prospectus.
20. Copy of the Statement of Tax Benefits dated December 12, 2011 from the Statutory Auditor in this case being M/s P. G. Ghali & Co., Chartered Accountants, Belgaum.
21. Consents of the Bankers to our Company, the BRLM, the Syndicate Members, the Registrar to the Issue, the Escrow Collection Bank(s), the Lenders to the Company, the Legal Advisors to our Company, the Statutory Auditor and the Underwriters, the Directors of our Company, the Company Secretary and the Compliance Officer, as referred to, in their respective capacities.
22. Copy of Certificate from the Statutory Auditor of our Company, M/s. P. G. Ghali & Co., Chartered Accountants, Belgaum, dated December 29, 2011 regarding the Eligibility of the Issue.
23. Board Resolution dated December 29, 2011 for approval of Draft Red Herring Prospectus.
24. IPO grading report dated [●] issued by [●], a credit rating agency registered with SEBI.
25. In-principle listing approvals dated [●] and [●] from the BSE and the NSE, respectively.
26. Tripartite Agreement among NSDL, the Company and the Registrar to the Issue dated [●].
27. Tripartite Agreement among CDSL, the Company and the Registrar to the Issue dated [●].
28. Due diligence certificate dated December 29, 2011 to SEBI from the BRLM.
29. SEBI observation letter No. [●] dated [●].

Any of the contracts or documents mentioned in this Draft 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 with the provisions contained in the Companies Act and other relevant statutes.

DECLARATION

We, the persons mentioned herein below, as Directors or otherwise, certify that all relevant provisions of the Companies Act, 1956, and the guidelines issued by the Government of India or the regulations and guidelines issued by Securities and Exchange Board of India established under section 3 of the Securities and Exchange Board of India Act, 1992, as the case may be, have been complied with and no statement made in this Draft Red Herring Prospectus is contrary to the provisions of the Companies Act, 1956, as amended or the Securities and Exchange Board of India Act, 1992 or the rules made thereunder or regulations issued, as the case may be. We further certify that all statements in this Draft Red Herring Prospectus are true and correct.

SIGNED BY THE DIRECTORS OF OUR COMPANY:

Sd/- Mr. Umesh Vishwanath Katti <i>Non-Executive Chairman</i>	Sd/- Mr. Nikhil Umesh Katti <i>Managing Director</i>
Sd/- Mr. Mukesh Kumar <i>Executive Director</i>	Sd/- Mr. Mallikarjun Pujar <i>Whole Time Director</i>
Sd/- Mr. Kiran Ganapatrao Kore <i>Independent and Non-Executive Director</i>	Sd/- Mr. Shrinivas Ranganath Koujalgi <i>Independent and Non-Executive Director</i>
Sd/- Mr. Surendra Shantaveer Khot <i>Independent and Non-Executive Director</i>	Sd/- Mr. Jibu Cherian <i>Independent & Non-Executive Director</i>

SIGNED BY FINANCE MANAGER:

Sd/-

Sheshagiri Kulkarni

Date: December 29, 2011
Place: Belgaum, Karnataka